



alstria

Edition 2010



Annual Report 2010
Part II/II – Financial Report

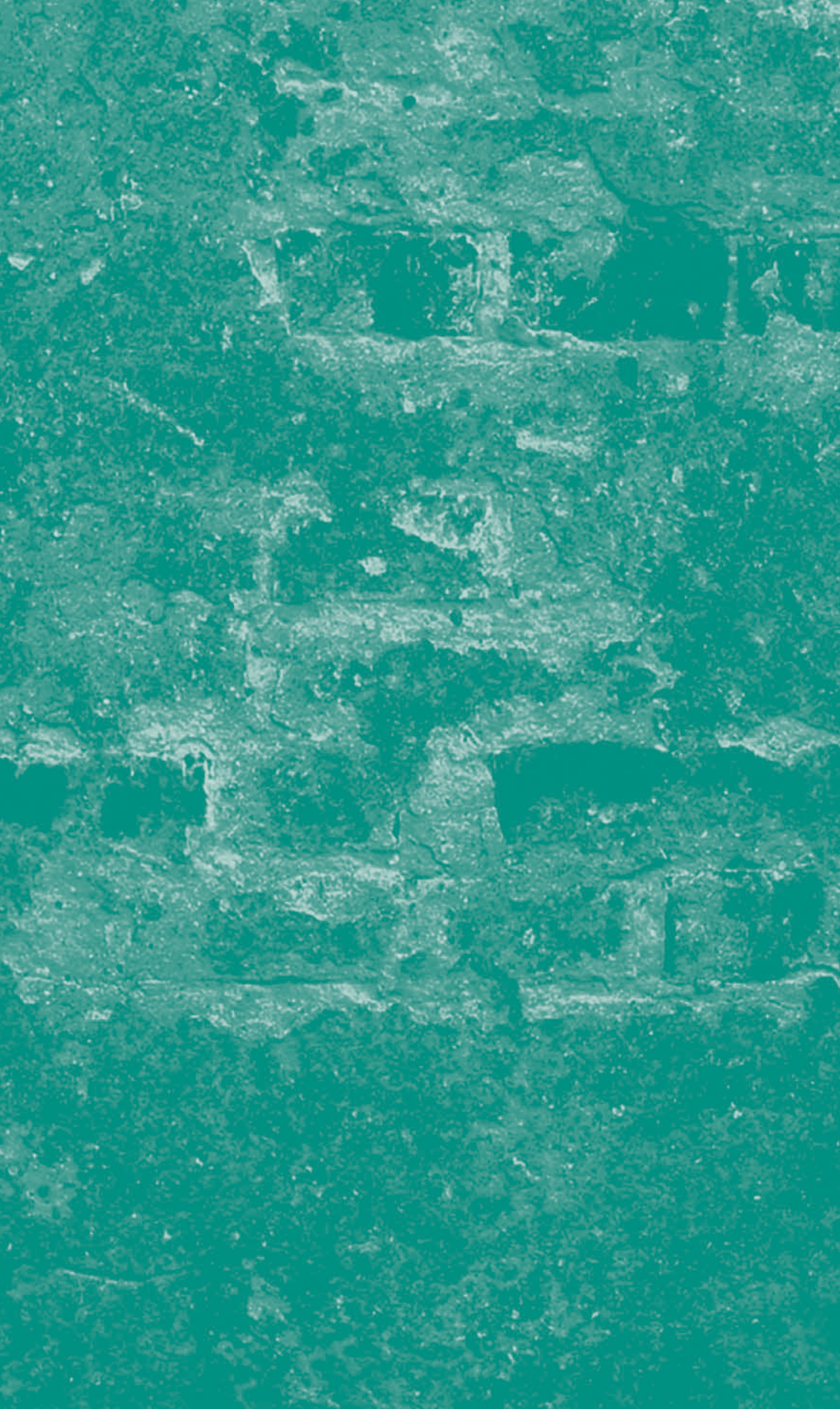
 **alstria**
First German REIT

KEY FIGURES 2010

| EUR k | 2010 | 2009 | Change (%) |
|---|----------------------|----------------------|------------|
| Revenues and earnings | | | |
| Revenues | 89,094 | 102,510 | -13.1 |
| Net rental income | 81,759 | 91,964 | -11.1 |
| Consolidated profit/loss for the period | 206 | -79,651 | 100.3 |
| FFO | 27,541 | 32,690 | -15.8 |
| Earnings per share (EUR) | 0.00 | -1.40 | 100.3 |
| | Dec. 31, 2010 | Dec. 31, 2009 | |
| Balance sheet | | | |
| Investment property | 1,348,400 | 1,425,440 | -5.4 |
| Total assets | 1,542,336 | 1,766,134 | -12.7 |
| Equity | 692,408 | 634,185 | 9.2 |
| Liabilities | 849,928 | 1,131,949 | -24.9 |
| NAV/share (EUR) | 11.24 | 11.32 | -0.7 |
| NNNAV/share (EUR) | 11.24 | 11.32 | -0.7 |
| G-REIT key figures | | | |
| G-REIT ratio | 49.8 % | 40.3 % | 9.5 pp |
| Revenues plus other income from investment properties | 100 % | 100 % | 0.0 pp |
| Share data | | | |
| Number of shares (m) | 61.6 | 56.0 | |
| Number of own shares (m) | 0.0 | 0.0 | |
| Total (m) | 61.6 | 56.0 | |

PROFILE

alstria office REIT-AG is an internally managed Real Estate Investment Trust (REIT) focused solely on acquiring, owning and managing office real estate in Germany. alstria was founded in January 2006 and was converted into the first German REIT in October 2007. Its headquarters are in Hamburg. alstria office REIT-AG owns a diversified portfolio of properties across attractive German office real estate markets. Its portfolio as of December 31, 2010 comprises 70 properties with an aggregate lettable space of approx. 778,000 sqm and is valued at approx. EUR 1.4 bn. alstria intends to expand its portfolio in the upcoming years as part of a sustainable growth strategy. This strategy is based on selective investments and active asset and portfolio management, as well as on establishing and maintaining good relationships with key customers and decision-makers. alstria focuses on long-term real estate value creation.



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GROUP MANAGEMENT REPORT

ECONOMICS AND STRATEGY (BUSINESS OVERVIEW)

Economic conditions

In 2010 the German economy enjoyed a strong rebound in activity after 2009.

Germany's GDP was up 3.6 % in 2010*. The government stimulus programmes have had a positive impact. This positive development of the economy feeds the recovery of the labour market. The unemployment rate for the full year was 7.7 %** which reflects a decrease of 0.5 percentage points compared to 2009. However, the German economy is still catching up from the deep recession of 2008 and 2009.

The outcome of the economic crisis is still significant for the national budget. Again the public deficits standing reached a record level and therefore it might possibly exceed the 3 % deficit limit of the Maastricht treaty.

Nevertheless all expectations for 2010 have been exceeded. The fast economic recovery and the confidence of companies for 2011 is reflected impressively by the real estate market. Never before have large single lease-ups of over 20,000 sqm had such a remarkable influence on the revenues for the German office property market as was the case in 2010. Their share was around 17.0 % for the whole take-up volume in Germany, the highest level throughout the last ten years.

More importantly, it is uncertain whether all banks have been able to strengthen their balance sheets in a meaningful manner. Granting of loans remained relatively limited in 2010, and although there was improved liquidity in the mortgage credit market towards the end of the year, the volumes on offer appear far lower than are required to sustain global recovery in the market. It is also evident that the Commercial Mortgage Backed Securities (CMBS) market will remain inactive for the foreseeable future.

Overview of the German office property market***

Development of office rents The overall development of rents in the German office property market did not mirror the growth of the German economy, with the rental level remaining flat over the period with limited changes of +/- 2 % year on year. During the first three quarters of 2010, prime rents stabilised in the largest cities in Germany. They decreased by around 2 % in Hamburg (EUR 22.50 per sqm) and in Frankfurt by 3 % (EUR 33.00 per sqm), Berlin prime rents (EUR 20.50 per sqm) increased by 2.5 %, Munich (EUR 29.00 per sqm) by 1.8 % and Düsseldorf (EUR 23.00 per sqm) by 4.5 % compared to 2009.

Take-up in major German cities The vacancy rate of office properties in German cities increased from 9.9 % in 2009 to 10.6 % in 2010, which represents total vacancies of 8.47 million sqm. Comparing the six-biggest German cities, the highest vacancy rate was noted in Frankfurt (14.7 %), followed by Düsseldorf (12.9 %), Munich (10.5 %), Hamburg (9.6 %), Berlin (9.1 %) and Stuttgart (7.1 %). Despite strong tenant demand and fluid leasing markets, total net absorption of office space in Germany remains negative, pushing vacancy rates up. This is mainly the effect of an increasing search for efficiency by tenants who tend to rent less but more efficient space than previously.

New lease-up New lease contracts for over 2.66 million sqm of office space have been signed in the six major German cities. This reflects an increase of 0.56 million sqm or 26.4 % compared to the previous year. In Munich and Stuttgart the rise ranged between 11 % and 19 %, in Berlin and Frankfurt between 25 % and 32 %, whereas the highest percentage increase in total new lease-ups was registered in Düsseldorf (55 %). In Hamburg, new lease-ups totalled 502,800 sqm, representing an increase of 28 % in comparison with 2009. This high increase however needs to be taken on a relative basis, as the year 2009 saw a strong decrease of tenant take-up as a consequence of financial turmoil.

* Statistisches Bundesamt (German Federal Statistics Office).

** Bundesagentur für Arbeit (German Federal Labour Agency).

*** All numbers referred to in this section are sourced from Jones Lang Lasalle and BNP Paribas.

New office supply With approx. 1 million sqm, the delivery of new office and commercial space remained at the same level as in 2009. For 2011, it is expected that newly completed office space will decline by around 21 %.

Investment markets The positive trend on the investment market in the first six months of 2010 continued for the rest of the year, and even accelerated during the last quarter of 2010. Total year on year investment volume was up by approx. 85 % (around EUR 19.60 bn for commercial assets). In the six most important German locations for office space, investment markets rose by over 90 % from EUR 5.8 bn to EUR 11.1 bn.

The financial year 2010 was dominated by a number of transactions up to EUR 50 m. Therewith the average transaction volume has increased by approx. 94 % to EUR 31 m. In 2010 there were a small number of completed portfolio transactions, which represent around 22 % of the total investment market. However, despite the strong increase in volumes, the investment market has continued to focus on core long-term leased properties, while the market for higher-risk properties remained restrained for the year.

Outlook for 2011 Economic conditions are expected to be positive in 2011, which will continue to push tenant demand in the leasing market. The main driver for the investment market outside of the core area will most notably be driven by refinancing needs which will start to increase from 2011 on.

Overall, the euro debt crisis might have a negative impact on the general market development as it can increase economic and political instability over the eurozone. Whether or not interest rates would be increased will also be key to the development of the investment market which as of today is partly fuelled by the low interest rate environment.

Strategy and structure

The alstria Group consists of the parent company alstria office REIT-AG, a real estate company listed on the Frankfurter stock exchange, and 17 subsidiaries. Operations are made within the parent company. Although the major part of the assets is allocated in the alstria office REIT-AG, 13 properties are held by seven subsidiaries.

alstria's buy-and-manage strategy proved to be the right track for the changing economic environment. alstria focused on regular reviews of its business situation, assets and liabilities, and on its short- and long-term perspectives. In strengthening its balance sheet, alstria's strategy of reducing the balloon payment of its main credit facility step-by-step and of selective asset sales paid off.

- > alstria has a long-term lease portfolio (around 8.4 years weighted average lease lengths). Some 80 % of rental income derives from a small number of high-quality tenants. Around 50 % of rental income is generated from public or public related entities, which are or were less affected by the economic changes.
- > alstria pursues a non-trading strategy, and focuses on long-term value creation through asset management. The recovery of the investment market will bring new opportunities for the Company's buy-and-manage strategy.
- > The operating strategy involves helping alstria's tenants to optimise their real estate operating costs. There is no contradiction in reducing the overall real estate costs of alstria's tenants and increasing the returns of alstria. In fact, the current environment could create opportunities for alstria at a time when most German corporations are looking to reduce costs.

Corporate management

alstria proactively focuses on the following indicators: revenues, FFO, LTV, WAULT and the G-REIT equity ratio. Returns are expected to be realised through the Company's active asset management model. In 2010, the Grosse Bleichen joint venture, the ATOS Origin letting in the Mundsburg Office Tower and the AOS letting in alstria's headquarters at Bäckerbreitengang, as well as the letting activities in the Alte Post joint venture, represent good examples of alstria's successful leasing management. The various refurbishment projects such as Bieberhaus, Mundsburg Office Tower and the Alte Post joint venture are more proof of alstria's management potential.

After reducing the balloon payment of its main loan step-by-step in 2008 and 2009, alstria has been able to complete the refinancing of its EUR 1.1 bn credit facility in July 2010 by replacing the remaining EUR 646 m of loan with a credit facility from a new banking syndicate. As a result, the Company has no further refinancing needs until mid-2014.

By proactive management of its balance sheet, alstria was able to meet its short-term LTV target on the new syndicated loan, being below 61 % (December 31, 2010: 57.4 %).

Selective asset sales of EUR 154 m (last valuation) as well as the successfully executed first capital increase since the Company's IPO have put alstria in the position to meet the target of restoring the required 45 % G-REIT equity ratio. At year end the G-REIT equity ratio was at 49.8 %.

Facing investment opportunities in the upcoming market, alstria agreed terms and conditions for the acquisition of four assets. While one asset had been transferred in January 2011 the remaining transactions are expected to be completed at the end of the first quarter or the beginning of the second quarter of 2011.

alstria will stay focused on its buy-and-manage strategy and will constantly review growth opportunities if and when they arise. Please refer to the section "recent development and outlook" for further details.

In 2010, revenues were down from EUR 102.5 m to EUR 89 m and funds from operations (FFO)* were down 15.7 %, from EUR 32,690 k in 2009 to EUR 27,541 k. These results fulfil the financial guidance of EUR 89 m in revenues and EUR 27 m of FFO. The announced year-on-year decrease in revenues and funds from operations was mainly driven by the disposal of fully let assets, as part of the overall plan of the Company deleveraging.

Portfolio overview

On December 31, 2010, alstria's portfolio consisted of 70 office buildings with approx. 778,000 sqm of lettable area and a contractual vacancy rate of 7.6 %. The portfolio is valued at a yield of 6.4 % and the remaining weighted average unexpired lease term is approx. 8.4 years.

THE KEY METRICS FOR THE PORTFOLIO¹ AS OF DECEMBER 31, 2010

| Metric | Value |
|--|-------|
| Number of properties | 70 |
| Number of joint ventures | 2 |
| Market value (EUR bn) | 1.4 |
| Contractual rent (EUR m/annum) | 86.6 |
| Valuation yield (contractual rent/OMV) | 6.4 % |
| Lettable area (k sqm) | 778 |
| Vacancy (% of lettable area) | 7.6 % |
| WAULT (years) | 8.4 |
| Average rent/sqm (EUR/month) | 10.0 |

¹ Includes assets classified under property, plant and equipment.

Transactions

In 2010, alstria continued to dispose of selected mature properties at favourable terms. Binding and notarised sale agreements for six properties were concluded in 2010. Ownership of these six properties was legally transferred during the financial year.

* For further details, please refer to the pages 12 and 13.

DISPOSALS IN 2010 SUPPORT ALSTRIA'S VALUATIONS

DISPOSALS

| Assets | City | Number of assets | Last valuation (EUR k) | Annual rent (EUR k) | Yield (%) | Av. lease length (years) | Sales price (EUR k) | Surplus (EUR k) | Surplus (%) |
|-----------------------|---------|------------------|------------------------|---------------------|------------|--------------------------|---------------------|-----------------|-------------|
| Portfolio transaction | Hamburg | 2 | 75,825 | 3,900 | 5.1 | 15.8 | 84,200 | 8,375 | 11.0 |
| Portfolio transaction | Hamburg | 2 | 52,200 | 2,800 | 5.4 | 17.2 | 52,201 | 1 | 0.0 |
| Portfolio transaction | Hamburg | 2 | 25,700 | 1,500 | 5.8 | 11.4 | 29,500 | 3,800 | 14.8 |
| Total | | 6 | 153,725 | 8,200 | 5.3 | | 165,901 | 12,176 | 7.9 |

ACQUISITIONS 2011

| Assets | City | Number of assets | Purchase price (EUR k) | Annual rent (EUR k) | Yield (%) | Av. lease length (years) |
|--------------------------|-----------|------------------|------------------------|---------------------|------------|--------------------------|
| Friedrich-Scholl-Platz 1 | Karlsruhe | 1 | 36,200 | 2,600 | 7.2 | 14.9 |
| Portfolio transaction | Hamburg | 2 | 20,000 | 1,200 | 6.0 | 3.2 |
| Suederstrasse 24 | Hamburg | 1 | 11,000 | 800 | 7.3 | 8.1 |
| Total | | 4 | 67,200 | 4,600 | 6.8 | |

Investment decisions at alstria are based on the analysis of the local markets and on adequacy of a building within its local environment in terms of location, size and quality. alstria's strategy is to enter new markets and build critical mass through long-term secured assets, which are mainly acquired through sale-and-leaseback transactions. In light of this approach alstria signed a binding and notarised agreement for the acquisition of one asset in Karlsruhe in 2010 which is leased back by the seller under a 15-year lease. The transfer of benefits and burden of this asset took place at the beginning of January 2011. No further acquisitions occurred in 2010.

In the first quarter of 2011, alstria agreed on the acquisition of three more assets. The transfer of benefits and burden is expected to take place at the end of the first, or the beginning of the second, quarter of 2011.

In January 2010, alstria agreed the terms of a second joint venture with the Hamburg-based Quantum Immobilien AG to refurbish Kaisergalerie in Hamburg. alstria's share in this joint venture is 49 %. It is planned that the joint venture refurbishes the property after the move of the Hamburg Ohnsorg-Theater to its new location, in the also alstria-owned Bieberhaus.

Refurbishment projects

Considerable progress was also made with alstria's refurbishment projects.

> Poststrasse 11, Alte Post, Hamburg

The building permit for the refurbishment of Alte Post, Hamburg, was granted in the third quarter of 2009. The Alte Post building is one of the best-known buildings in the Hanseatic City of Hamburg. It is located at the corner of Poststrasse and Grosse Bleichen, and was built between 1845 and 1847 on the basis of plans by the artist and architect Alexis de Chateauneuf. It was last refurbished in the 1970s. This first joint venture is part of alstria's plans to fund organic growth of the Company. Whilst alstria's main contribution to the joint venture is the building, its two partners mainly contribute equity funding. The core removal took place at the beginning of 2010 and the building has, since then, been rebuilt step by step. About 40 % of the work is completed. The refurbishment is progressing and is scheduled to be completed on time by the end of 2011.

> Steinstrasse 5–7, Hamburg

The refurbishment was completed in mid-2010. Hamburger Hochbahn AG, which pre-let the space, moved in on time and is now occupying around 13,000 sqm on a 20-year basis.

- > **Bäckerbreitergang 75, Hamburg**
The property at Bäckerbreitergang 75 has been refurbished with the aim of converting the storage facility into a modern office building. The refurbishment was completed by mid-2010. The newly built fifth floor, of which over 70 % had been pre-let on a five-year basis, has been equipped for the needs of its new tenant.
- > **Hamburger Strasse 1–15, Hamburg**
The retrofitting of the landmark Mundsburg Office Tower in Hamburg started in early 2010. This building, which was erected in the seventies, had never been upgraded. The main objective of this refurbishment project is to create efficient office space and reduce energy consumption and occupancy costs for the future tenants. It was therefore one of the first buildings in Germany to be certified as a sustainable building by the DGNB (Deutsche Gesellschaft für nachhaltiges Bauen e.V.) in accordance with the new “modernisation of office and administrative buildings” certification programme. The DGNB silver pre-certificate demonstrates the project’s sustainability, particularly with regard to space and energy efficiency, as well as tenant comfort. The refurbishment of the Mundsburg Office Tower is scheduled to be completed in 2012. Please refer to page 22 for more information about sustainability within alstria.
- > **Ernst-Merck-Strasse 9, Hamburg**
The building permit for the refurbishment of this building was granted in the first quarter of 2010. The refurbishment of the Bieberhaus is on schedule. A great part of this property is refurbished to move the famous Ohnsorg-Theater from the Grosse Bleichen asset to the Bieberhaus. By this means the theatre will get access to a new modern facility, which it will rent on a long-term basis. The refurbishment is scheduled to be completed by summer 2011.

In 2010 alstria invested around EUR 16 m* in ongoing refurbishment projects. The main part of the 2010 capex investment was linked to the refurbishment of the Hamburg building Steinstrasse 5–7. In the next two years, the Company plans to invest between EUR 40 and 50 m in the portfolio. These investments depend on ongoing lease discussions with existing and potential tenants. Major projects are related to the property Hamburger Strasse 1–15 (EUR 13.5 m) in Hamburg and the property

Ernst-Merck-Strasse 9, Bieberhaus, in Hamburg, which comprises the construction of the new Ohnsorg-Theater (EUR 7.4 m). This Capex plan is part of alstria’s ongoing asset value enhancement programme.

Lease-ups

Leasing activity in 2010 was very successful. In 2010, alstria signed new leases** totalling approx. 20,000 sqm. The increase of the vacancy rate by 190 basis points (bps) to 7.6 % or 59,300 sqm is due to the sale of leased properties, the deconsolidation of the leased asset Grosse Bleichen and strategically orientated broadening of the vacancy rate. Of these 59,300 sqm, 26,400 sqm represents strategic vacancy (intended vacancy implemented by alstria as part of its repositioning process for certain assets), while the remainder is operational vacancy.

Based on the strong tenant relationship with its tenants and the strong competence of identifying the tenants’ needs, alstria was able to sign a lease agreement with a new tenant for nearly half of the area in the Mundsburg Office Tower in Hamburg. This underlines the strong competence of alstria’s asset management. The tenant will lease the space starting in January 2013, following the full refurbishment of the asset by alstria.

Further key re-letting achievements are the new lease agreements within the joint venture Alte Post. The office space of around 3,500 sqm has been leased to the law firm Graf von Westphalen for 10 years. Moreover, the retailer Tommy Hilfiger has taken out a long-term lease on around 800 sqm space, and Abercrombie and Fitch has rented another 1,750 sqm in order to implement its Hamburg flagship store in the asset. The renovation work is proceeding on schedule and will probably be finished in the fourth quarter of 2011. The total annual rental income secured with the 90 % lease-up on this project amounts to EUR 3.9 m which represents an incremental yield on cost of 8.9 %.

In the last three months of 2010, the leasing activities continued on a high level. alstria was able to let over 70 % of the fifth floor of the recently refurbished asset Bäckerbreitergang to AOS, a real estate advisory company, who moved in in February 2011. Around 95 % of this asset is occupied.

* Excluding joint ventures.

** New leases correspond to lease of vacant space.

It does not account for any lease renewal, prolongation or tenant exercise of renewal option.

Portfolio valuation

alstria's portfolio was valued in accordance with the RICS* Red Book guidance by Colliers International at December 31, 2010. Following the slow rebound of the investment market, alstria's assets trailed the recovery of the overall property prices. However, the recovery is making steady but slow progress.

The total valuation result on investment properties was around EUR –12.8 m for the full year. This valuation adjustment takes the overall value of all alstria properties to EUR 1,358 m. For further information about the valuation of alstria's portfolio please refer to the valuation certificate of Colliers International.

Tenants

Our key focus on a set number of major tenants is still one of the main characteristics of the alstria portfolio. More than 80 % of total revenues are generated by alstria's top nine tenants. The 2010 portfolio also reflects the clear focus on the office asset class. 93 %** of the total lettable area is dedicated to offices.

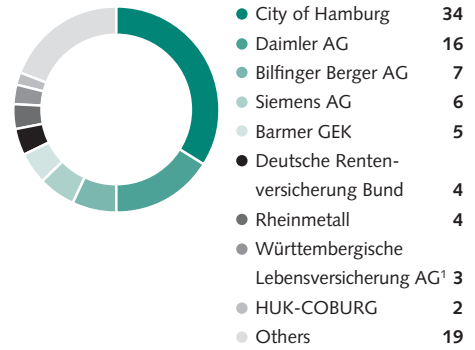
TOTAL PORTFOLIO BY UTILISATION

% of total lettable area



ALSTRIA'S CORE TENANTS

% of annual rent



¹ Württembergische Lebensversicherung AG as of January 4, 2011.

LEASE EXPIRY PROFILE

%



As at Dec. 31, 2010

* Royal Institution of Chartered Surveyors.
 ** Office and storage.

FINANCIAL ANALYSIS

The year 2010 was a busy year for alstria, and an inflexion point where alstria left behind any legacy from the pre-crisis situation and built a strong foundation for the future. The Company sold around EUR 154 m worth of properties and was also able to refinance the remaining EUR 646 m of debt outstanding. Another important milestone for alstria was the executed capital increase in 2010. These measures made it possible to achieve a strong operating income, and to get back on to a sustainable growth path.

Earnings position

Following asset disposals and the deconsolidation of the Grosse Bleichen asset, the revenues dropped in 2010 compared to the previous year. Total revenues in this reporting period amount to EUR 89,094 k (2009: EUR 102,510 k). Real estate operating expenses decreased to 7.7 % of revenues or EUR 6,893 k compared to 9.9 % of revenues or EUR 10,189 k in 2009. Net rental income for 2010 was EUR 81,759 k (2009: EUR 91,964 k).

The following table shows the key operating figures of the audited income statements for the financial years 2010 and 2009:

| EUR k | 2010 | 2009 |
|---|---------------|---------------|
| Gross rental income | 89,094 | 102,510 |
| Net rental income | 81,759 | 91,964 |
| Operational expenses | -11,670 | -11,177 |
| Net other income | 410 | 1,258 |
| Net operating income | 70,499 | 82,045 |
| Net result from fair value adjustments on investment properties | -12,804 | -85,887 |
| Net result on disposals of investment properties | 9,278 | -25 |
| Net operating result before finance costs | 66,973 | -3,867 |

Operational expenses (including administrative and personnel expenses) were EUR 11,670 k for the year, compared to EUR 11,177 k in 2009. Accordingly, total operating expenses represent 13.1 % of total revenues (compared to 10.9 % for 2009).

Net other income mainly comprises income from the reversal of accruals (EUR 367 k), income from the management of assets for third parties (EUR 148 k) and other income (EUR 1,514 k). On the other hand, it comprises expenses of EUR 1,619 k, which represent allowance for doubtful debt (EUR 472 k), deconsolidation expenses (EUR 181 k) and other expenses (EUR 966 k).

alstria closed the financial year 2010 with a net operating result before finance costs and taxes of EUR 66,973 k. This compares to EUR -3,867 k for the previous year, which was significantly influenced by the valuation result.

FUNDS FROM OPERATIONS AT EUR 0.45 PER SHARE

| EUR k | 2010 | 2009 |
|---|---------------|----------------|
| Pre-tax income (EBT) | 206 | -79,541 |
| +/- Net loss from fair value adjustments on investment property | 12,804 | 85,887 |
| +/- Net loss from fair value adjustments on financial derivatives | 35,672 | 23,294 |
| +/- Profit/loss on disposal of investment property | -9,278 | 25 |
| +/- Other adjustments ¹ | 238 | 3,025 |
| +/- Net gain from fair value adjustments on investment property of joint ventures | -12,101 | 0 |
| Funds from operations (FFO)² | 27,541 | 32,690 |

¹ Non-cash income or expenses and non-recurring effects.

² FFO is not a measure of operating performance or liquidity under generally accepted accounting principles, in particular IFRS, and should not be considered as an alternative to the Company's income or cash flow measures as determined in accordance with IFRS. Furthermore, no standard definition exists for FFO. Thus, the FFO or measures with similar names as presented by other companies may not necessarily be comparable to alstria's FFO.

Funds from operations amount to EUR 27,541 k in 2010 as against EUR 32,690 k in 2009. As a result, FFO per share* was EUR 0.45 in the financial year 2010 (2009: EUR 0.58).

* Divided by the number of shares at the end of the reporting period (December 31, 2010: 61,599,999; December 31, 2009: 56,000,000).

The reduction in comparison with 2009 resulted mainly from the decrease of revenues after the sale of fully let assets. Non-cash expenses mainly comprise expenses for depreciation and profit participation rights.

Hedging instruments

The devaluation of the financial derivatives was driven by the development of the yield curve in the year 2010. alstria applies hedge accounting on all qualifying hedges in order to limit the impact on profit and loss of the volatility of the interest rate markets. This allows the losses or gains on the qualifying part of the derivatives to be recognised under the equity cash flow hedge reserve with no effect on income.

The implementation of the Group-wide refinancing strategy in 2010 resulted in the termination of existing derivatives and the acquisition of new derivatives. Hedged forecast transactions are no longer expected to occur due to pre-drawing in the loan repayment schedule as a result of the refinancing strategy. The cumulative loss that was reported in the equity's hedging reserve in these cases was transferred to the income statement within "Net loss from fair value adjustments on financial derivatives". As a result, EUR 33,338 k had been transferred from equity to the income statement as expenses. For the EUR 33,338 k expense relating to the transfer out of equity, the corresponding booking entry is an equity account, which increased by the same amount. Therefore, this expense entry has no effect on the Group's net asset value.

In the financial year 2010, the effective change in the value of the swaps, which is recorded in equity as "hedging reserve", was EUR 4,940 k. The fair value changes of derivatives not categorised as cash flow hedges are recognised in the income statement under "Net result from fair value adjustments on financial derivatives". The interest expenses on swaps and caps are stated in the financial result.

The fact that alstria's debt exposure is fully hedged by financial derivatives fixes the current overall cost of debt for the existing portfolio at 4.3 %.

An overview of the composition and changes is described in detail in Note 10.8.

Financial result

The following table shows the financial result for the period January 1 to December 31, 2010:

| EUR k | 2010 | 2009 |
|-----------------------------|----------------|----------------|
| Syndicated loan – interest | -17,623 | -25,638 |
| Interest loan refinanced | -7,599 | -3,918 |
| Interest result derivatives | -17,902 | -22,433 |
| Others | -1 | -1 |
| Financial expenses | -43,125 | -51,990 |
| Financial income | 700 | 593 |
| Other financial expenses | -740 | -720 |
| Net financing costs | -43,165 | -52,117 |

alstria complied with all financial covenants as at December 31, 2010.

Net financing costs decreased by EUR 8,952 k to EUR 43,165 k in comparison with the year 2009. The decrease is partly attributable to a lower average loan level compared with the previous reporting period, which results from the extensive refinancing activities carried out in 2009 and 2010. On the other hand, the termination of derivatives with comparably high swap rates led to a drop in average interest costs. For details on the refinancing of the main syndicated loan, we refer to the section entitled "financial and asset position" on page 14.

Consolidated net result at EUR 206 k

Although the revenues decreased from 2009 to 2010 by 13.1 %, the consolidated net result for 2010 was EUR 206 k compared to EUR -79,651 k in 2009. The reason for the improvement is mainly driven by a significant decline of the net loss from fair value adjustments in investment property (2010: EUR 12,804 k, 2009: EUR 85,887 k). The decrease in real estate operating expenses as well as the profit of disposals of investment property of EUR 9,278 k and a reduction in the financial costs of EUR 8,952 k also affected the consolidated result for the year.

Result per share is EUR 0.00 for 2010 (2009 result per share: EUR -1.40).

Financial and asset position

Financial management

In 2010 the Company successfully finalised the financial refinancing process. In January alstria entered into a new non-recourse loan amounting to EUR 75.8 m. Starting in September 2008 by following a staggered approach, alstria replaced its remaining syndicated loan by a new corporate facility in the amount of EUR 630 m with a new banking syndicate in the second quarter of 2010. Thus, the Company has totally refinanced the EUR 1.1 bn initial corporate loan which was put in place at the genesis of the Company 1.3 years earlier than the agreed maturity.

The new corporate loan was provided by a syndicate of five banks, arranged by UniCredit Bank AG and underwritten by Berlin-Hannoversche Hypothekenbank AG, Eurohypo Aktiengesellschaft, HSH Nordbank AG and Natixis Zweigniederlassung Deutschland. It has a maturity of five years.

The spread on the loan depends on the LTV ratio according to the following grid.

MARGIN GRID FOR THE NEW SYNDICATED LOAN

| LTV | Spread |
|-------------------|--------------|
| 65 % < LTV ≤ 70 % | 200 bps p.a. |
| 61 % < LTV ≤ 65 % | 175 bps p.a. |
| 56 % < LTV ≤ 61 % | 160 bps p.a. |
| 51 % ≤ LTV ≤ 56 % | 150 bps p.a. |
| LTV < 51 % | 135 bps p.a. |

The current margin amounts to 160 bps basing on an LTV ratio of 58.4 % at drawdown date. Due to partial repayments caused by the property disposals in the third quarter, the LTV ratio was at 57.4 % as of December 31, 2010. The next test date for the LTV ratio and the margin is March 31, 2011. Including the existing non-recourse loans alstria's consolidated debt amounts to EUR 796.9 m. The corporate LTV ratio is therefore 58.7 %. Taking into account the Company's free cash of EUR 117 m, the net LTV stands currently at around 50.1 %.

EXISTING LOAN AGREEMENTS AS PER DECEMBER 31, 2010

| Loan | Maturity | Principal amount outstanding (EUR k) | Current LTV (%) | LTV covenant (%) | Next test date |
|--------------------------------------|---------------|--------------------------------------|-----------------|--------------------------------|----------------|
| Syndicated loan | Jul. 20, 2015 | 572,809 | 57.4 | 70.0 | Mar. 31, 2011 |
| Non-recourse loan #1 | Oct. 19, 2015 | 47,902 | 74.6 | 80.0 | Sept. 30, 2012 |
| Non-recourse loan #2 | Dec. 31, 2014 | 37,283 | 56.5 | 80.0 | Dec. 31, 2011 |
| Non-recourse loan #3 | Jun. 30, 2014 | 31,552 | 60.9 | 65.0 | Dec. 31, 2011 |
| Non-recourse loan #4 | Oct. 20, 2014 | 32,774 | 59.0 | 61.0 | Mar. 31, 2011 |
| Non-recourse loan #5 | Jan. 31, 2017 | 74,644 | 61.6 | 75.0 | Dec. 31, 2011 |
| Total as at Dec. 31, 2010 | | 796,964 | 58.7 | | |
| | | | | Net LTV¹ (%) | |
| Total net as at Dec. 31, 2010 | | 680,131² | 50.1 | | |

¹ The net LTV is not a measure under generally accepted accounting principles, in particular IFRS.

² Assuming that the free cash at year-end (EUR 117 m) is used to pay down the loan amount.

The completion of the debt restructuring supported alstria's main financial goal to establish a long-term finance structure which is stable in respect of maturities and interest burden. An integral part of this structure is the long-term loans covered by corresponding hedging instruments, such as swaps and caps, against the risk of increasing interest rates. As a result of the completed restructuring process the average debt maturity increased significantly to 4.6 years compared to 2.5 years as of December 31, 2009, whereas the average cost of debt of the Group remained stable at around 4.3 % p.a. (compared to 4.4 % p.a. in the previous year). Taking alstria's long-term lease profile into account, the current debt structure significantly improves the visibility of alstria's cash flow for the next five years. alstria has no refinancing needs before mid-2014.

alstria intends to add the newly acquired asset in Karlsruhe to the collateral pool of the syndicated loan. According to the provisions under the loan agreement, this would lead to a margin reduction of 10 bps to 150 bps. This transaction is planned to be closed before the next test date as of March 31, 2011.

FINANCIAL DEBT BY MATURITIES¹

EUR k

| | |
|------|---------|
| 2011 | 0 |
| 2012 | 0 |
| 2013 | 0 |
| 2014 | 94,200 |
| 2015 | 620,700 |
| 2016 | 0 |
| 2017 | 62,900 |

As at Dec. 31, 2010

¹ Excluding regular amortisation.

Cash position is at EUR 120,788 k

The cash flow from operating activities for 2010 amounted to EUR 29,274 k, down on the reporting period for 2009 (EUR 33,171 k). This is mainly based on lower rental revenues due to the disposal of assets, which is only partly compensated by a decrease in real estate operating expenses.

The cash flow from investing activities comprises the cash inflow resulting from the sale of real estate (EUR 163,003 k) and EUR 13,546 k from repayment of loans granted to joint venture companies. A cash outflow of EUR 17,331 k relates to payments for refurbishment measures for re-letting, subsequent acquisition costs on investment properties and prepayments on asset acquisition.

The cash flow from financing activities reflects loan repayments of EUR 950,216 k and payments for the termination of financial derivatives amounting to EUR 15,345 k. Cash inflows of EUR 738,629 k relate to loans taken out during refinancing. The capital increase led to a cash inflow of EUR 47,378 k net.

As a result, alstria ended the financial year 2010 with a cash position of EUR 120,788 k (2009: EUR 146,818 k). The Group is adequately funded to comply with its financial obligations.

Investment properties down by 5.0 %

Total investment property value amounts to EUR 1,348,400 k* in comparison with EUR 1,425,440 k at the beginning of the year. The decline in investment properties reflects the asset sales realised by alstria during the year (EUR 78 m)*, the reclassification of assets held for sale (EUR 0.6 m) and the revaluation of the remainder of the portfolio (EUR -13 m).

| EUR k | |
|---|------------------|
| Investment properties at Dec. 31, 2009 | 1,425,440 |
| Capital expenditure | 14,264 |
| Disposals | -77,900 |
| Reclassification | -600 |
| Revaluations | -12,804 |
| Investment properties at Dec. 31, 2010 | 1,348,400 |
| Fair value of owner-occupied properties | 8,500 |
| Fair value of properties held for sale | 600 |
| Interests in real estate partnerships | 32,385 |
| Fair value of immovable assets | 1,389,885 |

Reclassifications comprise one asset which has been classified as investments held for sale following the conclusion of a binding sale agreement by alstria at the end of 2010. The fair value of immovable assets will be used for the G-REIT equity ratio calculation.

Equity ratio of 44.9 % –

G-REIT equity ratio at 49.8 %

The balance sheet reflects a total equity position of EUR 692,408 k with an equity ratio of 44.9 % (December 31, 2009: EUR 634,185 k or 35.9 %). The G-REIT equity ratio, which is defined as total equity divided by immovable assets, is 49.8 % (December 31, 2009: 40.3 %). According to the G-REIT Act (REITG), the minimum requirement for compliance is a G-REIT equity ratio of 45 % calculated at year-end.

NNNAV at EUR 11.24 per share

NNNAV (Triple Net Asset Value according to EPRA**) dropped from EUR 11.32 per share to EUR 11.24 per share. Changes in cashflow hedges and reclassification of loss from equity's hedging reserve (EUR 38,278 k), the executed capital increase (EUR 47,378 k) and the consolidated gain for the period (EUR 206 k) were primarily responsible for the rise in alstria's equity. In total, this leads to an increase in equity from EUR 634,185 k to EUR 692,408 k***. The decrease in NNNAV per share is the result of a change in the amount of shares after the capital increase in 2010 (December 31, 2010: 61,599,999; December 31, 2009: 56,000,000).

Anticipation decreases financial debt

In 2010, long-term loans were reduced by 17.0 % to EUR 786,410 k. This is mainly related to active management under the refinancing process, including measures such as the replacing of the remaining EUR 646 m syndicated loan with a credit facility from a new banking syndicate and over EUR 154 k of selective disposals.

Decrease in current liabilities

Current liabilities amounted to EUR 39,172 k, of which EUR 7,796 k is categorised as short-term loans, representing financial liabilities that will be repaid in the first quarter. Other current liabilities amounting to EUR 6,990 k mainly comprised accruals for outstanding invoices (EUR 1,268 k), deferred income (EUR 1,700 k) and other current liabilities (EUR 4,022 k). Derivative financial instruments in the amount of EUR 21,007 k refer to interest rate swaps not designated in a cashflow hedge relationship. (Please refer also to section 10.8 of the notes for the financial year 2010).

* Excluding assets held for sale.

** EPRA: European Public Real Estate Association, Best Practices Committee, Schiphol Airport, Netherlands.

*** See also the consolidated statement of changes in equity on page 34.

REPORT ON RISKS AND OPPORTUNITIES

Risk reporting

Risk management

alstria has implemented a Group-wide structured risk management and an early warning system in accordance with Section 91 (2) of the German Stock Corporation Act (AktG). All risks are recorded, evaluated and monitored on at least a quarterly basis. The goal of alstria Group's risk management strategy is to minimise or, where possible, completely avoid the risks associated with entrepreneurial activity in order to safeguard the Group against potential losses, and against risks to the Company as a going concern. The system of the early detection of risks is in active use. The Company's risk identification process allows the early identification of sources of any potential new risks on an ongoing basis. Risk mitigation measures are defined in order to undertake any necessary steps to circumvent the identified risks, i. e., to insure, diversify, manage or avoid risks. For alstria, risk management means the targeted securing of existing and future potential for success, and improving the quality of the Company's planning processes.

Organisationally, risk management is assigned to the controlling group. A risk report is prepared by the risk manager on a quarterly basis and provided to the Management Board. The basis for the preparation of the risk report are the reports from the risk owner responsible for a particular risk area. The risk report presents the organisational measures and regulations that are to be observed with regard to risk identification, assessment, response, reporting and monitoring. At the same time, the comprehensive documentation of this report ensures an orderly assessment, which is conducted by the responsible departments and by the Supervisory Board.

Risks are assessed according to their likelihood of occurrence and their magnitude of impact. Overall risk is calculated and updated over a specific period of time by linking various parameters. By monitoring the risk management system, alstria is able to continually advance and adapt its structures and processes.

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

The objective of the control and risk management system regarding the (Group) reporting process is to make sure that the reporting is uniform and in line with the legal requirements, the generally accepted accounting principles and the International Financial Reporting Standards (IFRS), as well as internal Group guidelines, so as to give recipients of the annual financial statements true and reliable information. 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, namely control and monitoring. In organisational terms, the treasury, controlling and accounting divisions are responsible for control.

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

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

For special technical questions and complex reporting issues Group accounting acts as the central interlocutor. If required external experts (auditors, qualified accounting specialists, etc.) will be consulted.

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

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

Risk areas

Within the context of its business activities, the alstria Group faces various risks, which are explained in greater detail below.

alstria's risks are divided into four categories:

- > strategic risks;
- > operational risks;
- > compliance risks;
- > financial risks.

All material risks to the future development of the Company's position and performance are described in this chapter in accordance with alstria's risk management system. The individual risks described relate to the planning horizon of 2011 to 2013.

Strategic risks

Strategic risk management consists mainly of the implementation of guidelines contained in the investment policy, asset management policy and management rules governing the relationship with the Group's core tenants.

Furthermore, risks resulting from the effect of key market dynamics on alstria's business are categorised as strategic risks. In view of the ongoing stabilisation in the financial markets, the general strategic risks situation has improved due to the future macroeconomic environment as compared to the previous year. As long as there is no material change in the economic environment, alstria's strategic risk situation will remain stable.

Operational risks

alstria's operational risk management refers to property-specific risks and general business risks. This includes, among others, vacancy risk, the creditworthiness of tenants and the risk of falling market rents. Personnel-related risks such as loss of know-how and competences are also monitored in this risk area. The Company uses various early warning indicators to monitor these risks. Rent projections, vacancy analyses, the control of the lease terms and termination clauses, and ongoing insurance checks are designed to help identify potential dangers and risks. Operational risks that could arise as a result of the financial crisis are viewed mainly in terms of a potential shortfall of payment by a major tenant. Due to the fact that all of alstria's main tenants are public institutions or still highly rated, the risk of shortfall in payments is currently limited.

alstria realises refurbishment projects to a material extent. All risks related to these projects, e.g., risk of not-in-time completion, risk of budget exceedance, as well as the risk of deficiencies in the construction, is encountered with the implementation of an extensive project controlling and a budget management process.

Employees The skills and motivation of alstria's employees are decisive factors in the Group's success. A risk of knowledge loss exists from staff fluctuations as well as from not recruiting sufficiently qualified experts to fill vacancies in the Group in good time. In both cases, this could result in a shortfall of suitable experts and key personal that could influence the competitive advantages on the markets as well as the further growth opportunities for the Group. alstria mitigates these risks by selective, needs-oriented development of skills of the existing staff, strengthening the image as an attractive employer, university marketing, promoting employee motivation through strong leadership and corporate culture and profit-oriented variable remuneration schemes. Overall alstria estimates the described risks to be at a low level.

IT security The majority of our business processes are supported by efficient IT systems. Any fault affecting the reliability or security of the IT system could lead to delays or interruptions to operating activities. alstria has protected itself against IT risks by constant examination and enhancement of the information technology deployed, modern hardware and software solutions and safeguards against attacks. Structural security measures are in place to protect the computer centre. All data are backed up daily in an internal, and once a week in an external, data depository. Detailed rules on access rights ensure that employees can only access the systems they need for their work. Overall, therefore IT risks are assessed to be unlikely and their possible consequences are assessed to be moderate.

Compliance risks

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

Certain requirements have to be met by the Company in order to qualify for and retain its designation as a G-REIT. The most relevant of these requirements are as follows: The G-REIT must be a stock corporation listed on an organised market and its registered seat and management must be in Germany. The registered share capital must amount to at least EUR 15 m, and all shares must be voting shares of the same class. The 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 under German GAAP 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.

REIT corporations are fully exempted from German corporate income tax (KSt) and German trade tax (GewSt). This tax transparency applied with retrospective effect starting January 1, 2007.

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

The Company manages its capital structure and makes adjustments in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group can make a capital repayment to its shareholders or issue new shares. No changes were made to the aims, guidelines and processes as at December 31, 2010 and December 31, 2009.

The capital structure is monitored by the Company using key performance indicators (KPIs) relevant for classification as a G-REIT. The G-REIT equity ratio, (the ratio of equity to the fair value of immovable assets) is the most important KPI. Under the Group's strategy, the G-REIT equity ratio must be between 45 % and 55 %.

In particular, the exemption from corporate income tax (KSt) and trade tax (GewSt) would cease at the end of the third financial year if the minimum equity ratio (alstria's equity must not fall short of 45 % of its immovable assets, based on alstria's consolidated financial statements) has not been satisfied for three consecutive financial years.

The G-REIT equity ratio at the balance sheet date is 49.8 %. Accordingly alstria complied with the minimum G-REIT equity ratio requirement according to section 15 G-REIT-Law (REIT-G) calculated at year-end of 45 %. Generally the risk remains that alstria may fail to meet the minimum G-REIT equity ratio of 45 % in the following three consecutive years and faces the prospect of losing its status as G-REIT and its tax exemption. Within a three-year forecasting period until December 31, 2013, it is excluded that alstria will lose its G-REIT status by reason of shortfall of the 45 % barrier.

Legal risks The Company is not subject to major legal proceedings arising from any individual or other kind of legal dispute outside of its day-to-day business.

Financial risks

With respect to the current overcoming of the financial crisis and alstria's refinancing performed in 2010, the financial risk situation improved as compared to the previous year's end of the reporting period.

The Group normally uses financial instruments such as bank loans and derivative financial instruments. The main purpose of the bank loans is to finance alstria's business activities. Derivative financial instruments include interest swaps and caps. The purpose of these derivative financial instruments is to hedge against interest risks arising from the Company's business activities and its sources of finance. The main risks arising from the Group's financial instruments are cash flow interest rate risks and liquidity risks. alstria's current debt-to-equity ratio is approx. 55 %. This is a reasonable rate compared to the average leveraging rate of German real estate companies. alstria's syndicated loan facility agreement allows for a loan-to-value ratio (LTV) of up to 70 %. After the refinancing of the main loan in 2010, alstria managed to keep the LTV at 58.7 % at the relevant test date. Together with the additional measures implemented starting at the beginning of 2009, the risk of covenant breach was resolved proactively.

The refinancing of the main loan in 2010 before maturity led to the postponement of the next refinancing requirement for the syndicated loan by 3.5 years from end-2011 to mid-2015. Thus the risk of refinancing on unfavourable terms has decreased for the time being.

The Group is not otherwise exposed to any significant credit risks.

Interest rate risk Interest rate risk results 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 uses a combination of plain vanilla swaps and caps in order to limit the exposure of the Company to interest rate fluctuations, but still provides enough flexibility to allow the disposal of real estate assets, avoiding any cost linked to an over-hedged situation. The interest base for the financial liability (loan) is the three-month EURIBOR, which is adjusted every three months. A number of different derivative financial instruments were acquired to manage the interest expense. The maturity of the derivative financial instruments is based on the term of the borrowings. The derivative financial instruments relate to interest swaps in which the Company agrees to exchange with contracting partners, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed notional principal amount. The swaps alstria uses to hedge its interest rate payments qualify as cash flow hedges. Interest caps were also acquired in order to cap the interest at a set maximum. If the maximum interest rate is exceeded, the difference between the actual interest rate and the cap rate will be paid out.

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

With the refinancing implemented in 2010, the major liquidity risk resulting from the balloon repayment on the main syndicated loan facility was successfully averted. Since the new syndicated loan facility will not be due until mid-2015, the liquidity risk resulting from repayment obligations is currently mitigated.

Valuation risks The fair value of the real estate properties owned by the Group reflects the market value as determined by an independent appraiser, and can be subject to change. 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, such as declining rent levels, decreasing demand or increasing vacancy rates. Many qualitative factors are also decisive in the valuation of a property, including a property's expected rental stream, its condition and its location. Finally, the particular 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 property. If such valuations reveal significant decreases in market value compared to prior valuations, the Company would incur significant revaluation losses with respect to such properties.

By factors such as economic changes, interest rate fluctuations and inflation, the value of the properties may be adversely affected. To minimise the risk of regional diversification of investment portfolios, a consistent focus on the individual needs of tenants and a detailed market research and analysis (broker reports) is used. In addition, the market value of all alstria assets will be determined annually at year-end by independent, internationally recognised experts.

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

Overall assessment

Compared to the previous year, the risk situation of alstria office REIT-AG has improved. On the one hand, this is based on the economic environment recovering after the financial crisis; on the other hand, the successful refinancing and the improvement of the G-REIT equity ratio contributes to significantly ease the risks still stated as key risks at the end of the previous year. Sufficient precautions have been taken against identifiable risks. No risk specific to the Company that would threaten its continued existence can be identified from past or future events. This applies as well to the single Group companies as to the Group.

Opportunities of the Group

The refinancing activities undertaken by alstria have safeguarded the Company's financial position until mid-2014 at favourable interest rates. On the revenue side, alstria benefits from long-term rent agreements of approx. 8.4 years' average lease length and potential rent increases due to consumer price indexation. The alstria portfolio is well balanced and contains many first-class anchor buildings with high-quality tenants.

Therefore, alstria is well positioned to continue its buy and manage strategy and to benefit from future market opportunities using the next growth cycle of the markets.

alstria's core competence is asset management. The asset repositioning and refurbishment alstria is planning to undertake, both as part of joint ventures and on its own, will strengthen the basis for organic value increase across the portfolio.

SUSTAINABILITY REPORT

In 2010 alstria published its first sustainability report. This report was a natural step following alstria's continuous engagement in national and international initiatives with respect to sustainability. The report contains information about alstria's economic, environmental and social strategy towards sustainability. It is alstria's aim to incorporate sustainability criteria into all its decisions.

The first sustainability report produced by the Company emphasises alstria's interest in improving its environmental and social behaviour towards stakeholders, such as investors, tenants, employees and the community. alstria's approach towards sustainability is based on the three-pillar model, basing the impact of business on the following pillars: economy, environment and social. The day-to-day business decisions can impact each and every one of alstria's stakeholders through one or the other pillar. Being sustainable is trying to strike the right balance for every stakeholder, and every pillar. Therefore, alstria has built up a sustainability framework which defines the main values for each and every stakeholder group and its operational impacts.

Investors

- > Promote transparency
- > Retain reliability
- > Create long-term value

Tenants

- > Maintain long-term tenant relationship
- > Improve transparency and property management
- > Provide efficient and sustainable office space

Employees

- > Support entrepreneurship
- > Encourage initiative
- > Promote equal chances

Community

- > Be responsible citizens
- > Support local economy
- > Remain fair and open partner

To monitor its performance and the performance of its assets alstria started compiling data with respect to the three pillars. The outcome is a different view on the economic performance, more information about the performance of alstria's assets and the diversity of alstria's team.

In 2010, the asset Mundsburg Office Tower was among the first buildings to receive the German Sustainable Building Council Silver (DGNB) pre-certificate for the new certification standard. The main objective of this refurbishment project is to create efficient office space and reduce energy consumption and occupancy costs for the future tenants. In particular, primary energy consumption will be cut by approx. 80 % or 2.5 MWh annually compared to the existing situation, leading to a reduction in CO₂ emission by approx. 875 tons p.a.

Being part of the community, alstria feels responsible for supporting projects which improve our social and cultural environment. As a real estate company, alstria always has vacant space available for a limited amount of time which can be offered on a temporary basis to organisations which need it while it is being marketed.

alstria is also engaged in a number of national and international initiatives where the Company actively participates in industry discussions and positioning with regard to issues ranging from accounting, regulation and investor relations to sustainable reporting. Among others, alstria is a member of the German Sustainable Building Council (DGNB), EPRA (European Public Real Estate Association), ZIA (Zentraler Immobilienausschuss), the Real Estate Share Initiative, NAREIT (National Association of Real Estate Investment Trusts) and DIRK (Deutscher Investor Relations Verband e.V.).

On a company level, the diversity of alstria's team mirrors the Company's awareness of its role as a sustainably acting company. As of December 31, 2010, alstria employed 13 men and 26 women, showing a female to male ratio of 200 %. More than half of the employees are dedicated to the management, the acquisition and the development of real estate. The remainder of alstria's workforce is spread between supportive departments such as finance reporting and controlling, legal and compliance and administration. A total of 50 % of the management positions* are filled by female employees.

* Management positions are defined as employees who report directly to the Management Board.

Although alstria published its first sustainability report in 2010, a sustainability approach to real estate has always been embedded in the DNA of alstria.

The Company draws attention to some of the following actions implemented or supported by alstria where decision-making was partly driven by sustainability considerations:

Property Management

In January 2010, alstria started to incorporate Property Management within the Company's structure. The aim is to better serve alstria's tenants and increase the control over the assets by integrating the team that performs the day-to-day management of the assets. The objective is to expand the Company's direct communication approach to better understand tenants' needs and more quickly be able to deliver adequate solutions, as well as to recognise improvement potential.

Bäckerbreitergang

In 2009, alstria started the refurbishment of the asset at Bäckerbreitergang 75 in Hamburg. alstria occupies around half of the asset as its headquarters, while the rest of the asset is or will be rented out to other tenants. The Company has used the opportunity of the refurbishment to install a new technology of a solar energy-producing roof where solar panels are embedded into the roof cover. The installation of a rain water harvesting system was also part of the sustainable refurbishment of this asset as well as shower facilities, lockers and a secure cycle storage, which facilitate bicycle commuting.

Ohnsorg-Theater

In 1936, the famous Ohnsorg-Theater moved into its current location at Grosse Bleichen in Hamburg, an alstria asset. While the area has developed as a prime A retail street, what used to be a great space for a theatre has trouble adapting to new technology and audience demands. There was a common interest shared by alstria and the Ohnsorg-Theater. Moving the theatre out of its current location to the vicinity of the Central Station achieves the most sustainable result for all stakeholders involved. The Ohnsorg-Theater will get access to a new modern facility, which it will rent on a long-term basis, thus securing its future for the coming years.

alstria will be able to create a significant value for its shareholders. The financial benefit of the refurbishment will overtake by far the costs of moving the theatre to its new location.

The move will also enhance the whole area around the Central Station by creating additional cultural life in the neighbourhood.

The first sustainability report produced by the Company is the starting point for alstria's continuous reporting to the market on CSR key performance indicators, in order to demonstrate the Company's improvement and commitment to its values over time. For more information about sustainability within alstria please see the sustainability report 2010 on alstria's website.

MANDATORY DISCLOSURES

Disclosure requirements in accordance with Section 315 (4) of the German Commercial Code (HGB) for the financial year 2010 and the explanatory report of the Management Board

Composition of subscribed capital, voting rights and special rights

As per the balance sheet date of December 31, 2010, the share capital of alstria is EUR 61,599,999.00, divided into 61,599,999 no par value bearer shares. All shares have equal rights and obligations. Each share entitles the bearer to one vote at general shareholders' meetings and is decisive for the shareholder's share in the profit of the Company. This does not include treasury shares held by alstria, which do not entitle the Company to any rights. The individual rights and duties of the shareholders result from the provisions of the German Stock Corporation Act (AktG), in particular Sections 12, 53a et seq., 118 et seq. and 186.

Restrictions on the transfer of shares or voting rights

There are no restrictions as to the transfer of shares or voting rights or, as far as they arise from agreements between shareholders, they are not known to the Management Board. 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.

Shareholders with a shareholding of more than 10 %

As per the balance sheet date of December 31, 2010, alstria was not aware of any shareholders whose direct shareholding exceeded 10 % of the share capital. Captiva 2 Alstria Holding S.à r.l. holds an indirect participation of approx. 56 % in alstria. None of these companies has a direct shareholding of more than 10 % of alstria's share capital.

Holders of shares with special rights

alstria has not issued any shares with special rights that grant control rights.

Nature of voting rights control if employees have a share in capital and do not directly exercise their right of control

This arrangement does not exist at alstria.

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

alstria's Management Board consists of one or more members who may be appointed or dismissed by the Supervisory Board in accordance with Sections 84 and 85 of the German Stock Corporation Act (AktG). The articles of association do not contain any special provisions in this respect. Pursuant to Section 84 of the German Stock Corporation Act (AktG), members of the Management Board are appointed for a maximum term of five years. Re-appointment or extension of the term of office is permitted, in each case for a maximum of five years.

Amendments to the articles of association may be made pursuant to Sections 179 and 133 of the German Stock Corporation Act (AktG). The Supervisory Board is also authorised to make changes in and amendments to the articles of association that merely affect the wording without a resolution of the shareholders at the general meeting. Pursuant to Section 15 (5) of the articles of association in conjunction with Sections 179 (2) and 133 of the German Stock Corporation Act, 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 annual general meeting

held on June 16, 2010: Conditional Capital II was reduced. The provisions regarding Conditional Capital 2009/A and Conditional Capital 2009/B were replaced by the provision regarding Conditional Capital 2010. In addition, the English version of the articles of association as a component of the articles of association in a legal sense was rescinded.

Authority of Management Board regarding issuance and buyback of shares

1. Authorised Capital

The articles of association authorise the Management Board, with the approval of the Supervisory Board, to increase the share capital until March 14, 2012 by issuing new bearer shares against contribution in cash and/or kind once or repeatedly up to a total amount of EUR 21,900,001.00.

2. Conditional Capital

alstria has three conditional capital (pursuant to Sections 192 et seq. of the German Stock Corporation Act, AktG), which are regulated in Sections 5 (5) to (8) of the Company's articles of association.

a) *Conditional Capital 2010*

The share capital is conditionally increased by an amount of up to EUR 26,500,000.00 by the issuance of up to 26,500,000 no par value bearer shares. The Management Board is authorised to stipulate the profit entitlement for the new shares issued on the basis of the exercise of options or conversion rights or the fulfilment of a conversion obligation at variance from Section 60 (2) of the German Stock Corporation Act. The conditional capital increase is only carried out insofar as the holders of option rights or conversion rights, or those holders with conversion obligations from bonds with warrants or convertible bonds, profit participation rights or participating bonds issued or guaranteed on the basis of the authorisation resolved by the shareholders in general meeting on June 16, 2010, utilise their option rights or conversion rights or, insofar as such holders have conversion obligations, such holders fulfil their conversion obligations, unless a cash settlement is granted or treasury shares or shares of another listed company are used to fulfil the option rights or conversion rights.

b) *Conditional Capital II*

The share capital is conditionally increased by an amount of up to EUR 515,625 by the issuance of up to 515,625 no par value bearer shares. The sole purpose of the conditional capital increase is to grant shares to the holders of subscription rights (stock options) which are issued by alstria in accordance with the authorisation of the annual general meeting held on March 15, 2007. The conditional capital increase is only carried out insofar as the holders exercise their stock options and no treasury shares are used to fulfil the stock options. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence to satisfy the exercise of the stock options.

c) *Conditional Capital III*

The share capital is conditionally increased by an amount of up to EUR 500,000 by the issuance of up to 500,000 no par value bearer shares. The conditional capital increase shall be used solely to grant shares to the holders of convertible profit participation certificates which are issued by the Company in accordance with the authorisation of the general meeting held on March 15, 2007. The conditional capital increase shall only be carried out insofar as issued convertible profit participation certificates are converted into shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence as a result of the conversion of certificates.

3. Purchase of treasury shares

The shareholders at the general meeting on June 16, 2010 authorised the Management Board to acquire shares up to a total of 10 % of the Company's share capital at the time of the issuance of the authorisation until June 15, 2015. The acquired shares and other treasury shares that are in the possession of, or to be attributed to, alstria pursuant to Sections 71a et seq. of the German Stock Corporation Act (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 using derivatives (put or call options or a combination of both).

Change of control clauses in key agreements entered into by the Company

A significant syndicate loan agreement of alstria entitles the creditor to declare the loan due for payment in the event alstria's shares are no longer admitted for trading on an organised market within the EU and the current majority shareholder is not in a position to control alstria, or a person other than the current majority shareholder holds a larger shareholding in alstria than the current majority shareholder.

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

There are no compensation agreements with Management Board members or employees in case of a takeover bid.

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

ADDITIONAL GROUP DISCLOSURES

Employees

As of December 31, 2010, alstria had 39 employees (December 31, 2009: 32). The annual average number of employees was 37 (previous year: 31). These figures exclude Management Board members.

Remuneration report

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

Members of the Supervisory Board receive fixed remuneration.

The remuneration report ([pages 90 to 93](#)), containing details of the principles for the definition of the Management Board and Supervisory Board remuneration, forms an integral part of the audited Group management report.

Group and dependent-company report

Captiva Capital II S.à r.l., Luxembourg, holds a majority interest in alstria. In accordance with Section 290 of the German Commercial Code (HGB), alstria is required to prepare consolidated statements and a Group management report with respect to the Group companies controlled by alstria. Therefore, alstria office REIT-AG and all associated companies as stated in the notes are consolidated in the alstria Group.

Due to the majority interest in alstria held by Captiva Capital II S.à r.l., Luxembourg, we issued a separate dependent-company report with affiliated companies, in accordance with Section 312 of the German Stock Corporation Act (AktG). This report includes the following statement:

“Our Company received appropriate remuneration for all the legal transactions stated in the report on related party relationships. This appraisal is based on the circumstances, which were known to us at the time when the events, which are subject to reporting, occurred.”

SUBSEQUENT EVENTS AND OUTLOOK

Subsequent events

In the last quarter of 2010, alstria signed a binding and notarised agreement about the acquisition of one asset in Karlsruhe. The transfer of benefits and burden took place in January 2011. alstria intends to add the newly acquired asset in Karlsruhe to the collateral pool of the syndicated loan. According to the provisions under the loan agreement, this would lead to a margin reduction of 10 bps to 150 bps. This transaction is planned to be closed before the next test date as of March 31, 2011.

Binding and notarised agreements for three more assets, all located in Hamburg, were signed at the beginning of 2011. The transfer of benefits and burden is expected to take place at the end of the first quarter or the beginning of the second quarter of 2011.

THE KEY METRICS OF THE PORTFOLIO¹ POST TRANSACTIONS²

| Metric | Value |
|--|-------|
| Number of properties | 74 |
| Number of joint ventures | 2 |
| Market value (EUR bn) | 1.4 |
| Contractual rent (EUR m/annum) | 91.2 |
| Valuation yield (contractual rent/OMV) | 6.4 % |
| Lettable area (k sqm) | 820 |
| Vacancy (% of lettable area) | 7.6 % |
| WAULT (years) | 8.5 |
| Average rent/sqm (EUR/month) | 10.0 |

¹ Includes assets classified under property, plant and equipment.

² Includes the publicised acquisitions of one property in Karlsruhe and three properties in Hamburg.

Outlook

Based on the expected closing of the latest transactions and the contracted rent for 2011, alstria expects revenues of around EUR 86 m and funds from operations of EUR 30 m. This projection could be impacted by changes in interest rates and further property disposals or acquisitions in 2011.

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 therefore difficult to predict over a longer period of time. On a like-for-like basis, however, the Company expects revenues and funds from operations to be stable in 2012. Again, these results may be impacted by further disposals or interest rate changes.

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

Hamburg, February 18, 2011

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CONSOLIDATED INCOME STATEMENT for the period from January 1 to December 31, 2010

| EUR k | Notes | 2010 | 2009 |
|--|-------|---------------|----------------|
| Revenues | 9.1 | 89,094 | 102,510 |
| Income less expenses from passed on operating expenses | 9.2 | -442 | -358 |
| Real estate operating expenses | 9.3 | -6,893 | -10,189 |
| Net rental income | | 81,759 | 91,964 |
| Administrative expenses | 9.4 | -6,073 | -6,187 |
| Personnel expenses | 9.5 | -5,597 | -4,990 |
| Other operating income | 9.6 | 2,029 | 3,124 |
| Other operating expenses | 9.7 | -1,619 | -1,866 |
| Net loss from fair value adjustments on investment property | 10.1 | -12,804 | -85,887 |
| Gain/loss on disposal of investment property | 9.9 | 9,278 | -25 |
| Net operating result | | 66,973 | -3,867 |
| Net financial result | 9.8 | -43,165 | -52,117 |
| Share of the result of joint venture accounted for using the equity method | 4 | 12,070 | -264 |
| Net loss from fair value adjustments on financial derivatives | 9.8 | -35,672 | -23,294 |
| Pre-tax result (EBT) | | 206 | -79,541 |
| Income tax expense | 9.10 | 0 | -110 |
| Consolidated profit or loss for the period | | 206 | -79,651 |
| Attributable to: | | | |
| Shareholder | | 206 | -79,651 |
| Earnings per share in EUR | | | |
| Basic earnings per share | 14 | 0.00 | -1.40 |
| Diluted earnings per share | 14 | 0.00 | -1.40 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period from January 1 to December 31, 2010

| EUR k | Notes | 2010 | 2009 |
|--|-------|---------------|----------------|
| Consolidated profit or loss for the period | | 206 | -79,651 |
| Fair value gain on available-for-sale financial assets | | 0 | 123 |
| Cash flow hedges | 10.8 | 4,940 | -9,952 |
| Reclassification from cash flow hedging reserve | 10.8 | 33,338 | 16,331 |
| Other comprehensive income for the period: | | 38,278 | 6,502 |
| Total comprehensive income for the period: | | 38,484 | -73,149 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 38,484 | -73,149 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2010

| ASSETS | | | |
|--|-------|------------------|------------------|
| EUR k | Notes | 2010 | 2009 |
| Non-current assets | | | |
| Investment property | 10.1 | 1,348,400 | 1,425,440 |
| Equity-accounted investments | 10.2 | 32,385 | 9,046 |
| Property, plant and equipment | 10.3 | 7,826 | 5,897 |
| Intangible assets | 10.4 | 319 | 311 |
| Financial assets | 10.5 | 1 | 351 |
| Derivatives | 10.8 | 181 | 0 |
| Total non-current assets | | 1,389,112 | 1,441,045 |
| Current assets | | | |
| Assets held for sale | 10.6 | 600 | 136,621 |
| <i>thereof investment property held for sale</i> | | 600 | 135,825 |
| <i>thereof other assets held for sale</i> | | 0 | 796 |
| Trade receivables | 10.7 | 4,117 | 5,694 |
| Accounts receivable from joint ventures | 10.7 | 1,967 | 1,855 |
| Derivatives | 10.8 | 17,615 | 615 |
| Tax receivables | 10.7 | 0 | 3 |
| Other receivables | 10.7 | 8,137 | 33,483 |
| Cash and cash equivalents | 10.9 | 120,788 | 146,818 |
| <i>thereof restricted</i> | | 3,955 | 61,848 |
| Total current assets | | 153,224 | 325,089 |
| Total assets | | 1,542,336 | 1,766,134 |

EQUITY AND LIABILITIES

| EUR k | Notes | 2010 | 2009 |
|--|-------|------------------|------------------|
| Equity | 11.1 | | |
| Share capital | | 61,600 | 56,000 |
| Capital surplus | | 700,036 | 685,897 |
| Hedging reserve | | -4,922 | -43,200 |
| Treasury shares | | -26 | -26 |
| Retained earnings | | -64,280 | -64,486 |
| Total equity | | 692,408 | 634,185 |
| Non-current liabilities | | | |
| Long-term loans, net of current portion | 11.2 | 786,410 | 947,257 |
| Derivatives | 10.8 | 21,842 | 48,859 |
| Other provisions | 11.3 | 2,180 | 1,550 |
| Other liabilities | 11.4 | 324 | 344 |
| Total non-current liabilities | | 810,756 | 998,010 |
| Current liabilities | | | |
| Liabilities associated with the sale of non-current assets held for sale | 10.6 | 0 | 28,176 |
| Short-term loans | 11.2 | 7,796 | 91,941 |
| Trade payables | 11.4 | 3,024 | 3,692 |
| Profit participation rights | 19 | 355 | 231 |
| Derivatives | 10.8 | 21,007 | 0 |
| Other current liabilities | 11.4 | 6,990 | 9,899 |
| Total current liabilities | | 39,172 | 133,939 |
| Total liabilities | | 849,928 | 1,131,949 |
| Total equity and liabilities | | 1,542,336 | 1,766,134 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2010

| EUR k | Notes | Share capital | Capital surplus | Hedging reserve | Treasury shares | Retained earnings | Total equity |
|---|-------|---------------|-----------------|-----------------|-----------------|-------------------|--------------|
| As of Jan. 1, 2010 | | 56,000 | 685,897 | -43,200 | -26 | -64,486 | 634,185 |
| Changes in the financial year 2010 | | | | | | | |
| Total comprehensive income | | 0 | 0 | 38,278 | 0 | 206 | 38,484 |
| Reclassification to retained earnings | | 0 | -27,999 | 0 | 0 | 27,999 | 0 |
| Payments of dividends | 15 | 0 | 0 | 0 | 0 | -27,999 | -27,999 |
| Share-based remuneration | 19 | 0 | 360 | 0 | 0 | 0 | 360 |
| Proceeds from shares issued | 11.1 | 5,600 | 43,400 | 0 | 0 | 0 | 49,000 |
| Transaction costs of issue of shares | 11.1 | 0 | -1,622 | 0 | 0 | 0 | -1,622 |
| As of Dec. 31, 2010 | 11.1 | 61,600 | 700,036 | -4,922 | -26 | -64,280 | 692,408 |

for the period from January 1 to December 31, 2009

| EUR k | Notes | Share capital | Capital surplus | Hedging reserve | Treasury shares | Retained earnings | Total equity |
|---|-------------|---------------|-----------------|-----------------|-----------------|-------------------|----------------|
| As of Jan. 1, 2009 | | 56,000 | 726,885 | -49,579 | -14,983 | 11,344 | 729,667 |
| Changes in the financial year 2009 | | | | | | | |
| Total comprehensive income | | 0 | 123 | 6,379 | 0 | -79,651 | -73,149 |
| Payment of dividends | 15 | 0 | 0 | 0 | 0 | -28,423 | -28,423 |
| Reclassification to retained earnings | 11.1 | 0 | -28,423 | 0 | 0 | 28,423 | 0 |
| Result of disposal of treasury shares | | 0 | -13,076 | 0 | 14,957 | 3,821 | 5,702 |
| <i>Intrinsic value of exchange option for treasury shares</i> | | 0 | 1,744 | 0 | 0 | -1,744 | 0 |
| <i>Exchange of cash dividend claims for shares in the Company</i> | | 0 | 0 | 0 | 0 | 5,565 | 5,565 |
| <i>Disposal of treasury shares</i> | | 0 | -14,820 | 0 | 14,957 | 0 | 137 |
| Share-based payments | 17, 19 | 0 | 388 | 0 | 0 | 0 | 388 |
| As of Dec. 31, 2009 | 11.1 | 56,000 | 685,897 | -43,200 | -26 | -64,486 | 634,185 |

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended December 31, 2010

| EUR k | Notes | 2010 | 2009 |
|--|------------|----------------|----------------|
| 1. Cash flows from operating activities | | | |
| Consolidated profit or loss for the period | | 206 | -79,651 |
| Unrealised valuation movements | | 36,646 | 109,180 |
| Interest income | 9.8 | -700 | -593 |
| Interest expense | 9.8 | 43,865 | 52,710 |
| Result from income taxes | 9.10 | 0 | 110 |
| Other non-cash expenses (+) | | 732 | 545 |
| Gain (-)/loss (+) on disposal of investment properties | 9.9 | -9,278 | 25 |
| Depreciation and impairment of fixed assets (+) | 10.3, 10.4 | 570 | 473 |
| Decrease (+)/increase (-) in trade receivables and other assets that are not attributed to investing or financing activities | | 2,858 | -4,356 |
| Decrease (-)/increase (+) in trade payables and other liabilities that are not attributed to investing or financing activities | | 270 | 4,202 |
| Cash generated from operations | | 75,169 | 82,645 |
| Interest received | | 700 | 593 |
| Interest paid | | -46,595 | -49,957 |
| Income tax paid | | 0 | -110 |
| Net cash generated from operating activities | | 29,274 | 33,171 |
| 2. Cash flows from investing activities | | | |
| Acquisition of investment properties | | -17,331 | -21,295 |
| Proceeds from the sale of financial assets | | 163,003 | 132,565 |
| Acquisition of other property, plant and equipment | | -2,508 | -2,421 |
| Proceeds from the disposal of interests in joint ventures and financial instruments | | 2,710 | 0 |
| Proceeds from the sale of financial assets | | 0 | 25,156 |
| Proceeds from the repayment of loans granted to joint ventures | | 13,546 | 0 |
| Proceeds from the disposal of Group companies | | 0 | 6,622 |
| Net cash generated from investing activities | 12.3 | 159,420 | 140,627 |

| EUR k | Notes | 2010 | 2009 |
|---|-------|-----------------|----------------|
| 3. Cash flows from financing activities | | | |
| Cash received from equity contributions | | 49,000 | 0 |
| Payment of transaction costs of issue of shares | | -1,622 | 0 |
| Proceeds from the disposal of own shares | | 0 | 137 |
| Proceeds from the issue of bonds and borrowings | | 738,629 | 128,821 |
| Payments of dividends | 15 | -27,999 | -22,858 |
| Payments for the acquisition and termination of financial derivatives | | -15,345 | -6,218 |
| Payments of the redemption of bonds and borrowings | | -950,216 | -153,058 |
| Payments of transaction costs | | -6,950 | -4,357 |
| Net cash used in financing activities | 12.3 | -214,503 | -57,533 |
| 4. Cash and cash equivalents at the end of the period | | | |
| Change in cash and cash equivalents (subtotal of 1 to 3) | | -25,809 | 116,264 |
| Effect of changes in consolidated Group on cash and cash equivalents | | -555 | -538 |
| Cash and cash equivalents at the beginning of the period | | 147,152 | 31,426 |
| Cash and cash equivalents at the end of the period | | 120,788 | 147,152 |
| <i>thereof restricted: EUR 3,955 k; previous year: EUR 61,848 k</i> | | | |
| <i>thereof cash in disposal group</i> | | 0 | 334 |
| Cash and cash equivalents reported on the consolidated statement of financial position | 10.9 | 120,788 | 146,818 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Corporate information

The consolidated financial statements of alstria office REIT-AG (hereinafter also referred to as the "Compan" or "alstria office REIT-AG") as at December 31, 2010 were authorised for issue by resolution of the Management Board on February 18, 2011.

alstria office REIT-AG was transformed into a German Real Estate Investment Trust (G-REIT) in the financial year 2007 and was registered as a REIT corporation (hereinafter also referred to as a "REIT-AG") in the commercial register on October 11, 2007.

REIT-AGs are fully exempt from German corporate income tax and trade tax. Hence, alstria office REIT-AG has been exempt from tax with retrospective effect since January 1, 2007.

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

The Company's registered office and address is Bäckerbreitergang 75, 20355 Hamburg, Germany. Registration was made in the commercial register at the local court of Hamburg under HRB No. 99204.

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

2 Basis of preparation

The consolidated financial statements of alstria office REIT-AG and its subsidiaries (together "the Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), including the interpretations of the standards (IFRIC). All IFRS and IFRIC were observed as adopted and prescribed by the EU as of the reporting date.

The consolidated financial statements have been prepared under the historical cost convention method except for investment property (land and buildings) and financial instruments that have been measured at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

The consolidated financial statements are presented in euros. All values are rounded to the nearest thousand (EUR k) except when otherwise indicated.

These consolidated financial statements are financial statements for the period from January 1 to December 31, 2010.

Items are summarised in the consolidated statement of financial position and income statement and commented on in the notes to the financial statements.

Assets and liabilities are classified as non-current – for items due in more than one year – or current.

3 Changes in accounting policy and disclosures

New and amended IFRS adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2010:

- > Revised IFRS 1 "First-time adoption of international financial reporting standards (rev. 2008)"
- > Amendments to IFRS 1 "Additional exemptions for first-time adopters (amendment 2009)"
- > Amendment to IFRS 1 "First-time adoption of IFRS", and IAS 27, "Consolidated and separate financial statements" on the cost of an investment in a subsidiary, jointly controlled entity or associate
- > Amendment to IFRS 2 and IFRIC 11 "Group cash-settled and share-based payment transactions (amendment 2009)"
- > Revised IFRS 3 "Business combinations (rev. 2008)" and IAS 27 "Consolidated and separate financial statements (rev. 2008)"
- > Amendment to IAS 39 "Financial instruments: recognition and measurement: eligible hedged items (amendment 2008)"
- > IFRIC 12 "Service concession arrangements"
- > IFRIC 15 "Agreements for the construction of real estate"
- > IFRIC 16 "Hedges of a net investment in a foreign operation"
- > IFRIC 17 "Distributions of non-cash assets to owners"
- > IFRIC 18 "Transfers of assets from customers"
- > Improvements to IFRSs (Improvement project 2009)

In the course of the annual improvements project "improvement to IFRS" (published in April 2009), the IASB approved revisions to IFRS that are listed in the following table:

| IFRS | Subject of amendment | Effective for annual period beginning |
|---|--|--|
| IFRS 2 Share-based payment | Scope of IFRS 2 and revised IFRS 3 | Jul. 1, 2009 |
| IFRS 5 Non-current assets held for sale and discontinued operations | Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations | Jan. 1, 2010 |
| IFRS 8 Operating segments | Disclosure of information about segment assets | Jan. 1, 2010 |
| IAS 1 Presentation of financial statements | Current/non-current classification of convertible instruments | Jan. 1, 2010 |
| IAS 7 Statement of cash flows | Classification of expenditures on unrecognised assets | Jan. 1, 2010 |
| IAS 17 Leases | Classification of leases of land and buildings | Jan. 1, 2010 |
| IAS 18 Revenue | Determining whether an entity is acting as a principal or as an agent | None – amendment to non-mandatory guidance |
| IAS 36 Impairment of assets | Unit of accounting for goodwill impairment test | Jan. 1, 2010 |
| IAS 38 Intangible assets | Additional consequential amendments arising from revised IFRS 3 Measuring the fair value of an intangible asset acquired in a business combination | Jul. 1, 2009 |
| IAS 39 Financial instruments: recognition and measurement | Treating loan prepayment penalties as closely related embedded derivatives Scope exemption for business combination contracts Cash flow hedge accounting | Jan. 1, 2010 |
| IFRIC 9 Reassessment of embedded derivatives | Scope of IFRIC 9 and revised IFRS 3 | Jul. 1, 2009 |
| IFRIC 16 Hedges of a net investment in a foreign operation | Amendment to the restriction on the entity the entity that can hold hedging instruments | Jul. 1, 2009 |

The initial application of the adopted IFRS had no material effect on the Group and the presentation of the consolidated financial statements.

New and amended IFRS to existing standards which are not yet effective and have not been early adopted by the Group

In its 2010 consolidated financial statements, alstria office REIT-AG did not apply the following accounting standards or interpretations which have already been adopted by the IASB but were not required to be applied for the financial year 2010.

| Standard/Interpretation | | Issued by the IASB | Effective date | Adopted by the EU | Expected effects |
|-------------------------|---|--------------------|--------------------------------|-------------------|---------------------|
| IFRS 1 (amendment) | Limited exemption from comparative IFRS 7 disclosures for first-time adopters | Jan. 28, 2010 | Jul. 1, 2010 | Yes | None |
| IFRS 9 (new standard) | Financial instruments – classification and measurement | Nov. 12, 2009 | Jan. 1, 2013 | No | No material effects |
| IAS 24 (revised) | Related party disclosures – revised definition of related parties | Nov. 4, 2009 | Jan. 1, 2011 | Yes | Notes disclosure |
| IAS 32 (amendment) | Classification of rights issues | Oct. 8, 2009 | Feb. 1, 2010 | Yes | None |
| IFRIC 14 (amendment) | IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction | Nov. 26, 2009 | Jan. 1, 2011 | Yes | None |
| IFRIC 19 | Extinguishing financial liabilities with equity instruments | Nov. 26, 2009 | Jul. 1, 2010 | Yes | None |
| Improvements to IFRS | Improvement project 2010 | May 6, 2010 | Various, earliest Jul. 1, 2010 | No | No material effects |
| IFRS 1 (amendment) | First-time adoption of IFRSs – accounting policy changes in the year of adoption | May 6, 2010 | Jan. 1, 2011 | No | None |
| IFRS 1 (amendment) | Revaluation basis as deemed cost | May 6, 2010 | Jan. 1, 2011 | No | None |
| IFRS 1 (amendment) | Use of deemed cost for operations subject to rate regulation | May 6, 2010 | Jan. 1, 2011 | No | None |
| IFRS 3 (amendment) | Business combinations – transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS measurement of non-controlling interests | May 6, 2010 | Jul. 1, 2010 | No | None |
| IFRS 3 (amendment) | Measurement of non-controlling interests | May 6, 2010 | Jul. 1, 2010 | No | None |
| IFRS 3 (amendment) | Unreplaced and voluntarily replaced share-based payment awards | May 6, 2010 | Jul. 1, 2010 | No | None |
| IFRS 7 (amendment) | Financial instruments: disclosures – clarification of disclosures | May 6, 2010 | Jan. 1, 2011 | No | Notes disclosure |
| IAS 1 (amendment) | Presentation of financial statements clarification of statement of changes in equity | May 6, 2010 | Jan. 1, 2011 | No | None |
| IAS 27 (amendment) | Consolidated and separate financial statements – transition requirements for amendments arising as a result of IAS 27 | May 6, 2010 | Jul. 1, 2010 | No | None |
| IAS 34 (amendment) | Interim financial reporting – significant events and transactions | May 6, 2010 | Jan. 1, 2011 | No | No material effects |

4 Basis of consolidation

The consolidated financial statements comprise the financial statements of alstria office REIT-AG and its subsidiaries as at December 31, 2010. The financial statements of the subsidiaries are prepared for the same reporting year as for the parent company, using consistent accounting policies.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which the Group obtains control, which generally coincides with the date of acquisition. Inclusion in the consolidated financial statements ends on the date on which the Group ceases to have control.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions are eliminated in full upon consolidation.

In accordance with IFRS 3, all business combinations are accounted for using the acquisition method. The recognised assets and the acquired liabilities are measured in full at their fair value regardless of the ownership interest. The carrying values on the date on which control over the subsidiary was obtained are relevant. Any remaining debit difference is recognised as goodwill. After reassessment, any remaining credit difference is recognised immediately as profit. In the periods following the business combination, the disclosed hidden reserves and charges are carried forward, amortised or released, depending on the treatment of the corresponding assets.

The Company generally applies IFRS 3 to account for transactions under common control. However, for transactions under common control, any credit and debit differences resulting from capital consolidation are recognised as an increase or decrease in capital surplus.

Significant companies where alstria office REIT-AG is able, directly or indirectly, to significantly influence financial and operating policy decisions (associates), or directly or indirectly shares control (joint ventures), are accounted for using the equity method.

The Group of consolidated companies includes 18 companies as well as two joint venture companies accounted for using the equity method.

Fully consolidated subsidiaries

The following subsidiaries are included in the consolidated financial statements:

| Group entity | Share in capital (%) |
|---|----------------------|
| alstria Bamlerstrasse GP GmbH, Hamburg | 100 |
| alstria Gänsemarkt Drehbahn GP GmbH, Hamburg | 100 |
| alstria Grundbesitz 2 GP GmbH, Hamburg | 100 |
| alstria Halberstädter Strasse GP GmbH, Hamburg | 100 |
| alstria Hamburger Str. 43 GP GmbH, Hamburg | 100 |
| alstria Ludwig-Erhard-Strasse GP GmbH, Hamburg | 100 |
| alstria Mannheim/Wiesbaden GP GmbH, Hamburg | 100 |
| alstria office Bamlerstrasse GmbH & Co. KG, Hamburg | 100 |
| alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg | 100 |
| alstria office Grundbesitz 2 GmbH & Co. KG, Hamburg | 100 |
| alstria office Halberstädter Str. GmbH & Co. KG, Hamburg | 100 |
| alstria office Hamburger Str. 43 GmbH & Co. KG, Hamburg | 100 |
| alstria office Ludwig-Erhard-Strasse GmbH & Co. KG, Hamburg | 100 |
| alstria office Mannheim/Wiesbaden GmbH & Co. KG, Hamburg | 100 |
| alstria office Steinstrasse 5 GmbH & Co. KG, Hamburg | 100 |
| alstria solutions GmbH, Hamburg | 100 |
| alstria Steinstrasse 5 GP GmbH, Hamburg | 100 |

Due to a joint venture agreement closed in 2010, a former subsidiary is treated as a joint venture as at the reporting date. alstria office REIT-AG holds a share of 49 % in the joint venture company accounted for in the consolidated financial statements using the equity method. Accordingly, the subsidiary was deconsolidated and is no longer included in the consolidated group. The result from deconsolidation amounted to EUR –181 k.

Two former Group companies were wound up during the reporting period. The companies served as general partners and had insignificant total assets and results.

There have been no further changes to the consolidated Group since the consolidated financial statements as at December 31, 2009.

EFFECTS FROM DISPOSAL OF GROUP COMPANIES

| EUR k | 2010 | 2009 |
|---|--------|--------|
| Total disposal consideration | 13,722 | 15,932 |
| Disposal consideration discharged by means of cash and cash equivalents | 2 | 6,622 |
| Amount of cash and cash equivalents in the subsidiary disposed of | 556 | 100 |
| Assets except cash and cash equivalents in the subsidiaries disposed of | | |
| <i>Investment property</i> | 60,000 | 41,440 |
| <i>Trade receivables</i> | 7 | 16 |
| <i>Other</i> | 36 | 88 |
| Liabilities in the subsidiaries disposed of | | |
| <i>Bank loans</i> | 32,835 | 24,750 |
| <i>Shareholder loans</i> | 13,546 | 1,854 |
| <i>Trade payables</i> | 63 | 0 |
| <i>Other</i> | 227 | 21 |

The amounts shown in 2010 have been stated under assets held for sale and liabilities associated with the sale of non-current assets held for sale.

Interests in joint ventures

By means of a capital contribution from a joint venture partner into the former subsidiary Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG, Hamburg, at the beginning of the reporting period and the contractual agreement of a joint control, this company is treated as a joint venture. Together with the joint venture Alstria VII. Hamburgische Grundbesitz GmbH & Co. KG, Hamburg, at the end of the reporting period the Group holds interests in two joint ventures resulting in a carrying amount at the end of the reporting period of EUR 32,385 k. alstria office REIT-AG holds a share of 49 % in each of the two joint ventures.

The following carrying amounts are attributable to the Group from its proportionate interest in the joint ventures.

| EUR k | Dec. 31, 2010 | Dec. 31, 2009 |
|-------------------------------|---------------|---------------|
| Non-current assets | 62,749 | 17,807 |
| Current assets | 4,085 | 4,028 |
| Non-current liabilities | 34,515 | 12,065 |
| Current liabilities | 939 | 1,103 |
| Profit or loss for the period | 12,070 | -264 |

5 Key judgments and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made for various items which have an effect on the amount and disclosure of the assets and liabilities, as well as income and expenses. Actual amounts may differ from these estimates.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

Operating lease commitments – Group as lessor The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership in these properties and so accounts for the contracts as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Estimates are required in particular in order to:

- > determine the fair value of investment property;
- > determine the fair value of financial instruments;
- > determine the fair value of virtual shares granted to management; and
- > determine the fair value of convertible profit participation certificates.

In particular, in determining the fair value of the investment property, alstria office REIT-AG must apply and take account of numerous factors. A fair value measurement was performed by an independent third party (Colliers International UK plc, London; see Note 7). If the future development of these properties differs from the estimate, large-scale losses resulting from the change in the fair value may be incurred. This can have a negative impact on the future results of operations.

The external assessors have carried out sensitivity analyses on their fair value assessments, which show the effect of the changes to capitalisation rates on fair market values.

VALUE OF THE PROPERTIES (EUR M)

| Capitalisation rates | 2010 | 2009 |
|----------------------|-------|-------|
| -0.25 % | 1,420 | 1,676 |
| 0.00 % | 1,349 | 1,601 |
| 0.25 % | 1,289 | 1,533 |

A fair value measurement of the derivative financial instruments was performed by an independent third party and the market data compiled thereof were included in the standard measurement models. Thus, the usual estimation uncertainties exist regarding possible deviations from the market data used. We consider the models used to be adequate and believe that they do not engender any uncertainty as to their applicability.

The fair value of virtual shares granted to the Management Board is measured at each balance sheet date until settlement and is classified as provisions. The expense of the period comprises the addition to, and the reversal of, the provision between two reporting dates and the dividend equivalent paid during the period. This valuation requires the Company to make estimates about certain parameters, and hence they are subject to uncertainty. The fair value of the virtual shares granted as at March 2, 2010, is allocated to the vesting period according to the determinations in the underlying Long Term Incentive Plan (LTIP). The resulting personnel expenses caused an addition to provisions of EUR 351 k (December 31, 2009: EUR 0 k) in the consolidated financial statements as at December 31, 2010.

The fair value of convertible profit participation certificates granted to the employees of the Group was estimated at the respective granting dates using a binary barrier option model based on the Black-Scholes model; assumptions since 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. This valuation requires the Company to make estimates about these parameters, and hence they are subject to uncertainty.

The assets, liabilities and equity instruments stated above, which are particularly exposed to estimation uncertainty, had the following impact on the consolidated statement of financial position as at the end of reporting period:

| EUR k | Dec. 31, 2010 | Dec. 31, 2009 |
|--|---------------|---------------|
| Investment property | 1,348,400 | 1,425,440 |
| Positive fair values of derivatives | 17,796 | 615 |
| Negative fair values of derivatives | 42,849 | 48,859 |
| Valuation of stock options, convertible profit participation rights and virtual shares | 830 | 466 |

6 Seasonal or economic effects on business

The activities of alstria office REIT-AG (primarily the generation of revenues from investment properties) are not generally affected by seasonal factors. However, the sale of one or more large properties may have a significant impact on revenues and operating expenses.

Experience shows that the real estate market tends to fluctuate as a result of factors such as the net income of consumers or GDP, changes in interest rates, consumer confidence, and demographic and other factors inherent to the market. The change of the interest rate might lead to a lower valuation of the investment property and derivatives.

7 Summary of significant accounting policies

The following accounting and valuation methods have been used to prepare the consolidated financial statements of alstria office REIT-AG.

Investment property

Investment property comprises all property that is held in order to generate rental income or long-term value increases in assets and is used neither in production nor for administrative purposes. It is recognised at acquisition costs at the time of addition. The costs include the transaction costs which have to be capitalised (particularly real estate transfer tax). In accordance with IAS 40.17, costs incurred subsequently for dismantling, replacing in parts or maintenance of property are also included; however, no costs of this kind had been incurred as of the end of reporting period.

Costs of debt which can be directly allocated to the acquisition or production of investment property are capitalised in the year in which they arise.

For subsequent measurement, the Company uses the fair value model according to IAS 40.33 et seq., which reflects market conditions at the end of reporting period.

All market values were determined by Colliers International UK plc, London, a renowned appraiser and brokerage firm, as at December 31, 2010.

The basis for deriving the fair values as defined by IAS 40.33 should be, where possible, prices in an active market for similar property (IAS 40.45). An analysis showed that there was not a sufficient number of official comparable transactions to derive any market values. In accordance with IAS 40.46, therefore, the fair value was determined on the basis of an income approach.

The method used is a hard-core and top-slice method, whereby rental income is horizontally segmented, with the hard-core portion representing the prevailing contractual rent. The top slice represents the difference between market rent and contractual rent. This method fulfils the requirements of the Red Book, a set of international valuation standards set forth by the Royal Institution of Chartered Surveyors. The method used by Colliers International UK plc is also appropriate and suitable for determining market values in accordance with the provisions of the International Valuation Standards (IVS, or the White Book).

In order to derive the fair value, the properties were divided into two groups and valued accordingly. Group 1 contained properties with anchor lease terms of five years or less and Group 2 held properties with anchor lease terms of more than five years.

Group 1 is for properties with leases set to expire in five years or less: Hard-core and top-slice method, taking account of

- > the contractual rent for the remaining term of the lease;
- > a vacancy period of at least 18 months following expiry of the lease;
- > the necessary maintenance costs to re-let the properties at a comparable rent level;
- > re-lets at market rents;

- > the capitalisation rates reflecting the individual risk of the property as well as market activity (comparable transactions); and
- > non-allocable operating costs in the amount of 5 % of rental income p.a.

Group 2 is for properties with anchor leases that are leased on a long-term basis to tenants with strong credit ratings: Hard-core and top-slice method, taking account of

- > the contractual rent for the remaining term of the lease;
- > re-lets at market rents (accounting for the difference between market rent and contractual rent);
- > the capitalisation rates reflecting the individual risk of the property as well as market activity (comparable transactions);
- > non-allocable operating costs in the amount of 5 % of rental income p.a.; and
- > the net selling price.

Gains or losses arising from changes in the fair values of investment property are disclosed in the item "Net gain from fair value adjustments on investment property" in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Leases

The lessee is considered to be the beneficial owner of leased assets when the lessee bears all of the risks and rewards incidental to the assets (finance lease) in accordance with IAS 17. If the lessee is deemed the beneficial owner, the leased asset is recognised at fair value or the lower present value of the minimum lease payments at the inception of the lease.

Operating leases

Lease agreements that alstria office REIT-AG has entered into with commercial tenants are classified as operating leases under IFRS. Accordingly, alstria office REIT-AG is lessor in numerous different types of operating lease agreements for investment properties. These leases generate the majority of proceeds and income for alstria office REIT-AG.

Impairment of assets

Intangible assets with indefinite useful lives are not amortised; they are tested for impairment on an annual basis.

Assets that are amortised are tested for impairment whenever triggering events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

An impairment loss is charged in the amount of the excess of the carrying amount over the recoverable amount. If the reasons for an impairment loss cease to apply, the impairment loss is reversed as appropriate.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of plant and equipment is calculated on a straight-line basis over the useful life of the asset (three to 15 years). The useful life of own occupied property is estimated at 50 years. While the building is depreciated on a scheduled basis, the land is not part of a scheduled depreciation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Cost of debt items which can be directly allocated to the acquisition or production of property, plant and equipment are capitalised in the year in which they arise.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial

recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Depreciation of licences is calculated on a straight-line basis over the useful life of the asset (three to eight years).

Currently, the Company does not have intangible assets with indefinite useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

There are no deferred taxes because, according to the REIT status, the whole Group is tax transparent and exempt from income taxation.

Financial instruments

Pursuant to IAS 39, a financial instrument is any contract that gives rise to both a financial asset to one entity and a financial liability or equity instrument to another entity. Financial assets comprise in particular cash and cash equivalents, trade receivables, as well as other loans and receivables originated by the enterprise, held-to-maturity investments and original and derivative financial assets held for trading. Financial liabilities frequently underlie a claim to their return in cash or another financial asset. These include in particular liabilities to banks and other creditors, trade payables and derivative financial liabilities. Financial assets and liabilities are generally not offset.

Financial assets

The recognition and measurement of financial assets are subject to the provisions of IAS 39. Depending on the classification prescribed by IAS 39:

- > held-to-maturity;
- > measured at fair value through profit or loss;
- > available-for-sale; or
- > loans and receivables

financial assets are either measured at amortised cost or at fair value and recognised as at the end of the reporting period.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group determines fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

When financial assets are recognised initially, they are measured at fair value plus transaction costs for all financial assets not carried out at fair value through profit or loss. Management decides on the classification of financial assets on initial recognition and reviews the classification at the end of each reporting period. A financial asset is derecognised when the entity loses control of the contractual rights that comprise the financial instrument.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. A purchase or sale of financial assets is customary when it requires the delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets measured at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Derivative financial instruments which are not part of an effective hedge pursuant to IAS 39 must be classified as held for trading and recognised in profit or loss at fair value. If their fair value is negative, the instruments are disclosed under financial liabilities.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period, or unless the maturity at the end of reporting period is less than twelve months. The available-for-sale financial assets are initially recognised at fair value and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity; when they are sold or impaired their accumulated fair value adjustments are included in the income statement.

The Group holds no financial assets which are classified as held to maturity according to the classification prescribed by IAS 39 classified as held to maturity.

Financial assets have not been designated as "at fair value through profit or loss".

Receivables

Receivables are classified as loans and receivables as defined by IAS 39 and measured initially at fair value and subsequently at amortised cost, if necessary after deduction of any impairment. Amortised costs are computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Within the scope of the measurement of trade receivables, a solvency check was performed on the tenants (risk associated with the legal validity of receivables) and certainty gained that there were no reasons for a rent reduction (delcredere risk). This is done for each individual property and portfolio basis, respectively.

Non-interest bearing receivables due in more than one year are discounted.

Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired as well as through the amortisation process.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i. e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced directly. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the receivable does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

Provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced directly. Impaired assets are derecognised when they are assessed as uncollectable.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as interest rate swaps and caps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The instruments were measured as at December 31, 2010 by an independent third party. The fair value of derivative financial instruments is determined by discounting the expected future cash flows over the remaining life of the agreement based on current market rates or term structures of interest rates.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The method used for recording gains and losses depends upon whether the derivative was assigned to an underlying transaction as a hedge. To this end, financial management defines the hedge relationship between the hedging instrument and the hedged item and the aim of the risk management measure and underlying strategy when concluding the hedge transaction.

Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting are recognised immediately in profit or loss.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows is attributable to a particular risk associated with a recognised liability.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows

attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows, and are assessed on an ongoing basis to determine their effectiveness throughout the financial reporting periods for which they were designated.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

- > The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in profit or loss.
- > Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is realised.

The Group uses no financial derivatives that qualify for the hedging of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), nor such financial derivatives that qualify for the hedging of a net investment in a foreign operation (net investment hedge).

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise current bank balances.

For the purposes of the consolidated cash flow statement, cash and cash equivalents include the cash and cash equivalents defined above, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Current bank balances are recognised in the nominal amount.

Treasury shares

Company equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Liabilities

Financial liabilities, in particular trade payables, are stated at the amount repayable and are, if non-current and non-interest bearing, discounted.

The fair values are determined by discounting the future contractually agreed cash flows at the interest rates from the term structure of interest rates to the end of the reporting period.

The recognition and measurement of financial liabilities is subject to the provisions of IAS 39. Depending on the classification prescribed by IAS 39:

- > at amortised cost or
- > measured at fair value through profit or loss

financial liabilities are either measured at amortised cost or at fair value and recognised as at the end of reporting period.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated as "at fair value through profit or loss". After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

The component of the convertible profit participation rights (Wandelgenussrechte) which exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of the jouissance shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond, and this amount is classified as a financial liability measured at amortised cost until it is extinguished on conversion or redemption.

A financial liability is derecognised when the obligation underlying the liability is discharged or cancelled or expires. When an existing financial liability is replaced with another liability from the same lender under substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Provisions

Provisions are recognised where a present obligation exists to third parties as a result of a past event, where a future outflow of resources is probable and where a reliable estimate of that outflow can be made. Provisions are measured, taking account of all risks, at the best estimate of future cash outflows required to meet the obligation, and – if non-current – are discounted. Provisions are not offset with reimbursements.

Share-based payment transactions

Share-based payment comprises cash-settled liability awards and equity-settled equity awards.

The fair value of equity awards is generally determined by using a modified Black-Scholes option pricing model at the grant date and represents the total payment expense to be recognised during the service period with a corresponding increase in equity (paid-in capital).

Liability awards are measured at fair value at each balance sheet date until settlement and are classified as provisions. The expense of the period comprises the addition to, and the reversal of, the provision between two reporting dates and the dividend equivalent paid during the period.

Further details on the share-based payment schemes are given in Notes 17, 18 and 19, and in the remuneration report, respectively.

Minority interests in partnerships

Under IAS 32.16 and IAS 32.19, a financial instrument is an equity instrument if, and only if, an entity has no conditional or unconditional obligation to deliver cash or another asset. In addition, IAS 32.18 (b) states that the right of a partner to return their investment to the partnership for compensation at any time must be disclosed as a liability, even when, in legal terms, the partner is an investor. Specifically, equity must be reclassified as liability when the shareholders have a right of termination and the exercise of that right justifies a settlement claim against the Company. Therefore minority interests in fully consolidated partnerships are disclosed under liabilities. The minority interests' share in net profit or loss is recorded in the income statement as income or expense (financial result) in accordance with IAS 32.35.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Rental income Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Interest income Revenue is recognised as interest accrues (using the effective interest rate that is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Income taxes

REIT-AGs are fully exempt from German corporate income tax and trade tax. Hence, alstria office REIT-AG has been exempt from tax with retrospective effect since January 1, 2007.

8 Segment reporting

IFRS 8 requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes.

As the type of services offered by alstria office REIT-AG is comprised exclusively of lessor activities for commercial property tenants in Germany, according to IFRS 8, a single reporting segment can be identified that is comprised of the Groups' total operations.

This reporting segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Management Board.

9 Notes to the consolidated income statement

9.1 Revenues

| EUR k | 2010 | 2009 |
|-----------------------------------|--------|---------|
| Revenues from investment property | 89,094 | 102,510 |

Revenues from investment property chiefly include rents from investment property.

9.2 Income and expenses from passed-on operating expenses

| EUR k | 2010 | 2009 |
|--|----------------|----------------|
| Income from passed-on operating expenses | 13,902 | 17,202 |
| Income from passed-on operating expenses related to the prior year | 1,781 | 2,031 |
| | 15,683 | 19,233 |
| Expenses from passed-on operating expenses | -13,902 | -17,202 |
| Expenses from passed-on operating expenses related to the prior year | -2,223 | -2,389 |
| | -16,125 | -19,591 |
| Income less expenses from passed-on operating expenses | -442 | -358 |

The expenses from passed-on operating expenses which are directly attributable to investment property include, in particular, operating costs, maintenance and property-based taxes.

9.3 Real estate operating expenses

| EUR k | 2010 | 2009 |
|---------------------------------------|--------------|---------------|
| Maintenance and refurbishment | 2,244 | 4,778 |
| Vacancy | 1,558 | 2,076 |
| Running repairs | 1,366 | 1,149 |
| Property management | 858 | 869 |
| Tax on land and building | 284 | 275 |
| Non-deductible VAT | 105 | 408 |
| Depreciation of own occupied property | 85 | 114 |
| Other | 393 | 520 |
| | 6,893 | 10,189 |

9.4 Administrative expenses

| EUR k | 2010 | 2009 |
|---|--------------|--------------|
| Legal and consulting fees | 2,332 | 2,066 |
| Communication and marketing | 621 | 800 |
| Audit fees (audit and audit-related services) | 580 | 427 |
| Depreciation | 485 | 359 |
| Supervisory Board compensation | 305 | 299 |
| Travel expenses | 270 | 264 |
| Leasing costs | 175 | 185 |
| IT maintenance | 125 | 91 |
| Insurances | 113 | 122 |
| Recruitment | 69 | 25 |
| Stock exchange | 43 | 162 |
| Other | 955 | 1,387 |
| | 6,073 | 6,187 |

9.5 Personnel expenses

| EUR k | 2010 | 2009 |
|--|--------------|--------------|
| Salaries and wages | 2,823 | 2,477 |
| Social insurance contribution | 363 | 312 |
| Bonuses | 1,228 | 1,320 |
| Expenses for share-based compensation | 830 | 466 |
| <i>thereof relating to stock options and virtual shares</i> | 351 | 91 |
| <i>thereof relating to the convertible profit participation certificates</i> | 479 | 375 |
| Amounts for retirement provisions and disability Management Board | 144 | 131 |
| Other | 209 | 284 |
| | 5,597 | 4,990 |

Convertible profit participation rights granted to employees entitle not only a conversion when the conditions apply, but also an annual payment equivalent to the dividend per share. Therefore, expenses for share-based compensation resulting from the convertible profit participation rights are to be recognised in equity (for the conversion right) as well as against liabilities (for the dividend entitlement). Out of the EUR 479 k expense in relation to the profit participation rights, EUR 360 k was recognised in equity (2009: EUR 297 k) while EUR 119 k was reflected in the liabilities (2009: EUR 78 k).

Within the course of 2010 the Group had 37 employees on average (2009: 31).

9.6 Other operating income

| EUR k | 2010 | 2009 |
|--|--------------|--------------|
| Income in relation to development projects | 727 | 327 |
| Income from the reversal of accrued liabilities | 367 | 323 |
| Property management services | 148 | 0 |
| Income from insurance compensation | 123 | 82 |
| Payments on provisions on doubtful debts | 71 | 221 |
| Car use | 22 | 42 |
| Profit on deconsolidation | 0 | 1,290 |
| Income from the consumption of accrued liabilities | 0 | 170 |
| Other | 571 | 669 |
| | 2,029 | 3,124 |

Income in relation to development projects relates to compensation received from tenants in individual cases for the restructuring of leased premises and can vary each year.

9.7 Other operating expenses

| EUR k | 2010 | 2009 |
|---|--------------|--------------|
| Legal and consulting fees | 868 | 0 |
| Impairment on trade receivables | 472 | 311 |
| Loss on deconsolidation | 181 | 0 |
| Impairment on financial assets | 91 | 0 |
| Allocation to provision for rental guarantees | 0 | 1,550 |
| Other | 7 | 5 |
| | 1,619 | 1,866 |

Legal and consulting fees were incurred as a result of a non-recurring strategic project related to the further development of the Group.

9.8 Financial and valuation result

The financial result breaks down as follows:

| EUR k | 2010 | 2009 |
|--|----------------|----------------|
| Financial income | 700 | 593 |
| Syndicated loans – interest | –17,623 | –25,638 |
| Interest non-recourse loans | –7,599 | –3,918 |
| Interest result derivatives | –17,902 | –22,433 |
| Bank overdraft | –1 | –1 |
| Financial expenses | –43,125 | –51,990 |
| Bank charges | –292 | –80 |
| Expense resulting from net present value adjustments due to the discount of provisions | –278 | 0 |
| Transaction costs | 0 | –524 |
| Commitment fees | 0 | –75 |
| Other | –170 | –40 |
| Other financial expenses | –740 | –720 |
| Net financing result | –43,165 | –52,117 |

Total interest income and expenses for financial assets and liabilities which are not financial derivatives were EUR 700 k (interest income; 2009: EUR 593 k) and EUR 25,222 k (interest expenses; 2009: EUR 29,557 k), respectively.

Total interest expenses calculated using the effective interest method for financial liabilities that are not recognised at fair value through profit or loss were EUR 5,545 k (interest expenses; 2009: EUR 2,362 k).

Net losses from financial assets available for sale amounted to EUR 91 k (2009: EUR 0 k).

The net loss from the fair value loss from the fair value adjustments on financial derivatives is shown below:

| EUR k | 2010 | 2009 |
|---|----------------|----------------|
| Transfer of cumulated loss from cash flow hedge reserve to income statement | –33,338 | –16,331 |
| Ineffective change of the fair value of cash flow hedges | –961 | –6,002 |
| Change in fair value of financial derivatives not qualifying as a cash flow hedge | –1,373 | –961 |
| Net loss from fair value adjustments on financial derivatives | –35,672 | –23,294 |

In 2010, EUR 33,338 k relates to cumulative loss in the fair value of cash flow hedge derivatives which was reported in equity and for which a forecast transaction is no longer expected to occur.

Further details and explanation on derivatives are shown under Note 10.8.

9.9 Gain or loss on disposal of investment property

| EUR k | 2010 | 2009 |
|---|--------------|------------|
| Investment property disposal proceeds | 163,003 | 134,115 |
| Carrying value of investment property disposals | -153,725 | 134,140 |
| | 9,278 | -25 |

The loss from objects and portfolios sold below their carrying value amounts to EUR 248 k in 2010 and EUR 375 k in 2009.

9.10 Income taxes

Because of obtaining the G-REIT status, alstria office REIT-AG was subject to final taxation on the effective date of the transfer into a G-REIT in 2007 and is tax-exempt with regard to corporate tax and trade tax effective as of January 1, 2007.

Deferred income tax Due to the REIT tax exemption, there were no impacts on profit and loss, the financial statements, or equity or profit and loss in 2009 and 2010.

10 Notes to the consolidated statement of financial position – assets

10.1 Investment property

This item, which comprises all investment properties held by the Company, breaks down as follows:

| EUR k | 2010 | 2009 |
|---|------------------|------------------|
| Fair values | | |
| As of Jan. 1 | 1,425,440 | 1,805,265 |
| Changes in the consolidated Group | 0 | -41,440 |
| Property acquisition | 0 | 3,480 |
| Capital expenditure | 14,264 | 13,987 |
| Disposals | -77,900 | -134,140 |
| Transfers to held for sale | -600 | -135,825 |
| Net result from the adjustment of the fair value of investment property | -12,804 | -85,887 |
| As of Dec. 31 | 1,348,400 | 1,425,440 |

alstria office REIT-AG uses the fair value model pursuant to IAS 40.33 et seq. for subsequent measurement of investment property. External appraisals were obtained for measurement. For a detailed description of the valuation of assets, please see Note 7.

alstria office REIT-AG concluded the acquisition of one investment property located in Karlsruhe in 2010. This property was transferred to alstria office REIT-AG on January 4, 2011. At the end of the reporting period, prepayments in an amount of EUR 2,961 k have been made on the acquisition. They are stated under "other receivables" (see Note 10.7).

In the course of the meanwhile completed property disposal process, the transfer of possession, benefits and burden of seven properties took place in 2010. One of them has been transferred in the course of deconsolidation of a former Group company. This object was already reclassified to the disposal group in the previous year (see Note 4).

Due to a probable sale transaction, one property in a total amount of EUR 600 k was categorised as "held for sale" in the consolidated financial statements as at December 31, 2010.

Capital expenditure (EUR 14,264 k) is made up of subsequent acquisition and production costs in relation to property acquisitions and refurbishment projects.

Borrowing costs have been capitalised as construction cost of an asset in an amount of EUR 71 k during the reporting period. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 2.5 %.

Expenses/income disclosed in the income statement pursuant to IAS 40.75 (f):

- > EUR 89,094 k (2009: EUR 102,510 k) rental income from investment property;
- > EUR 5,335 k (2009: EUR 8,166 k) operating expenses (including repairs and maintenance) directly allocable to investment property from which rental income was generated during the period under review; and
- > EUR 1,558 k (2009: EUR 2,023 k) operating expenses (including repairs and maintenance) arising from investment property which did not generate rental income during the period under review.

Investment properties (including held-for-sale investment properties) have been used as security for bank loans in the amount of EUR 1,349,000 k (2009: EUR 1,561,265 k).

10.2 Equity accounted investment

At the end of the reporting period, two companies in which alstria office REIT-AG holds a share of 49 % were treated as joint ventures and accounted for using the equity method. The carrying amount of the joint ventures at the end of the reporting period was EUR 32,385 k. For further information please refer to Note 4.

10.3 Property, plant and equipment

| EUR k | Plant | Furniture and fixtures | Own occupied property | Total 2010 |
|---|--------------|------------------------|-----------------------|--------------|
| Acquisition and production cost | | | | |
| As at Jan. 1, 2010 | 1,100 | 202 | 5,655 | 6,957 |
| Additions | 1 | 385 | 1,858 | 2,244 |
| Disposals | 0 | -25 | 0 | -25 |
| As at Dec. 31, 2010 | 1,101 | 562 | 7,513 | 9,176 |
| Accumulated amortisation, depreciation and write-downs | | | | |
| As at Jan. 1, 2010 | 846 | 101 | 114 | 1,060 |
| Additions | 164 | 59 | 85 | 308 |
| Disposals | 0 | -18 | 0 | -18 |
| As at Dec. 31, 2010 | 1,010 | 142 | 199 | 1,350 |
| Net book values as at Dec. 31, 2010 | 91 | 420 | 7,314 | 7,826 |

| EUR k | Plant | Furniture and fixtures | Own occupied property | Total 2009 |
|---|--------------|------------------------|-----------------------|--------------|
| Acquisition and production cost | | | | |
| As at Jan. 1, 2009 | 1,100 | 159 | 3,381 | 4,640 |
| Additions | 0 | 43 | 2,274 | 2,317 |
| Disposals | 0 | 0 | 0 | 0 |
| As at Dec. 31, 2009 | 1,100 | 202 | 5,655 | 6,957 |
| Accumulated amortisation, depreciation and write-downs | | | | |
| As at Jan. 1, 2009 | 659 | 58 | 0 | 717 |
| Additions | 187 | 43 | 114 | 343 |
| Disposals | 0 | 0 | 0 | 0 |
| As at Dec. 31, 2009 | 846 | 101 | 114 | 1,060 |
| Net book values as at Dec. 31, 2009 | 254 | 101 | 5,541 | 5,897 |

The useful life of the assets is estimated to be between three to 15 years for plant, furniture and fixtures and 50 years for the own occupied property by the Group.

The plants consist of miscellaneous items such as fire extinguishers or a control panel for a closed-circuit television system.

alstria office REIT-AG occupies one of its office buildings in Hamburg for its own use. Therefore the property is categorised as owner-occupied property according to IAS 16. In order to secure Group liabilities, the property is pledged with a land charge as security.

10.4 Intangible assets

| EUR k | Licences | |
|---|------------|------------|
| | 2010 | 2009 |
| Acquisition and production cost | | |
| As of Jan. 1 | 580 | 475 |
| Additions | 270 | 105 |
| Disposals | -1 | 0 |
| As of Dec. 31 | 849 | 580 |
| Accumulated amortisation, depreciation and write-downs | | |
| As of Jan. 1 | 269 | 139 |
| Additions | 262 | 130 |
| Disposals | -1 | 0 |
| As of Dec. 31 | 530 | 269 |
| Net book values as at Dec. 31 | 319 | 311 |

The useful life of the intangible assets is estimated to be between three to eight years.

The intangible assets consist of software licences and licences to other rights in an amount of EUR 175 and EUR 144 k, respectively.

10.5 Financial assets

A minority interest in a former Group company is stated in this line item.

10.6 Assets held for sale

Assets held for sale as shown refer to an investment property which has been sold in January 2011.

Assets held for sale as shown in the previous year's end of the reporting period refer mainly to investment properties which have been sold in 2010.

The assets and liabilities of the disposal Group were as follows:

| EUR k | Dec. 31, 2010 | Dec. 31, 2009 |
|------------------------------|---------------|----------------|
| Assets | | |
| Investment property | 600 | 135,825 |
| Receivables and other assets | 0 | 462 |
| Cash and cash equivalents | 0 | 334 |
| Total assets | 600 | 136,621 |
| Liabilities | | |
| Short-term loans | 0 | 27,500 |
| Other liabilities | 0 | 676 |
| Total liabilities | 0 | 28,176 |

10.7 Receivables and other assets

Due to the specific nature of the business, the Group considers receivables due up to one year to be current. The following table presents an overview on the receivables of the Group:

| EUR k | Dec. 31, 2010 | Dec. 31, 2009 |
|--|---------------|---------------|
| Trade receivables | | |
| Rent receivables | 4,117 | 5,694 |
| Accounts receivable from affiliates | 1,967 | 1,855 |
| Tax receivables | 0 | 3 |
| Other receivables | | |
| Prepayments | 3,367 | 2,361 |
| "Rent-free period" receivables | 2,755 | 1,831 |
| Deposit account | 1,550 | 1,550 |
| Receivables from disposal group | 0 | 27,500 |
| Other assets | 465 | 241 |
| Other receivables | 8,137 | 33,483 |

All receivables except EUR 1,550 receivables against a deposit account are due within one year from the end of the reporting period. The fair value of all receivables is equal to their carrying amount in the balance sheet.

Trade receivables were written down by EUR 472 k (2009: EUR 311 k) due to rent payments in arrears. Other receivables, other than trade receivables, were not impaired.

As of December 31, 2010, trade receivables of EUR 869 k (2009: EUR 724 k) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| EUR k | Dec. 31, 2010 | Dec. 31, 2009 |
|--------------------------|---------------|---------------|
| Trade receivables | | |
| Up to 3 months | 367 | 76 |
| 3 to 6 months | 217 | 648 |
| Over 6 months | 285 | 0 |
| Total | 869 | 724 |

To secure the loans of the Group, all receivables from rental and property purchase agreements, as well as insurance receivables and derivative financial instruments, were assigned to the lenders (Note 11.2).

A total of EUR 2,755 k of the other receivables is made up of accruals resulting from the recognition of total rental revenues on a straight-line basis over the term of the lease agreements (rent smoothing).

Prepayments in an amount of EUR 2,961 k relate to payments that have been made on the acquisition of a property (compare Note 10.1) and annual insurance premiums that are payable in advance.

10.8 Derivative financial instruments

The following derivative financial instruments existed as at the end of reporting period:

| Product | Strike p.a. (%) | Maturity date | Dec. 31, 2010 | | Dec. 31, 2009 | |
|---|-----------------|----------------------------|------------------|--------------------|------------------|--------------------|
| | | | Notional (EUR k) | Fair value (EUR k) | Notional (EUR k) | Fair value (EUR k) |
| Cap | 4.9000 | Dec. 20, 2012 | 75,000 | 20 | 75,000 | 100 |
| Swap | 4.1160 | Jul. 10, 2013 | 47,902 | -3,412 | 100,000 | -7,331 |
| Swap | 3.6165 | Nov. 29, 2011 | 625,000 | -17,595 | 0 | 0 |
| Reverse swap | 3.6165 | Nov. 29, 2011 | -625,000 | 17,595 | 0 | 0 |
| Interest rate derivatives – held for trading | | | | -3,392 | | -7,231 |
| Cap | 3.3000 | Oct. 20, 2014 | 25,139 | 135 | 25,139 | 383 |
| Cap | 3.3000 | Oct. 20, 2014 | 8,649 | 46 | 8,649 | 132 |
| Swap | 3.6165 | Nov. 29, 2011 ¹ | 0 | 0 | 625,000 | -27,895 |
| Swap | 3.9087 | Jan. 20, 2012 ¹ | 0 | 0 | 148,785 | -7,828 |
| Swap | 4.9000 | Dec. 20, 2012 ¹ | 0 | 0 | 34,100 | -3,170 |
| Swap | 3.1925 | Nov. 29, 2011 ¹ | 0 | 0 | 21,880 | -781 |
| Swap | 2.1940 | Dec. 31, 2014 | 37,283 | -420 | 0 | 0 |
| Swap | 4.6000 | Oct. 20, 2015 | 95,000 | -3,346 | 95,000 | -1,854 |
| Swap | 2.9900 | Jul. 20, 2015 | 472,500 | -18,076 | 0 | 0 |
| Interest rate derivatives – cash flow hedges | | | | -21,661 | | -41,013 |
| Total | | | | -25,053 | | -48,244 |

¹ Meanwhile terminated before original maturity date.

The changes of the derivatives result from various effects. The following table shows the changes of alstria office REIT-AG's financial instruments since December 31, 2009 by category:

CHANGES IN FINANCIAL DERIVATIVES

| EUR k | Financial derivatives | | | |
|--|-------------------------|------------------|-----------------------|----------------|
| | Cash flow hedge reserve | Financial assets | Financial liabilities | Total |
| Hedging instruments as at Dec. 31, 2009 | -43,200 | 615 | -48,859 | -48,244 |
| Effective change in fair value cash flow hedges | 4,940 | -70 | 5,010 | 4,940 |
| Ineffective change in fair value cash flow hedges | 0 | -7,514 | 6,553 | -961 |
| Net loss from fair value changes in financial derivatives not qualifying for cash flow hedging | 0 | -81 | -1,292 | -1,373 |
| Reclassification of cumulated loss from equity to income statement | 33,338 | 0 | 0 | 0 |
| Changes in accrued interests concerning financial derivatives | 0 | 3,316 | 1,924 | 5,240 |
| Acquisitions | 0 | 21,530 | -43,060 | -21,530 |
| Disposals | 0 | 0 | 36,875 | 36,875 |
| Hedging instruments as at Dec. 31, 2010 | -4,922 | 17,796 | -42,849 | -25,053 |

The notional amount of the financial derivatives, which includes cash flow hedges and derivatives not qualifying for cash flow hedging, effective at the end of the reporting period is EUR 638,571 k (December 31, 2009: EUR 1,039,553 k). One swap with a notional amount of EUR 95,000 k will not become effective before July 10, 2013. Derivatives with a notional amount of EUR 122,902 k (December 31, 2009: EUR 175,000 k) are not designated as a cash flow hedge.

In total, EUR 4,940 k of changes in the fair values of derivatives effective in a cash flow hedge have been recognised in the hedging reserve.

The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to a loss of EUR 961 k (2009: EUR 6,002 k).

Losses totalling EUR 1,373 k (2009: loss of EUR 961 k) due to the market valuation of derivatives not included in hedge accounting were recorded in the income statement in the period of the financial statements to December 31, 2010.

A loss of EUR 33,338 k (2009: 16,331 k) relates to the cumulative losses that were reported in equity and for which the forecast transaction is no longer expected to occur. It was immediately transferred to the income statement within net loss of fair value adjustments on financial derivatives (see Note 9.8).

Together, this results in a loss of EUR 35,672 k (2009: EUR 23,294 k) shown as net loss from fair value adjustments on financial derivatives. For

the EUR 33,338 k expense relating to the transfer out of equity, the corresponding booking entry is an equity account, which increased by the same amount. Therefore this expense entry in the amount of EUR 33,338 k has no effect on the Group's net asset value.

On April 15, 2010, alstria office REIT-AG entered into an interest swap with a notional amount of EUR 37,283 k at a swap rate of 2.1940 %, expiring on December 31, 2014. This transaction became effective as per April 20, 2010. The hedging relationship was concluded with a fair value of EUR 0 at the inception.

In line with its hedging strategy, alstria office REIT-AG entered into a new interest rate swap with a notional amount of EUR 472,500 k and a swap rate of 2.99 %, expiring on July 20, 2015. This transaction became effective as at July 20, 2010.

The aforementioned swap replaced an existing interest rate swap with a notional value of EUR 625,000 k, which was terminated with effect from July 20, 2010. The new interest rate swap, which has a notional value of EUR 472,500 k and hedges the new syndicated loan, started with a negative fair value of EUR 21,530 k, which corresponds to the negative termination value of the old interest rate swap with a notional value of EUR 625,000 k. The switchover was cash-neutral since the new swap stepped into the negative fair value of the terminated swap.

In total, interest rate swaps with a notional value of EUR 881,863 k were terminated in 2010. This reduced financial liabilities from the negative fair value of these swaps by EUR 36,875 k. EUR 21,530 k of this amount was attributed to the new swap with a notional value of EUR 472,500 k, leaving a EUR 15,345 k financial liability reduction for which cash outflow was provided.

One interest rate swap with a notional amount of EUR 625,000 k and a corresponding reverse interest rate swap with the same notional amount had been entered into for technical reasons in the course of refinancing. All terms and conditions of the two derivatives are identical, except the fact that the floating rate payer of the one interest rate swap is the fixed rate payer of the reverse interest rate swap.

10.9 Cash and cash equivalents

| EUR k | Dec. 31, 2010 | Dec. 31, 2009 |
|---------------|---------------|---------------|
| Bank balances | 120,788 | 146,818 |

Bank balances earn interest at floating rates based on daily bank deposit rates. As at the end of the reporting period, EUR 3,955 k (December 31, 2009: EUR 61,848 k) of the cash and cash equivalents were restraint on disposal. The amount corresponds to accrued interest obligations and amounts on other bank accounts for which the Company does not have free disposition.

11 Notes to the consolidated statement of financial position – equity and liabilities

11.1 Equity

For detailed information on equity we refer to the consolidated statement of changes in consolidated equity.

Share capital

| Thousand | Dec. 31, 2010 | Dec. 31, 2009 |
|------------------------------|---------------|---------------|
| Ordinary share of EUR 1 each | 61,600 | 56,000 |

By partially using its authorised capital, the share capital was increased against contribution in cash in the amount of EUR 5,599,999 as part of an accelerated book-building process. The share capital increased from EUR 56,000,000 in 2009 to EUR 61,599,999 in 2010. This capital increase was

registered in the commercial register on September 23, 2010. The nominal amount was paid in on September 24, 2010.

In the balance sheet of the consolidated financial statements as at December 31, 2010, the share capital of alstria office REIT-AG amounts to EUR 61,600 k. Captiva 2 Alstria Holding S.à r.l., Luxembourg, directly and indirectly holds a majority of the shares in the Company, the remaining shares are free float.

Treasury stock

| | Dec. 31, 2010 | Dec. 31, 2009 |
|---|---------------|---------------|
| Non-par value bearer shares (quantity) | 2,374 | 2,374 |
| Non-par value bearer shares (amount in EUR k) | 26 | 26 |

On December 31, 2010, the Company held 2,374 non-par value bearer shares, each with a value of EUR 1.

By resolution of the Annual General Meeting held on June 16, 2010, the Company's authorisation to acquire treasury shares was renewed. According to the resolution, alstria office REIT-AG is authorised to acquire up to 10 % of the capital stock until June 15, 2015. There is no intention to make use of this authorisation as at the reporting date.

Capital surplus The capital surplus changed as follows during the financial year:

| EUR k | 2010 | 2009 |
|---|----------------|----------------|
| As of Jan. 1 | 685,897 | 726,885 |
| Contributions to capital surplus | 43,400 | 0 |
| Transaction costs of issue of shares | -1,622 | 0 |
| Reclassification to retained earnings | -27,999 | -28,423 |
| Share-based payments | 360 | 388 |
| Valuation of available-for-sale financial assets | 0 | 123 |
| Result of the disposal of treasury shares | 0 | -13,076 |
| <i>Intrinsic value of exchange option for treasury shares</i> | 0 | 1,744 |
| <i>Disposal of treasury shares</i> | 0 | -14,820 |
| As of Dec. 31 | 700,036 | 685,897 |

The new shares generated from the capital increase were placed at a price of EUR 8.75 per share. The issue proceeds by which the nominal share capital was exceeded amounted to EUR 43,400 k and were booked to the capital surplus. The placement of the shares resulted in an increase in the capital surplus of EUR 41,778 k, thereof contributions amounting to EUR 43,400 k and expenses to EUR 1,622 k.

An increase of EUR 360 k (2009: EUR 297 k) resulted from the vesting of the convertible profit participation certificates granted to employees of the Group. In 2009, there was an additional increase of EUR 91 k from the allocation of the fair values of the granted stock options (Note 17) over the respective vesting period.

In the course of dividend payments, in 2010 the Company distributed dividends totalling EUR 27,999 k (EUR 0.50 per outstanding share) out of retained earnings to their shareholders.

Hedging reserve

| EUR k | Dec. 31, 2010 | Dec. 31, 2009 |
|-----------------|------------------|------------------|
| Hedging reserve | -4,922 | -43,200 |

For further details on the change in hedging reserve please refer to Note 10.8.

11.2 Financial liabilities

| EUR k | Non-current | | Current | | Total |
|-----------------------|----------------|------------------|---------------|---------------|----------------|
| | Loan | Accrued interest | Total current | Dec. 31, 2010 | |
| Loans | | | | | |
| Syndicated loan (new) | 566,891 | 0 | 3,674 | 3,674 | 570,565 |
| Non-recourse loans | 219,519 | 3,581 | 541 | 4,122 | 223,640 |
| Total | 786,410 | 3,581 | 4,215 | 7,796 | 794,206 |

| EUR k | Non-current | | Current | | Total |
|-----------------------|----------------|------------------|---------------|---------------|------------------|
| | Loan | Accrued interest | Total current | Dec. 31, 2009 | |
| Loans | | | | | |
| Syndicated loan (old) | 751,387 | 86,632 | 2,716 | 89,348 | 840,735 |
| Non-recourse loans | 195,870 | 1,930 | 663 | 2,593 | 198,463 |
| Total | 947,257 | 88,562 | 3,379 | 91,941 | 1,039,198 |

The table shows the long-term loans, net of the current portion as stated under non-current liabilities and the current amount that is due within one year, and shown as short-term loans under current liabilities.

As at December 31, 2010, the loans used by alstria office REIT-AG are repayable in the amount of EUR 796,964 k (December 31, 2009: EUR 1,041,387 k). The lower carrying amount of EUR 794,206 k (EUR 786,410 k non-current and EUR 7,796 k current) takes into account interest liabilities and transaction costs to be allocated under the effective interest method upon the raising of liabilities. Financial liabilities with a maturity of up to one year are recognised as current loans.

alstria successfully refinanced its main credit facility on July 20, 2010. A new syndicate consisting of five banks has provided a new credit facility totalling EUR 630 m ("syndicated loan (new)"). Together with EUR 16 m of alstria's own cash, this refinancing has entirely replaced the previous syndicated loan facility ("syndicated loan (old)", EUR 646 m), which was due to mature in November 2011. The new loan agreement has a maturity of five years. As a result of the completed restructuring process the average debt maturity increased significantly to 4.6 years compared to 2.6 years as of December 31, 2009. The new loan was arranged by UniCredit Bank AG and underwritten by Berlin-Hannoversche Hypothekbank AG, Eurohypo Aktiengesellschaft, HSH Nordbank AG and Natixis.

The terminated syndicated loan (old) was arranged with J.P. Morgan Plc., Natixis Banques Populaires, German Branch, and HSH Nordbank AG for a nominal amount of EUR 1,139,800 k. Out of this nominal amount, EUR 842,837 k had been drawn as of December 31, 2009. The carrying amount due to deducted transaction costs to be allocated under the effective interest method upon raising the liabilities was EUR 838,019 k as of December 31, 2009.

To secure the liabilities concerning the syndicated loan (old) as well as the syndicated loan (new), receivables from rental and property purchase agreements as well as insurance receivables and derivative financial instruments were assigned to the lenders, liens were granted on bank accounts and the registration of land charges was agreed (Notes 10.3 and 10.7).

The variable interest of the loans is payable on a quarterly basis, with the standard margin and borrowing costs for the market added to the respective EURIBOR rate.

Due to the variable interest rate, there are no significant differences between the carrying amounts and fair value with the exception of transaction costs.

A total of EUR 105,661 k (December 31, 2009: EUR 32,540 k) in financial liabilities from non-recourse loans relates to a fixed interest rate loan. As at the end of the reporting period, this loan has a fair value of EUR 106,758 (December 31, 2009: EUR 32,872 k).

As at December 31, 2010, loans were reduced by transaction costs of EUR 6,974 k (December 31, 2009: EUR 5,568 k).

The carrying amounts of the loans are all denominated in euros; the fair value of all financial liabilities, with the exception of the transaction cost and the fixed interest rate loan, approximates their nominal value at the end of the reporting period.

The liabilities exposed to an interest rate risk are due as follows:

| EUR k | Dec. 31, 2010 | Dec. 31, 2009 |
|------------------|------------------|------------------|
| Up to 1 year | 1,014 | 88,562 |
| More than 1 year | 689,754 | 914,717 |
| Total | 690,768 | 1,003,279 |

The following loans are secured by land charges:

| EUR k | Dec. 31, 2010 | Dec. 31, 2009 |
|---|------------------|------------------|
| Financial liabilities secured by land charges | 794,206 | 1,035,819 |
| <i>thereof on investment property</i> | <i>786,891</i> | <i>1,030,278</i> |

11.3 Other provisions

In respect of the sale of properties, the Group has accepted the commitment to compensate the buyer for possible rent income shortfalls in case of non-extension of rental agreements existing with certain tenants at the disposal date. A provision amount of EUR 1,829 k was calculated as the net present value of possible cash outflow due to this rental guarantee for which a realisation is expected more likely than not. The commitment relates to a six-year rental period starting in 2014. The same circumstances led to contingent liabilities (see Note 12.2). At December 31, 2009, the provision for the rental guarantees amounted to EUR 1,550 k. The increase in this provision is solely based on the change in the net present value of EUR 279 k due to the time shift and discount rate changes.

In addition EUR 351 k is recognised as provision for awarding the Long Term Incentive Plan (Note 18).

11.4 Trade payables and other liabilities

| EUR k | Due | | Total | Due | | Total |
|--|-----------------|---------------------------|--------------|-----------------|---------------------------|---------------|
| | Up to 1 year | In more than 1 year | 2010 | Up to 1 year | In more than 1 year | 2009 |
| Trade payables | | | | | | |
| Other trade payables | 3,024 | 0 | 3,024 | 3,692 | 0 | 3,692 |
| | 3,024 | 0 | 3,024 | 3,692 | 0 | 3,692 |
| Other current liabilities | | | | | | |
| Accruals for outstanding invoices | 2,408 | 0 | 2,408 | 4,134 | 0 | 4,134 |
| Advance rent payments received | 1,700 | 0 | 1,700 | 2,410 | 0 | 2,410 |
| Accrued bonuses | 900 | 0 | 900 | 1,320 | 0 | 1,320 |
| Received deposits | 462 | 0 | 462 | 434 | 0 | 434 |
| Supervisory Board compensation | 305 | 0 | 305 | 299 | 0 | 299 |
| Liability for real estate transfer tax | 214 | 0 | 214 | 220 | 0 | 220 |
| Auditing costs | 210 | 0 | 210 | 137 | 0 | 137 |
| Consultancy costs | 166 | 0 | 166 | 316 | 0 | 316 |
| VAT liabilities | 0 | 0 | 0 | 110 | 0 | 110 |
| Security deposit | 0 | 324 | 324 | 0 | 344 | 344 |
| Miscellaneous other liabilities | 625 | 0 | 625 | 519 | 0 | 519 |
| | 6,990 | 324 | 7,314 | 9,899 | 344 | 10,243 |

The disclosed carrying amounts approximate their fair values.

Other trade payables relate to operating costs not yet invoiced of EUR 1,706 k (December 31, 2009: EUR 2,981 k), liabilities from third-party real estate management services and rental activities of EUR 725 k (December 31, 2009: EUR 711 k) and tenant payables of EUR 593 k (December 31, 2009: EUR 0 k).

The liabilities for real estate transfer tax result from the acquisition of properties in 2008 and 2009.

11.5 Trust assets and liabilities

As at the end of the reporting period, alstria office REIT-AG had trust assets worth an amount of EUR 2,050 k (December 31, 2009: EUR 1,550 k) and liabilities of EUR 462 k (December 31, 2009: EUR 434 k), in particular from rent deposits.

11.6 Deferred taxes

According to its REIT status, alstria office REIT-AG has been fully tax transparent for income taxes starting from January 1, 2007. Therefore, at the end of reporting period, as well as at the end of the prior years' reporting period, deferred taxes do not exist.

11.7 Liabilities of current tax

As at the reporting date, as well as at the end of the prior year's reporting period, no liabilities for current tax existed.

12 Other notes

12.1 Compensation of Management Board and Supervisory Board

Management Board In 2010, the overall compensation of the members of the Management Board totalled EUR 2,458 k (2009: EUR 1,529 k). As at the reporting date, liabilities for the compensation of the members of the Management Board amounted to EUR 300 k (2009: EUR 550 k). Under the stock option programme of alstria office REIT-AG, members of the Management Board held non-transferable stock options for 375,000 shares of alstria office REIT-AG as at December 31, 2010 and 2009, respectively. Details of the stock option programme are also included in these notes (see Note 17). Out of the new Long Term Incentive Plan implemented in 2010, 99,009 virtual shares were granted to the members of the Management Board as at December 31, 2010 (see Note 18).

Supervisory Board Pursuant to the Articles of Association, Supervisory Board members' fixed annual payment amounted to EUR 305 k (2009: EUR 299 k).

Further information on disclosures according to Section 314 paragraph 1 no. 6a HGB (German Commercial Code) and IAS 24.16 is provided in the remuneration report (see pages 90 to 93) that is an integral part of these notes and, at the same time, presented in the corporate governance chapter.

12.2 Commitments and contingencies

Other financial obligations from refurbishment projects and ongoing maintenance amounted to EUR 13,955 k (2009: EUR 3,862 k).

In respect of the sale of properties, at the disposal date the Group accepted the commitment to compensate the buyer for possible rent income shortfalls in case rental agreements existing with certain tenants are not extended. Contingencies out of this commitment amounted to EUR 5,486 k (December 31, 2009: EUR 4,768 k). The commitment relates to a six-year rental period starting in 2014. According to the details of the rental guarantees and the lettable of the objects, the Company does not expect a claim to come out of the rental guarantees. The same circumstances led to provisions (see Note 11.3). The increase in this commitment from EUR 4,768 k to EUR 5,486 k is solely based on the change in net present value of EUR 718 k due to the time shift and discount rate changes.

As at December 31, 2010, there was no rental agreement for the administrative premises with a minimum lease length. Out of other leasing agreements, future financial obligations arose in an amount of EUR 260 k.

Operating lease commitments – Group as lessor The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's surplus office and manufacturing buildings. These non-cancellable leases have remaining terms of between one and 25 years. Most leases include an indexation clause, i.e. the rental charges may be raised annually according to prevailing market conditions.

Future minimum rental charges receivable under non-cancellable operating leases are as follows:

| EUR k | Dec. 31, 2010 | Dec. 31, 2009 |
|--|------------------|------------------|
| Within 1 year | 79,048 | 91,707 |
| After 1 year but not longer than 5 years | 258,189 | 309,248 |
| More than 5 years | 367,996 | 519,158 |
| | 705,233 | 920,113 |

12.3 Consolidated cash flow statement

The cash flow statement shows how the cash and cash equivalents of the Group changed in the course of the financial year as a result of cash received and paid. In accordance with IAS 7, a distinction is made between cash flows from operating activities and cash flows from investing and financing activities.

The cash flows from investing and financing activities are calculated on the basis of payments, whereas the cash flows from operating activities are derived indirectly based on the consolidated profit for the year.

Cash flows from operating activities for 2010 amounted to EUR 29,274 k, which represents a decrease to the 2009 reporting period amount of EUR 33,171 k. The decrease resulted mainly from lower rental revenues due to the disposal of assets that were only partly compensated by lower real estate operating expenses.

The cash flows from investing activities are mainly comprised of the cash inflows resulting from the sale of investment properties (EUR 163,003 k) and EUR 13,546 k from repayments of loans granted to joint ventures. A cash outflow of EUR 17,331 k relates to payments for refurbishment measures for re-letting, subsequent acquisition costs on investment properties and repayments on asset acquisition.

The cash flows from financing activities reflect loan repayments of EUR 950,216 k and payments for the termination of financial derivatives amounting to EUR 15,345 k. Cash inflows of EUR 738,629 k relate to loans taken out during refinancing. The capital increase led to a net cash inflow of EUR 47,378 k.

The cash and cash equivalents in the cash flow statement relate to all cash disclosed in the balance sheet, i.e. cash on hand and bank balances.

13 Related party relationships

13.1 Preliminary remarks

Related parties are members of the management of alstria office REIT-AG (Management Board and Supervisory Board) and close family members of these persons. Related parties also include entities with controlling influence over the Group and entities with joint control over, or significant influence on, alstria office REIT-AG.

Captiva 2 Alstria Holding S.à r.l. (the parent company), Captiva Capital Partners II SCA and Captiva Capital II S.à r.l. (ultimate parent company) are considered to have a controlling influence over alstria office REIT-AG. There was no group of entities with joint control or significant influence, with which business was conducted in the financial year.

Joint ventures in which alstria office REIT-AG has joint control over are also related parties.

Three members of the Supervisory Board of alstria office REIT-AG are also executive managers of Natixis Capital Partners Limited and Natixis Capital Partners GmbH. Therefore, related parties during the financial year also included Natixis Capital Partners Limited and Natixis Capital Partners GmbH.

In the view of alstria office REIT-AG's management, all transactions with related parties have been entered into on arm's length terms or under conditions in alstria office REIT-AG's favour.

13.2 Remuneration of key management personnel

For a detailed description of the remuneration of key management personnel, please refer to Note 12.1 and the remuneration report (see pages 90 to 93 in the corporate governance chapter).

13.3 Related party transactions

At the end of the reporting period, the Group had receivables of EUR 1,967 k (December 31, 2009: EUR 1,855 k) against the joint ventures. Furthermore, alstria office REIT-AG received EUR 168 k (2009: EUR 327 k) from the joint venture as compensation for services connected to real estate.

Natixis Corporate and Investment Bank S.A. is one of the lenders under the new syndicated loan and provides up to EUR 60 million out of the up to EUR 630 m available under the syndicated loan.

Further transaction with related parties did not arise during the reporting period.

14 Earnings per share

Basic earnings per share are calculated as the quotient of the profit attributable to the shareholders and the weighted average number of shares outstanding during the financial year – except for the average number of treasury shares held by the Company itself.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary owners of the parent company by the weighted average number of ordinary shares outstanding during the year – except for the treasury shares held by the Company itself – plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the earnings per share computations:

| | 2010 | 2009 |
|--|--------|---------|
| Profit attributable to the shareholders (EUR k) | 206 | -79,651 |
| Average number of shares outstanding (thousands) | 57,525 | 56,833 |
| Basic earnings per share (EUR per share) | 0.00 | -1.40 |

There were no dilution effects resulting from the granted stock options or the convertible profit participation rights during the period under review, as the related vesting conditions were not satisfied as at the end of the reporting period.

For further information concerning granted stock options and convertible profit participation rights, please see Notes 17 and 19.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

alstria office REIT-AG is authorised to issue up to EUR 27,516 k shares as conditional capital. These contingently issuable shares could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are non-dilutive for the period presented.

15 Dividends paid

| EUR k | 2010 | 2009 |
|--|--------|--------|
| Equity dividends on ordinary shares ¹ not recognised as a liability as at Dec. 31, 2010 | 27,999 | 28,423 |
| Dividend per share (without treasury shares) | 0.50 | 0.52 |

¹ Refers to all shares except treasury shares at the date of distribution.

The Annual General Meeting of alstria office REIT-AG held on June 16, 2010, resolved to distribute dividends totalling EUR 27,999 k (EUR 0.50 per outstanding share). The dividend was distributed on June 17, 2010. The dividends paid out in 2009 totalled EUR 28,423 k (EUR 0.52 per share outstanding).

16 Employees

During the period from January 1, 2010 to December 31, 2010, the Company had an average of 37 employees (January 1, 2009 to December 31, 2009: on average 31 employees). The average was calculated by the fourth part of the total of employed people at the end of each quarter. On December 31, 2010, 39 people (December 31, 2009: 32 people) were employed at alstria office REIT-AG, excluding the Management Board.

17 Stock option programme

On March 27, 2007, the Supervisory Board of the Company resolved to establish a stock option programme for the members of the Management Board. The Supervisory Board fixed the details of the stock option programme in accordance with the authorisation granted by the General Meeting of Shareholders of March 15, 2007, and granted a first tranche of stock options to the Management Board.

The main terms of the stock option programme resolved by the Supervisory Board can be summarised as follows:

Under the stock option programme, up to 2,000,000 options entitling to the subscription of a maximum of 2,000,000 shares of the Company with a total nominal value of EUR 2,000 k may be granted to members of the Management Board. The stock options will be granted in annual tranches. The first tranche was granted by the Supervisory Board in 2007, subject to the conditions below. The exercise price for the stock options granted in 2007 is EUR 16. The Supervisory Board

did not grant any stock options in 2010. In 2010 the stock option programme was replaced by a new long-term incentive plan that is described in detail in Note 18.

At the beginning of the reporting period, 515,625 stock options outstanding existed. Therefore, the amount of stock options outstanding as at the end of reporting period remained unchanged. None of these stock options are exercisable. The personnel expenses resulting from the allocation of the fair values of the stock options at the granting date over the vesting period amounted to EUR 0 k in 2010 (2009: EUR 91 k; Note 9.5).

The fair values of the options outstanding were estimated at the respective granting dates using a Black-Scholes model and partial-time barrier options, taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for the determination of the fair value of the stock options granted:

| Fair value of stock options granted on | Mar. 27, 2007 | Sept. 5, 2007 |
|---|---------------|---------------|
| Dividend yield (%) | 3.60 | 3.60 |
| Risk-free interest rate (%) | 4.21 | 4.29 |
| Expected volatility (%) | 30.00 | 30.00 |
| Expected life of option (years) | 4.50 | 4.50 |
| Exercise share price (EUR) | 16.00 | 16.00 |
| Labour turnover rate (%) | 0.00 | 0.00 |
| Stock price as of valuation date (EUR) | 16.00 | 13.93 |
| Estimated fair value of one stock option at the granting date (EUR) | 3.17 | 2.28 |

Expected volatility is based on the historical volatility of comparative listed companies and was calculated as an average of these comparables.

The term of each stock option is seven years beginning with the respective issue date. The stock options may only be exercised if the current stock exchange price of the Company's shares exceeds the stock exchange price of the Company's shares on the issue date by 20% or more for at least seven non-subsequent trading days of the Frankfurt Stock Exchange prior to the commencement of the respective exercise period. The stock options may only be exercised after the expiration of a vesting period of two years, and then during the four exercise periods each year. Each exercise

period lasts 30 days, commencing with the day of announcement of the results for the first, second and third quarter, and the day of the Company's Annual General Meeting. There are no cash settlement alternatives.

18 Share-based remuneration

On March 2, 2010, the Company's Supervisory Board resolved to establish a new share-based remuneration system, the Long Term Incentive Plan (LTIP), for members of the Management Board and granted the first tranche of virtual shares to the Management Board.

Under the LTIP, alstria office REIT-AG grants virtual shares which give an entitlement to conversion into cash payments after four years.

The amount of the conversion payment is based on the number of virtual shares, multiplied by the average stock market price of alstria's shares on the Frankfurt Stock Exchange during the last 60 trading days prior to the relevant maturity date, plus an amount equal to the sum of the dividend per share paid by the Company to its shareholders between the grant date and the maturity date, but in no event higher than 250 % of the average stock market price of alstria's shares on the Frankfurt Stock Exchange in the last 60 trading days prior to the relevant grant date, multiplied by a specified discretionary factor.

The discretionary factor shall be a multiplier that can vary between 0.8 and 1.2, and is subject to the individual performance of each participant during the respective holding period.

The determination of virtual shares that vest will depend, on a 50/50 basis, on the achievement of the alstria share price (absolute total shareholder return) and on the relative performance of alstria's share in relation to the EPRA REIT Index Continental Europe (relative total shareholder return).

Since payment per vested virtual share depends on the quoted 60 trading days average price of alstria's shares, the quoted average price of the last 60 trading days prior to the end of the reporting period essentially represents the fair value of each virtual share.

At the end of the reporting period, there were 99,009 virtual shares that were granted on March 2, 2010.

In 2010, this generated remuneration expenses amounting to EUR 351 k, which equals the provision set aside for virtual shares. The Group recognises the liabilities arising from the vested virtual shares under other provisions.

19 Convertible profit participation rights programme

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 to employees of companies in which alstria office REIT-AG, directly or indirectly, holds a majority interest. Members of alstria office REIT-AG's Management Board are not considered employees of the Company in terms of this convertible profit participation rights programme. With its resolution, the Supervisory Board fixed the details of the convertible profit participation rights programme in accordance with an authorisation granted by the general meeting of shareholders of March 15, 2007.

The main terms of the programme resolved by the Supervisory Board can be summarised as follows:

The nominal amount of each certificate is EUR 1.00 and is payable upon issuance. Under the programme, a maximum of 500,000 certificates in an aggregate nominal amount of up to EUR 500 k may be issued; 3,600 certificates were issued on September 6, 2007, 42,000 certificates on June 6, 2008, 114,000 certificates on June 11, 2009 and a further 61,500 certificates on June 17, 2010. Total expenses relating to convertible profit participation rights were EUR 479 k in 2010 (Note 9.5). In 2010, 3,100 participation rights have been terminated (2009: 1,100 participation rights).

None of the convertible profit participation rights expired during the reporting period. At the end of the reporting period, 216,900 convertible profit participation rights were outstanding.

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

The maximum term of each certificate is five years.

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

Each certificate shall be converted into one non-par-value bearer share of the Company on the second, third, fourth or fifth anniversary date of the issue date if the then current stock exchange price of the Company's shares has exceeded the stock exchange price of the Company's shares on the issue date by 5 % or more on at least seven non-subsequent trading days (market condition). For the 114,000 certificates issued on June 11, 2009, and

the 61,500 certificates issued on June 17, 2010, this market condition was fulfilled until the end of the financial year 2010.

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

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

The following table lists the inputs to the model used for the determination of the fair value of the options for conversion:

| Granting date of tranche | Sept. 6, 2007 | Jun. 6, 2008 | Jun. 11, 2009 | Jun. 17, 2010 |
|--|------------------|-----------------|------------------|------------------|
| Dividend yield (%) | 3.70 | 4.70 | 8.68 | 6.06 |
| Risk-free interest rate (%) | 4.20 | 4.65 | 1.71 | 0.47 |
| Expected volatility (%) | 30.00 | 35.00 | 73.00 | 58.00 |
| Expected life of option (years) | 2.00 | 2.00 | 2.00 | 2.00 |
| Exercise share price (EUR) | 2.00 | 2.00 | 2.00 | 2.00 |
| Labour turnover rate (%) | 10.00 | 10.00 | 10.00 | 10.00 |
| Stock price as of valuation date (EUR) | 13.18 | 11.03 | 5.99 | 8.25 |
| Estimated fair value of one option for conversion at the granting date | 10.77 | 8.76 | 4.01 | 6.19 |

Expected volatility is based on the historical volatility of comparative listed companies and was calculated as an average of these comparables.

20 Financial risk management

The financial instruments chiefly used by the Group are bank loans and derivative financial instruments. The main purpose of the bank loans is to finance the business activities of alstria office REIT-AG. The Company also has various financial assets, such as cash and short-term deposits, which arise directly from business activities.

Derivative financial instruments include interest swaps and caps. The purpose of these derivative financial instruments is to hedge against interest risks arising from the Company's business activities and its sources of financing.

The main risks arising from the Group's financial instruments are cash flow interest rate risks and liquidity risks. The Group is not exposed to any significant credit risks. The amount that best presents the maximum credit risk is the carrying amount of financial assets. The Management Board decides on strategies and processes for managing specific risk types. These are presented on the following pages.

Risks that could arise as a result of the financial crisis are seen mainly in a potential default of payment by a major tenant. Due to the fact that all of the Company's main tenants are public institutions or still highly rated, the risk of default of payments is currently limited.

alstria office REIT-AG's syndicated loan facility agreement allows for a loan to value (LTV) ratio of up to 70 %. After the loan restructuring, the Company managed to keep the LTV ratio on the relevant test date at 58.73 %. With the measures implemented since the beginning of 2010, the risk of a breach of covenant was effectively countered.

EXISTING LOAN AGREEMENTS AS PER DECEMBER 31, 2010

| Loan | Maturity | Principle amount outstanding (EUR k) | LTV covenant (%) | LTV (%) |
|-------------------------------|---------------|--|------------------------|--------------|
| Syndicated loan | Jul. 20, 2015 | 572,809 | 70.0 | 57.38 |
| Non-recourse loan #1 | Oct. 20, 2015 | 47,902 | 80.0 | 74.63 |
| Non-recourse loan #2 | Dec. 31, 2014 | 37,283 | 80.0 | 56.49 |
| Non-recourse loan #3 | Jun. 30, 2014 | 31,552 | 65.0 | 60.85 |
| Non-recourse loan #4 | Oct. 20, 2014 | 32,774 | 61.0 | 58.98 |
| Non-recourse loan #5 | Jan. 31, 2017 | 74,644 | 75.0 | 61.64 |
| Total on Dec. 31, 2010 | | 796,964 | | 58.73 |

Apart from this, the Group is not exposed to any commodity or currency risks.

Interest rate risk The following table sets out the carrying amount, by maturity, of the Group's financial instruments which are exposed to interest rate risk:

| EUR k | < 1 year | 1–2 years | 2–3 years | 3–4 years | > 4 years | Total |
|---|--------------|--------------|--------------|---------------|----------------|----------------|
| Financial year as at Dec. 31, 2010 | | | | | | |
| <i>Variable interest</i> | | | | | | |
| Syndicated loan | 0 | 0 | 0 | 0 | 572,809 | 572,809 |
| Non-recourse loans | 1,014 | 1,014 | 1,014 | 67,016 | 47,902 | 117,959 |
| Total | 1,014 | 1,014 | 1,014 | 67,016 | 620,711 | 690,768 |

| EUR k | < 1 year | 1–2 years | 2–3 years | 3–4 years | > 4 years | Total |
|---|---------------|----------------|--------------|--------------|----------------|------------------|
| Financial year as at Dec. 31, 2009 | | | | | | |
| <i>Variable interest</i> | | | | | | |
| Syndicated loan | 86,632 | 751,387 | 0 | 0 | 0 | 838,019 |
| Non-recourse loans | 927 | 971 | 1,013 | 1,065 | 161,517 | 165,493 |
| Total | 87,559 | 752,358 | 1,013 | 1,065 | 161,517 | 1,003,512 |

Due to the extensive portfolio of non-current financial liabilities with a variable interest risk, alstria office REIT-AG is exposed to risks from fluctuations in market interest rates. The interest base for the financial liability (loan) is the three-month EURIBOR rate, which is adjusted every three months. A number of different derivative financial instruments were acquired to manage the interest expense. The derivative financial instruments relate to interest

swaps in which the Company agrees to exchange with contracting partners, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed-upon notional principal amount. In addition, interest caps were acquired; that is, the interest is capped at a predetermined maximum. If the maximum interest rate is exceeded, the difference between the actual interest rate and the cap rate is paid out.

The derivative financial instruments of alstria office REIT-AG are presented below:

| Product | Strike p.a. (%) | Maturity date | Dec. 31, 2010 | | Dec. 31, 2009 | |
|---|--------------------|----------------------------|---------------------|-----------------------|---------------------|-----------------------|
| | | | Notional (EUR k) | Fair value (EUR k) | Notional (EUR k) | Fair value (EUR k) |
| Cap | 4.9000 | Dec. 20, 2012 | 75,000 | 20 | 75,000 | 100 |
| Swap | 4.1160 | Jul. 10, 2013 | 47,902 | -3,412 | 100,000 | -7,331 |
| Swap | 3.6165 | Nov. 29, 2011 | 625,000 | -17,595 | 0 | 0 |
| Reverse swap | 3.6165 | Nov. 29, 2011 | -625,000 | 17,595 | 0 | 0 |
| Interest rate derivatives – held for trading | | | | -3,392 | | -7,231 |
| Cap | 3.3000 | Oct. 20, 2014 | 25,139 | 135 | 25,139 | 383 |
| Cap | 3.3000 | Oct. 20, 2014 | 8,649 | 46 | 8,649 | 132 |
| Swap | 3.6165 | Nov. 29, 2011 ¹ | 0 | 0 | 625,000 | -27,895 |
| Swap | 3.9087 | Jan. 20, 2012 ¹ | 0 | 0 | 148,785 | -7,828 |
| Swap | 4.9000 | Dec. 20, 2012 ¹ | 0 | 0 | 34,100 | -3,170 |
| Swap | 3.1925 | Nov. 29, 2011 ¹ | 0 | 0 | 21,880 | -781 |
| Swap | 2.1940 | Dec. 31, 2014 | 37,283 | -420 | 0 | 0 |
| Swap | 4.6000 | Oct. 20, 2015 | 95,000 | -3,346 | 95,000 | -1,854 |
| Swap | 2.9900 | Jul. 20, 2015 | 472,500 | -18,076 | 0 | 0 |
| Interest rate derivatives – cash flow hedges | | | | -21,661 | | -41,013 |
| Total | | | | -25,053 | | -48,244 |

¹ Meanwhile terminated before original maturity date.

These interest rate swaps and interest rate caps are used to hedge the obligation underlying the loans.

The following table shows the sensitivity of the Company's loans on consolidated profit or loss and equity accordingly to a reasonably possible change in the interest rates (due to the effect on the floating interest loans). All variables remain constant; the effects from the derivative financial instruments were not factored into this calculation.

INTEREST EXPENSES P.A.

| EUR k | 2010 | 2009 |
|-----------|--------|---------|
| + 80 bps | 5,733 | 6,674 |
| - 100 bps | -7,938 | -12,764 |

The fair market value of derivative financial instruments is also subject to interest rate risks. A change in the interest rate would give rise to the following changes of the respective fair market values:

a) Impact on equity

FINANCIAL DERIVATIVES QUALIFYING FOR CASH FLOW HEDGE ACCOUNTING

| EUR k | 2010 | 2009 |
|-----------|---------|---------|
| + 80 bps | 18,222 | 11,670 |
| - 100 bps | -23,810 | -14,794 |

b) Impact on income statement

FINANCIAL DERIVATIVES NOT QUALIFYING FOR CASH FLOW HEDGE ACCOUNTING

| EUR k | 2010 | 2009 |
|-----------|--------|--------|
| + 80 bps | 1,011 | 5,797 |
| - 100 bps | -1,230 | -7,555 |

Liquidity Risk The Company continually monitors the Group-wide risk of potential liquidity bottlenecks using a liquidity planning tool, which uses the expected cash flows from business activities and the maturity of the financial liabilities as a basis for analysis. The long-term refinancing strategy of the Group

ensures the medium and long-term liquidity requirements. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet targets and, if applicable, external regulatory or legal requirements – for example, G-REIT equity ratio.

As at the end of the reporting period, the nominal financial liabilities had the following maturities in line with their contractual maturity (the basis is the three-month EURIBOR as at December 31, 2010 plus the weighted average margin of 154 basis points for the Group's loans).

| EUR k | < 1 year | 1–2 years | 2–3 years | 3–4 years | 4–5 years | > 5 years | Total |
|---|---------------|---------------|---------------|----------------|----------------|---------------|----------------|
| Financial year as at Dec. 31, 2010 | | | | | | | |
| Interests | 22,709 | 22,431 | 22,485 | 21,505 | 12,468 | 3,255 | 104,853 |
| Loans | 3,581 | 3,698 | 3,829 | 97,352 | 622,630 | 65,876 | 796,965 |
| Financial derivatives | 26,503 | 11,314 | 12,398 | 13,596 | 8,542 | 0 | 72,353 |
| Trade payables | 3,024 | 0 | 0 | 0 | 0 | 0 | 3,024 |
| Other current liabilities | 4,222 | 0 | 0 | 0 | 0 | 0 | 4,222 |
| | 60,039 | 37,443 | 38,712 | 132,453 | 643,640 | 69,131 | 981,417 |

| EUR k | < 1 year | 1–2 years | 2–3 years | 3–4 years | 4–5 years | > 5 years | Total |
|---|----------------|----------------|---------------|---------------|----------------|---------------|------------------|
| Financial year as at Dec. 31, 2009 | | | | | | | |
| Interests | 20,057 | 23,471 | 6,447 | 6,681 | 6,269 | 3,042 | 65,968 |
| Loans | 88,573 | 758,189 | 2,027 | 2,079 | 95,519 | 95,000 | 1,041,387 |
| Financial derivatives | 25,386 | 18,923 | 3,274 | 2,070 | 1,917 | 0 | 51,570 |
| Trade payables | 3,692 | 0 | 0 | 0 | 0 | 0 | 3,692 |
| Other current liabilities | 6,599 | 0 | 0 | 0 | 0 | 0 | 6,599 |
| | 144,307 | 800,584 | 11,747 | 10,831 | 103,705 | 98,042 | 1,169,216 |

The most significant liability consists of syndicated loans from five banks with a nominal amount of EUR 572,809 k. The second major part of liabilities is made up of loans entered into with several banks as a result of the Group's refinancing strategy, with a nominal amount of EUR 224,156 k (December 31, 2009: EUR 198,550 k). The entire amount of the loans has been utilised as at the end of the reporting period. To secure these liabilities, receivables from rental and property purchase agreements as well as insurance receivables and derivative financial instruments were assigned to the lenders; liens were granted on bank accounts and charges on the land registered. The obligations arising from the floating interest bank loans were fully secured. Land charges for real estate property with a carrying amount of EUR 1,356,314 k were furnished as security.

Capital management Capital management activities are aimed at maintaining the Company's classification as a REIT in order to support its business activities and maximise shareholder value.

The Company manages its capital structure and makes adjustments in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group can make a capital repayment to its shareholders or issue new shares. No changes were made to the aims, guidelines and processes as at December 31, 2010, and at December 31, 2009.

The capital structure is monitored by the Company using the key performance indicators (KPIs) relevant for classification as a REIT. The REIT equity ratio, being the ratio of equity to immovable assets, is the most important KPI. According to the Group's strategy, the REIT equity ratio shall be between 45 % and 55 % within the relevant term provided by the REIT law. The G-REIT status is unaffected as long as the G-REIT ratio at the end of the business year is not below 45 % for three consecutive business years.

The following KPIs are also used to manage capital:

KPIs ACCORDING TO G-REIT LAW

| % | 2010 | 2009 | G-REIT covenant |
|---|-------|-------|-------------------|
| Equity ratio acc. to G-REIT law | 49.82 | 40.26 | > 45 |
| Immovable assets | 90.12 | 89.20 | > 75 |
| Revenues gained from immovable assets | 100 | 100 | > 75 |
| Income gained from disposal of immovable assets | 20.34 | 9.93 | < 50 ¹ |

¹ Within five years based on the average property value during this period.

Fair value The following table shows the carrying amount and fair value of all financial instruments disclosed in the consolidated financial statements:

| Assets as per balance sheet (EUR k) as of Dec. 31, 2010 | Non-financial instruments | | Financial instruments | | | | Total | Fair value |
|---|---------------------------|--------------|-----------------------|--|-----------------------------|--------------------|----------------|----------------|
| | Carrying amount | | Loans and receivables | Assets at fair value through profit and loss | Derivative hedge accounting | Available for sale | | |
| Equity-accounted investments | 32,385 | 0 | 0 | 32,385 | 0 | 0 | 32,385 | 32,385 |
| Financial assets | 1 | 0 | 0 | 0 | 0 | 1 | 1 | 1 |
| Trade receivables | 4,117 | 0 | 4,117 | 0 | 0 | 0 | 4,117 | 4,117 |
| Accounts receivable from joint ventures | 1,967 | 0 | 1,967 | 0 | 0 | 0 | 1,967 | 1,967 |
| Derivatives | 17,796 | 0 | 0 | 17,615 | 181 | 0 | 17,796 | 17,796 |
| Receivables and other assets | 8,137 | 5,382 | 2,755 | 0 | 0 | 0 | 2,755 | 2,755 |
| Cash and cash equivalents | 120,788 | 0 | 120,788 | 0 | 0 | 0 | 120,788 | 120,788 |
| Total | 185,191 | 5,382 | 129,627 | 50,000 | 181 | 1 | 179,809 | 179,809 |

| Liabilities as per balance sheet (EUR k) as of Dec. 31, 2010 | Non-financial instruments | | Financial instruments | | | | Total | Fair value |
|--|---------------------------|--------------|---|-------------------|-----------------------------|----------|----------------|----------------|
| | Carrying amount | | Liabilities at fair value through profit and loss | Other liabilities | Derivative hedge accounting | | | |
| Long-term loans | 786,410 | 0 | 0 | 793,384 | 0 | 0 | 793,384 | 793,384 |
| Derivatives | 42,849 | 0 | 21,007 | 0 | 21,842 | 0 | 42,849 | 42,849 |
| Short-term loans | 7,796 | 0 | 0 | 7,796 | 0 | 0 | 7,796 | 7,796 |
| Trade payables | 3,024 | 0 | 0 | 3,024 | 0 | 0 | 3,024 | 3,024 |
| Other liabilities | 7,315 | 6,528 | 0 | 787 | 0 | 0 | 787 | 787 |
| Total | 847,394 | 6,528 | 21,007 | 804,991 | 21,842 | 0 | 847,840 | 847,840 |

| Assets as per balance sheet (EUR k) as of Dec. 31, 2009 | Carrying amount | Non- financial instruments | Financial instruments | | | | Total | Fair value |
|---|--------------------|----------------------------------|--------------------------|--|-----------------------------------|-----------------------|----------------|----------------|
| | | | Loans and receivables | Assets at fair value through profit and loss | Derivative hedge accounting | Available for sale | | |
| Equity-account- ed investments | 9,046 | 0 | 0 | 9,046 | 0 | 0 | 9,046 | 9,046 |
| Financial assets | 351 | 0 | 0 | 0 | 0 | 351 | 351 | 351 |
| Trade receivables | 5,694 | 0 | 5,694 | 0 | 0 | 0 | 5,694 | 5,694 |
| Accounts receivable from joint ventures | 1,855 | 0 | 1,855 | 0 | 0 | 0 | 1,855 | 1,855 |
| Derivatives | 615 | 0 | 0 | 100 | 515 | 0 | 615 | 615 |
| Tax receivables | 3 | 0 | 3 | 0 | 0 | 0 | 3 | 3 |
| Receivables and other assets | 33,483 | 4,152 | 29,331 | 0 | 0 | 0 | 29,331 | 29,331 |
| Cash and cash equivalents | 146,818 | 0 | 146,818 | 0 | 0 | 0 | 146,818 | 146,818 |
| Total | 197,866 | 4,152 | 183,701 | 9,146 | 515 | 351 | 193,713 | 193,713 |

| Liabilities as per balance sheet (EUR k) as of Dec. 31, 2009 | Carrying amount | Non- financial instruments | Financial instruments | | | | Total | Fair value |
|--|--------------------|----------------------------------|---|----------------------|------------------------------------|------------------|------------------|------------|
| | | | Liabilities at fair value through profit and loss | Other liabilities | Derivatives hedge accounting | | | |
| Long-term loans | 947,257 | 0 | 0 | 952,825 | 0 | 952,825 | 952,825 | |
| Derivatives | 48,859 | 0 | 18,328 | 0 | 30,531 | 48,859 | 48,859 | |
| Short-term loans | 91,941 | 0 | 0 | 91,941 | 0 | 91,941 | 91,941 | |
| Trade payables | 3,692 | 0 | 0 | 3,692 | 0 | 3,692 | 3,692 | |
| Other liabilities | 10,243 | 9,465 | 0 | 778 | 0 | 778 | 778 | |
| Total | 1,101,992 | 9,465 | 18,328 | 1,049,236 | 30,531 | 1,098,095 | 1,098,095 | |

The fair value of the derivative financial instruments and the loans was determined by an independent expert by discounting the expected future cash flows at prevailing market interest rates.

Net gains and losses from financial instruments are as follows:

| EUR k | 2010 | 2009 |
|--|----------------|----------------|
| Financial instruments at fair value through profit or loss | -35,672 | -23,294 |
| Loans and receivables | -472 | -311 |
| Total | -36,144 | -23,605 |

Net losses during the reporting period resulted from valuation losses and, in the case of loans and receivables, from the write-down on trade receivables.

Fair value estimation Financial instruments which are measured in the balance sheet at fair value require the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- > Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- > Inputs other than quoted prices included within level 1 which are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices) (level 2)
- > Inputs for the asset or liability which are not based on observable market data (that is, unobservable inputs) (level 3)

All of the Group's financial instruments which are measured in the balance sheet at fair value are valued using the level 2 valuation measurement approach. This only applies to the Group's financial derivatives, as there are no other financial instruments that are measured in the balance sheet at fair value.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to ascertain the fair value of an instrument are observable, the instrument is included in level 2.

21 Significant events after the end of the reporting period

The transfer of the possession, benefits and burden of the property acquisition in Karlsruhe as described in Note 10.1 took place in January 2011.

Binding and notarised agreements for three more properties located in Hamburg were signed in January and February 2011. The transfer of the possession, benefits and burden is expected to take place at the end of the first quarter of 2011.

The transfer of the possession, benefits and burden of the asset held for sale as shown at the end of the reporting period became effective in January 2011.

22 Utilisation of exempting provisions

The following German subsidiaries included in the consolidated financial statements of alstria office REIT-AG have made use of the exemption granted in Section 264b HGB:

- > alstria office Bamlerstrasse GmbH & Co. KG, Hamburg
- > alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg
- > alstria office Grundbesitz 2 GmbH & Co. KG, Hamburg
- > alstria office Halberstädter Str. GmbH & Co. KG, Hamburg
- > alstria office Hamburger Str. 43 GmbH & Co. KG, Hamburg
- > alstria office Ludwig-Erhard-Strasse GmbH & Co. KG, Hamburg
- > alstria office Mannheim/Wiesbaden GmbH & Co. KG, Hamburg
- > alstria office Steinstrasse 5 GmbH & Co. KG, Hamburg
- > Alstria Sechste Hamburgische Grundbesitz GmbH & Co KG, Hamburg

23 Disclosures pursuant to Wertpapierhandelsgesetz [German Securities Trading Act]

1 Ad-hoc announcement

| Date | Topic | Language |
|----------------|--|----------------|
| Jul. 20, 2010 | alstria successfully refinanced EUR 646 m | German/English |
| Sept. 22, 2010 | Capital increase of up to 5,599,999 new shares to finance further growth | German/English |
| Sept. 22, 2010 | alstria office REIT-AG successfully executed capital increase | German/English |

2 Directors' dealings

The following transactions were executed in 2010 and reported to alstria office REIT-AG:

| Name of person – subject to the disclosure requirement | Function | Classification of the financial instrument | ISIN |
|--|--------------------------------|--|--------------|
| Olivier Elamine | Member of the Management Board | Share | DE000A0LD2U1 |
| Alexander Dexe | Member of the Management Board | Share | DE000A0LD2U1 |

3 Voting rights notifications

| No. | Date | Shareholders | Voting rights (new) (%) |
|-----|----------------|---|-------------------------|
| 1 | Mar. 11, 2010 | Mourant Limited | 52.04 |
| 2 | Mar. 11, 2010 | Mourant & Co. Limited | 52.04 |
| 3 | Mar. 11, 2010 | Juris Limited | 52.04 |
| 4 | Apr. 8, 2010 | Mourant Limited | 0 |
| 5 | Apr. 8, 2010 | State Street AIS Europe LLC | 52.98 |
| 6 | Apr. 8, 2010 | State Street Corporation | 52.98 |
| 7 | Sept. 30, 2010 | JPMorgan Chase & Co. | 7.31 |
| 8 | Sept. 30, 2010 | JPMorgan Chase Bank | 7.31 |
| 9 | Sept. 30, 2010 | J.P. Morgan International Inc. | 7.31 |
| 10 | Sept. 30, 2010 | Bank One International Holdings Corporation | 7.31 |
| 11 | Sept. 30, 2010 | J.P. Morgan International Finance Limited | 7.31 |
| 12 | Sept. 30, 2010 | J.P. Morgan Capital Holdings Limited | 7.31 |
| 13 | Sept. 30, 2010 | J.P. Morgan Chase (UK) Holdings Limited | 7.31 |
| 14 | Sept. 30, 2010 | J.P. Morgan Chase International Holdings | 7.31 |
| 15 | Sept. 30, 2010 | J.P. Morgan Securities Ltd. | 7.31 |
| 16 | Sept. 30, 2010 | JPMorgan Chase & Co. | 0.07 |
| 17 | Sept. 30, 2010 | JPMorgan Chase Bank | 0.07 |
| 18 | Sept. 30, 2010 | J.P. Morgan International Inc. | 0.07 |
| 19 | Sept. 30, 2010 | Bank One International Holdings Corporation | 0.07 |
| 20 | Sept. 30, 2010 | J.P. Morgan International Finance Limited | 0.07 |
| 21 | Sept. 30, 2010 | J.P. Morgan Capital Holdings Limited | 0.07 |
| 22 | Sept. 30, 2010 | J.P. Morgan Chase (UK) Holdings Limited | 0.07 |
| 23 | Sept. 30, 2010 | J.P. Morgan Chase International Holdings | 0.07 |
| 24 | Sept. 30, 2010 | J.P. Morgan Securities Ltd. | 0.07 |

| Transaction | Place | Transaction date | Price per share (EUR) | Number of shares | Deal volume (EUR) |
|-------------|-------|------------------|--------------------------|------------------|----------------------|
| Buy | XETRA | Apr. 7, 2010 | 8.47 | 10,500 | 88,935 |
| Buy | XETRA | Apr. 7, 2010 | 8.55 | 8,500 | 72,670 |

| Strike threshold (%) | Date of change | Attributed shares | Disclosure according to | Language |
|------------------------------|----------------|----------------------|-------------------------|--------------------|
| 50, 30, 25, 20, 15, 10, 5, 3 | Dec. 22, 2008 | Yes | § 26 (1) WpHG | English |
| 50, 30, 25, 20, 15, 10, 5, 3 | Dec. 22, 2008 | Yes | § 26 (1) WpHG | English |
| 50, 30, 25, 20, 15, 10, 5, 3 | Dec. 22, 2008 | Yes | § 26 (1) WpHG | English |
| 50, 30, 25, 20, 15, 10, 5, 3 | Apr. 1, 2010 | No | § 26 (1) WpHG | German/ English |
| 50, 30, 25, 20, 15, 10, 5, 3 | Apr. 1, 2010 | Yes | § 26 (1) WpHG | German/ English |
| 50, 30, 25, 20, 15, 10, 5, 3 | Apr. 1, 2010 | Yes | § 26 (1) WpHG | German/ English |
| 5, 3 | Sept. 23, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 23, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 23, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 23, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 23, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 23, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 23, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 23, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 23, 2010 | No | § 26 (1) WpHG | English |
| 5, 3 | Sept. 24, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 24, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 24, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 24, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 24, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 24, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 24, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 24, 2010 | Yes | § 26 (1) WpHG | English |
| 5, 3 | Sept. 24, 2010 | No | § 26 (1) WpHG | English |

| No. | Date | Shareholders | Voting rights (new) (%) |
|-----|---------------|--|----------------------------|
| 25 | Oct. 5, 2010 | Morgan Stanley Investment Management Limited | 3.22 |
| 26 | Oct. 5, 2010 | Morgan Stanley International Holdings Inc | 3.22 |
| 27 | Oct. 5, 2010 | Morgan Stanley International Limited | 3.22 |
| 28 | Oct. 5, 2010 | Morgan Stanley Group (Europe) | 3.22 |
| 29 | Oct. 5, 2010 | Morgan Stanley Investments (UK) | 3.22 |
| 30 | Oct. 5, 2010 | Morgan Stanley | 3.25 |
| 31 | Oct. 14, 2010 | Juris Limited | 0 |
| 32 | Oct. 14, 2010 | State Street Corporation | 48.17 |
| 33 | Oct. 14, 2010 | State Street AIS Europe LLC | 48.17 |
| 34 | Oct. 14, 2010 | State Street (Jersey) Limited | 48.17 |
| 35 | Oct. 14, 2010 | State Street Administration Services (Ireland) Limited | 48.17 |
| 36 | Jan. 5, 2011 | Morgan Stanley | 2.99 |
| 37 | Jan. 5, 2011 | Morgan Stanley International Holdings Inc | 2.99 |
| 38 | Jan. 5, 2011 | Morgan Stanley International Limited | 2.99 |
| 39 | Jan. 5, 2011 | Morgan Stanley Group (Europe) | 2.99 |
| 40 | Jan. 5, 2011 | Morgan Stanley Investments (UK) | 2.99 |
| 41 | Jan. 5, 2011 | Morgan Stanley Investment Management Limited | 2.99 |
| 42 | Jan. 10, 2011 | Morgan Stanley | 3.02 |
| 43 | Jan. 10, 2011 | Morgan Stanley International Holdings Inc | 3.02 |
| 44 | Jan. 10, 2011 | Morgan Stanley International Limited | 3.02 |
| 45 | Jan. 10, 2011 | Morgan Stanley Group (Europe) | 3.02 |
| 46 | Jan. 10, 2011 | Morgan Stanley Investments (UK) | 3.02 |
| 47 | Jan. 10, 2011 | Morgan Stanley Investment Management Limited | 3.02 |
| 48 | Feb. 16, 2011 | Morgan Stanley | 2.99 |
| 49 | Feb. 16, 2011 | Morgan Stanley International Holdings Inc | 2.99 |
| 50 | Feb. 16, 2011 | Morgan Stanley International Limited | 2.99 |
| 51 | Feb. 16, 2011 | Morgan Stanley Group (Europe) | 2.99 |
| 52 | Feb. 16, 2011 | Morgan Stanley Investments (UK) | 2.99 |
| 53 | Feb. 16, 2011 | Morgan Stanley Investment Management Limited | 2.99 |

24 Declaration of compliance pursuant to Section 161 AktG [Aktiengesetz: German Stock Corporation Act]

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

25 Auditor's fees

At June 16, 2010, the general meeting elected PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Lise-Meitner-Strasse 1, Berlin, to audit the separate and consolidated financial statements for the financial year 2010. The fee expenses in 2010 are comprised as follows:

| EUR k | 2010 | 2009 |
|------------------------------|------|------|
| Audit services | 419 | 366 |
| Other audit-related services | 161 | 61 |

26 Management Board

During the financial year, the Company's members of the Management Board were:

Mr Olivier Elamine, Chief Executive Officer (CEO)

Mr Alexander Dexne, Chief Financial Officer (CFO)

The attached remuneration report (see pages 90 to 93) contains details of the principles for the definition of the Management Board's and Supervisory Board's remuneration.

27 Supervisory Board

Pursuant to the Company's Articles of Association (Section 9), the Supervisory Board consists of six members, which are elected by the general meeting of shareholders. The expiration of the term of office is identical for all members, i.e. the close of the annual general meeting of shareholders in the year 2011.

During the financial year 2010, the members of the Supervisory Board were:

Alexander Stuhlmann (Chairman)

Hamburg, Germany

Management Consultant;

Manager of Alexander Stuhlmann GmbH

- > until Jun. 25, 2010: BVV Versicherungsverein des Bankgewerbes a.G., Member of the Supervisory Board
- > until Jun. 25, 2010: BVV Versorgungskasse des Bankgewerbes e.V., Member of the Supervisory Board
- > until Jun. 25, 2010: BVV Pensionsfonds des Bankgewerbes AG, Member of the Supervisory Board
- > Capital Stage AG, Vice-chairman of the Supervisory Board
- > Euro-Aviation Versicherungs AG, Chairman of the Supervisory Board
- > Frank Beteiligungsgesellschaft mbH, Chairman of the Advisory Board
- > until May 10, 2010: Hamburger Feuerkasse Versicherung AG, Vice-chairman of the Supervisory Board
- > HASPA Finanzholding, Member of the Board of Trustees
- > HCI Capital AG, Member of the Supervisory Board
- > until Jun. 15, 2010: Jahr Holding GmbH & Co. KG, Chairman of the Advisory Board
- > LBS Bausparkasse Schleswig-Holstein-Hamburg AG, Member of the Supervisory Board
- > Ludwig Görtz GmbH, Member of the Administrative Board
- > Otto Dörner GmbH & Co. KG, Chairman of the Advisory Board
- > Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG, Chairman of the Advisory Board
- > Studio Hamburg Berlin Brandenburg GmbH, Member of the Advisory Board

John van Oost (Vice Chairman)**Singapore, Singapore****Managing Partner at****Natixis Capital Partners**

- > agapia Holding GmbH
(formerly Captiva Healthcare Holding GmbH),
Director
- > Axiom Asset 1 GmbH & Co. KG, Director
- > Axiom Asset 2 GmbH & Co. KG, Director
- > Axiom Immo GP GmbH
(formerly Captiva Industrial GP GmbH), Director
- > Axiom Immo Holding GmbH
(formerly Captiva Industrial Holding GmbH),
Director
- > Axiom Immo Management GmbH, Director
- > Captiva Capital LP. Inc., Director
- > Captiva Capital Partners Pte Ltd., Director
- > Captival International Partners LLP, Director
- > CDS Costruzioni SpA, Board Member
- > CDS Holding SpA, Board Member
- > Fluxus Right Management, Director
- > Green Cove Capital Management SaRL,
Board Member
- > Natixis Capital Partners GmbH, Board Member
- > Natixis Capital Partners Ltd.,
Managing Partner
- > Natixis Capital Partners Srl, Board Member
- > Ocala Capital Management LLC, Board Member

Dr Johannes Conradi**Hamburg, Germany****Lawyer and Partner at****Freshfields Bruckhaus Deringer LLP**

- > Freshfields Bruckhaus Deringer LLP,
Global Head of Real Estate Sector Group,
Managing Partner of the Hamburg Office,
Member of the German Management Group
- > Elbphilharmonie Hamburg Bau GmbH & Co. KG,
Member of the Supervisory Board

Roger Lee**Paris, France****Real Estate Investment Manager at****Natixis Capital Partners Ltd.**

- > Natixis Capital Partners Ltd., Director
- > Caposition SARL, Director

Richard Mully**Dublin, Ireland****Investment Manager at****Grove International Partners (UK) Ltd.**

- > Grove International Partners (UK) Ltd,
Managing Partner
- > Grove International Partners LLP,
Managing Partner
- > until Jul. 12, 2010: Apellas Holdings B.V.,
Director
- > Douglasshire International Holdings B.V.,
Director
- > Event Hospitality Group B.V., Director
- > Hansteen Holdings PLC, Director
- > until Nov. 9, 2010: Hellenic Land Holdings B.V.,
Director
- > Karta Realty Ltd., Director
- > until Jan. 10, 2010: Nowe Ogrody 2 Sp. z o.o.,
Director
- > until Jan. 10, 2010: Nowe Ogrody 3 Sp. z o.o.,
Director
- > until Jan. 10, 2010: Nowe Ogrody 4 Sp. z o.o.,
Director
- > until Jan. 10, 2010: Nowe Ogrody Sp. z o.o.,
Director
- > Polish Investment Real Estate Holding B.V.,
Director
- > Polish Investments Real Estate Holding II B.V.,
Director
- > SI Real Estate Holding B.V., Director
- > until Jan. 10, 2010: Spazio Industriale II B.V.,
Director
- > SREI DI Properties, Inc., Director

Daniel Quai**Crans, Switzerland****Partner at Natixis Capital Partners Ltd.**


- > Captiva International Partners LLP, Partner
- > CDS Costruzioni SpA, Director
- > CDS Holdings SpA, Director
- > CDS Project Development BV, Director
- > Mercurio Asset Management SGR SpA, Director
- > Natixis Capital Partners Ltd., Director
- > Natixis Capital Partners GmbH, Director

MANAGEMENT COMPLIANCE STATEMENT

"We confirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report gives a true and fair view of the business performance including the results of operations and the situation of the Group, and describes the main opportunities and risks and anticipated development of the Group in accordance with the applicable financial reporting framework."

Hamburg, February 18, 2011

The Management Board



Olivier Elamine
CEO



Alexander Dexne
CFO

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by alstria office REIT-AG, Hamburg, comprising the statement of financial position, income statement and statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany – IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of

the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit the consolidated financial statements comply with the IFRSs, as adopted by the EU, and/or the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, February 23, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Gregory Hartman
Wirtschaftsprüfer
(German Public Auditor)

sgd. i.V. Dr. Kay Lubitzsch
Wirtschaftsprüfer
(German Public Auditor)

CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD

Supervision and advising of the Company's management

During the reporting year, the Supervisory Board advised and supervised the Management Board of the Company in accordance with statutory provisions and the Company's articles of association. The Supervisory Board was also intensively involved in matters of material importance to the Company.

During the meetings of the Supervisory Board and its committees, the Management Board reported regularly, promptly and in detail on the development of the business and financial situation of the Company, and on important business events, current risks, risk management and on company compliance. The Management and Supervisory Boards cooperated to set the strategic direction of the Company. Between meetings, the Management Board further informed the Supervisory Board orally and in writing of important events. The chairman of the Supervisory Board regularly met with the Management Board to exchange information and advice.

The Management Board consulted the Supervisory Board intensively on all transactions requiring its approval. After careful examination and consultation, the Supervisory Board voted on all matters brought to its attention as the law, the articles of association or rules of procedure of either the Management Board or the Supervisory Board dictated. This included the Company's budget planning.

In the financial year 2010, the Supervisory Board had four ordinary and two extraordinary meetings. All members of the Supervisory Board were present for nearly every meeting or participated by teleconference; the entire Supervisory Board convened in all but one meeting. Moreover, one written resolution

was adopted after circulation of detailed documents to the members. Two additional meetings of the Supervisory Board took place in 2011, before the finalisation of this report.

The financial results of the Company (quarterly and half-year financial reports, consolidated financial statements and the financial statements of alstria office REIT-AG), the market, the situation and development of the Company, the development of risks, and the business performance were discussed with the Management Board during all ordinary meetings of the Supervisory Board.

Focal points of discussion

During the extraordinary meeting in February 2010, the Management Board and Supervisory Board discussed the long-term strategic direction of the Company.

During the Supervisory Board meeting in March 2010, the Supervisory Board dealt with the consolidated financial statements and the financial statements for the year ending December 31, 2009, the management reports and the report on relationships with affiliated companies for the financial year running from January 1 until December 31, 2009. After careful examination and due consideration, the Supervisory Board agreed with the proposal of the Management Board regarding the profit appropriation in the spirit of a stable dividend policy. Furthermore, during its meeting the Supervisory Board drew up resolutions on its report to the annual general meeting and on the Corporate Governance Statement, including the declaration of compliance with the recommendations of the German Corporate Governance Code, and made technical amendments to the employee profit participation plan. It debated and resolved on the variable remuneration for the members of the Management Board for the financial year 2009 based on the recommendation

of its nomination and remuneration committee. As recommended by an external remuneration expert and the nomination and remuneration committee, the Supervisory Board adapted the remuneration system and the service contracts of the Management Board members to the new legal requirements of the German Act on Appropriateness of the Management Board Compensation. The remuneration report describes the details of the modified remuneration system. It also deals with the parameters for the variable compensation for the members of the Management Board for the financial year 2010 on the basis of this new remuneration system.

During its extraordinary meeting in April 2010, the Supervisory Board discussed the strategic direction of the Company again and dealt with the agenda and proposed resolutions for the annual general meeting of the Company on June 16, 2010, and adopted its report on the agenda item regarding the shareholders' resolution on the approval of the system for the remuneration of Management Board members.

During the meeting following the annual general meeting in June 2010, discussions focused on the strategy to maintain the minimum equity ratio in accordance with the REIT Act, and the refinancing of the existing syndicate loan and the corresponding approval to conclude a loan agreement.

During its meeting in September 2010, the Supervisory Board dealt extensively with the development and possible strategies to maintain the minimum equity ratio. The Supervisory Board extensively discussed with the Management Board the possibility of carrying out an up to 10 % capital increase under the exclusion of subscription rights. The Supervisory Board granted its approval of the acquisition of real estate situated in Karlsruhe and discussed the modifications of the German Corporate Governance Code, in particular, the requirements regarding the diverse composition of the Supervisory Board and the corresponding effects on alstria. The Supervisory Board resolved to assign its nomination and remuneration committee with the task of establishing concrete goals for the composition of the Supervisory Board.

During its meeting in November 2010, the Supervisory Board resolved after intensive discussions with the Management Board on the Company and budget planning for the financial year 2010. As recommended by its nomination and remuneration committee, the Supervisory Board specified concrete goals for its composition, which, in particular, include the adequate participation of women, and resolved to publish the corresponding diversity statement and the status of the implementation of its goals in the corporate governance report. Furthermore, the Supervisory Board discussed the positive results of the review of the efficiency of its work, which was carried out by the members of the Supervisory Board on the basis of a questionnaire.

The decision by way of written circular resolution in September 2010 dealt with the carrying out of a possible capital increase by up to 10 % of the share capital of the Company.

At the start of 2011, the Supervisory Board discussed the Company's long-term strategic direction with the Management Board. At its meeting to discuss balance sheets in March 2011, the Supervisory Board dealt with the consolidated financial statements and the financial statements for the year ending December 31, 2010, the report on relationships with affiliated companies for the financial year 2010, the Management Board's recommendation for the profit appropriation as well as the variable compensation of the Management Board.

Committees of the Supervisory Board

To increase the efficiency of its work, the six-person Supervisory Board formed three standing committees, each composed of three members. To the extent permitted by law, the committees have been given decision-making powers in some cases, and in some cases they prepare the resolutions of the Supervisory Board by making proposals. During the Supervisory Board meetings, the committee chairs reported on the results of their committees' work.

In the financial year 2010, the audit committee had four meetings, which were always attended by the Chief Financial Officer. The audit committee reviewed the consolidated financial statements and the financial statements for the year ending December 31, 2009 and the management reports, discussed these with the independent auditors, and conducted a preliminary examination of these documents and the Management Board's proposed appropriation of the annual net profit. Additional topics included the Supervisory Board's proposed resolution on the annual general meeting regarding the choice of independent auditor, examining the independence of the external auditor and the additional services performed by the auditor, granting the audit contract to PwC, setting the key audit areas and discussing the risk management system and the included main risks, the effectiveness of the internal controlling and audit system, and the compliance system. Finally, the audit committee examined the efficiency of its own work. The evaluation showed a high efficiency.

During the financial year 2010, the investment committee met once in person and once in a telephone conference in which its members decided on the sale of a real estate portfolio and discussed the Company's investment options.

The nomination and remuneration committee, which also carries out the tasks of a nomination committee, met five times during the financial year 2010. A focus of the consultations was on the establishment of a new concept for the variable compensation of the members of the Management Board together with an external remuneration expert, the corresponding amendment of the service contracts as well as the variable compensation for the members of the Management Board. The nomination and remuneration committee provided the entire Supervisory Board with corresponding proposed resolutions. The nomination and remuneration committee, furthermore, dealt with the approval of the consulting services of Freshfields Bruckhaus Deringer LLP and the new recommendation of the German Corporate Governance Code for specification of concrete goals for the composition of the Supervisory Board.

In addition, the Supervisory Board established a special committee in the financial year 2010: In September 2010, the entire Supervisory Board established a committee that was authorised to issue all necessary approvals and declarations within the framework of the execution of a capital increase in return for cash contribution in the amount of up to 10 % of the share capital under the exclusion of subscription rights. This special committee met in three telephone conferences in September 2010 and approved of the execution of a capital increase in return for cash contribution under the exclusion of subscription rights and all related acts and resolutions.

Audit of the annual financial statements and consolidated financial statements

PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin Branch, audited the financial statements and management report of alstria office REIT-AG, as well as the consolidated financial statements, including the management report of the Group for the financial year running from January 1 until December 31, 2009, all prepared by the Management Board, and issued its unqualified opinion on these documents.

The financial statements and management report of alstria office REIT-AG, the consolidated financial statements including the management report of the Group, as well as the Management Board's recommendation for the appropriation of the net profit were immediately presented to the members of the Supervisory Board after being prepared, as was the auditors' report. The Supervisory Board examined the documents provided by the Management Board in detail, both in its audit committee and at a plenary meeting. The auditors were present for the meeting of the audit committee, reported on the material findings of their audit (including the audit of the internal control and risk management system) and answered questions. The audit committee prepared the examination of the Supervisory Board and, in the presence of the auditors of the financial statements of alstria office REIT-AG and consolidated financial statements, reported to the plenary session. The plenary meeting examined and discussed both the documents prepared

by the Management Board and the findings of the auditors. Finding no objections, it concurred with the results of the audit and approved the financial statements of alstria office REIT-AG and the consolidated financial statements. The financial statements are thus confirmed. The Supervisory Board also concurred with the recommendation for the appropriation of net profit.

Furthermore, the Management Board also presented the Supervisory Board with its report on the relationships with affiliated companies for the financial year running from January 1, 2010 until December 31, 2010 pursuant to Section 312 of the German Stock Corporation Act, in which the Management Board reports on the relationships with affiliated companies. Likewise, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin Branch, presented the Supervisory Board with its audit report on the dependency report. The auditors' opinion is as follows:

"On the basis of our dutiful audit and judgement we confirm that

1. the factual statements of the report are correct,
2. the consideration of the Company for the legal transactions stated in the report was not inadequately high."

The Supervisory Board concurred with the Management Board's dependency report and the related auditors' report. After conducting its own examination, the Supervisory Board concurred with the report notes of the Management Board pursuant to Section 312 paragraph 3 of the German Stock Corporation Act. The Supervisory Board found no objections.

Corporate governance

During the reporting period, the Supervisory Board also dealt with the issue of alstria office REIT-AG fulfilling the recommendations of the German Corporate Governance Code. The Management Board and the Supervisory Board last issued the annual declaration of compliance with the German Corporate Governance Code in March 2011, in accordance with Section 161 of the German Stock Corporation Act; it was subsequently made permanently available to shareholders on the Company website. In its declaration, the Management Board and Supervisory Board explained that most of the recommendations of the German Corporate Governance Code have been, or will be, implemented, as well as which recommendations were, or will not be, followed, and the reasons why not. In the financial year 2010 and thereafter, conflicts of interest arose in two cases. The respective Supervisory Board members Dr Johannes Conradi and Daniel Quai informed the plenum of the conflict of interest and abstained from participating in the related discussions and voting on the related resolutions. The Supervisory Board delegated these issues to committees in which the respective member of the Supervisory Board does not participate.

The Supervisory Board would like to thank all employees and the Management Board for their dedication and hard work in the financial year 2010.

Hamburg, March 2011

Alexander Stuhlmann
Chairman of the Supervisory Board

CORPORATE GOVERNANCE STATEMENT

The Management Board and Supervisory Board of alstria office REIT-AG are conscious of their responsibility for the corporate governance of the Company, which is undertaken with due regard to the Company's shareholders, employees and tenants. This sense of responsibility is expressed, among other things, in transparent corporate governance with the aim of facilitating the confidence of alstria's shareholders, employees, tenants and the public in the management and supervision of the Company. In this statement, the Management Board and Supervisory Board report on alstria office REIT-AG's corporate governance according to no. 3.10 of the German Corporate Governance Code ("Code") and Section 289a of the German Commercial Code (HGB).

German Corporate Governance Code and declaration of compliance

Many of the principles of the most recent version of the German Corporate Governance Code (dated May 26, 2010) have already become part of our value-oriented corporate management, which are therefore stricter than the legal requirements. The principles and recommendations of the Government Commission appointed by the German Federal Ministry of Justice contain internationally and nationally recognised standards for effective and responsible corporate management.

The Company's declaration of compliance with the recommendations of the German Corporate Governance Code is published on alstria's website (www.alstria.com). After careful consideration, alstria chose not to follow the recommendations of the Code in regard to a few points. These points and the reasons for nonconformity are detailed in the declaration of compliance issued by the Management Board and the Supervisory Board on March 3, 2011.

Declaration of compliance dated March 3, 2011

The recommendations of the "Government Commission of the German Corporate Governance Code" as amended on May 26, 2010 and previously in the version dated June 18, 2009, were complied with since the prior declaration of compliance, dated March 2, 2010 with the following exceptions. The Company intends to continue to comply with the recommendations of the Code as amended on May 26, 2010 to the same extent:

Deductible for D&O insurance for the Supervisory Board, Section 3.8

The D&O insurance for the Supervisory Board of alstria office REIT-AG does not include a deductible. The Management Board and Supervisory Board believe that the members of the Supervisory Board carry out their duties responsibly without any such deductible.

Performance-related compensation for Supervisory Board members, Section 5.4.6

The members of the Supervisory Board do not receive any performance-related remuneration in addition to their fixed compensation. The Management Board and Supervisory Board believe that the members of the Supervisory Board carry out their duties responsibly without any such performance-related compensation.

Discussion of the half-year and quarterly financial reports between the Supervisory Board or its audit committee and the Management Board prior to publication, Section 7.1.2

Prior to their publication, the half-year and quarterly financial reports will be made available to the Supervisory Board. Furthermore, the financial reports will be discussed with the Supervisory Board in detail and soon after their publication. In the event that there are considerable differences to the budget or business plan authorised by the Supervisory Board, the Supervisory Board will have the opportunity to discuss the figures with the Management Board before they are published. The Management Board and Supervisory Board consider this approach appropriate and adequate.

All other recommendations of the German Corporate Governance Code dated May 26, 2010 and formerly in the version dated June 18, 2009 have been, or will be, fully implemented. alstria has appointed a corporate compliance officer within the Company, who will report any changes of the Code to the Management Board and the Supervisory Board at least once per year and whenever necessary. In this way, alstria ensures consistent compliance with these principles. Analysis, supervision and transparency are the tools with which alstria lays the foundation for fair and efficient corporate management. They will also remain the key criteria in future.

Working methods of the Management Board and the Supervisory Board

The Management Board and the Supervisory Board cooperate closely with confidence in the interest of the Company. The chair of the Supervisory Board has regular contact with the Management Board.

The Management Board has two members: Olivier Elamine as the Chief Executive Officer and Alexander Dexne as the Chief Financial Officer. The Management Board is responsible for running alstria in the interest of the Company with the aim of sustainably increasing the Company's value. It sets the business targets and – in conjunction with the Supervisory Board – the strategic direction of the Company. The work of the Management Board and the allocation of responsibilities between the individual members of the Management Board are stipulated in the rules of procedure and the role sort for the Management Board. The members of the Management Board are obligated to immediately disclose any conflicts of interest to the Supervisory Board. The members of the Management Board may only conduct secondary activities, particularly membership in the Supervisory Boards of companies not affiliated with the Group, with the approval of the Supervisory Board. The members of alstria's Management Board had no conflicts of interest in the reporting year. The members of the Management Board serve on no more than three Supervisory Boards of listed companies outside of the Group or in Supervisory Boards of companies with comparable requirements. Major business transactions between the Company and members of the Management Board, or with any persons or companies in close association with them, require the approval of the Supervisory Board. All such business transactions must be concluded at standard commercial conditions. There were no such contracts during the reporting period. The Management Board pays attention to diversity in filling its management positions and aims to adequately consider women for these positions. As of December 31, 2010, 50 % of the management positions at alstria were held by female employees.

The Supervisory Board appoints the members of the Management Board and monitors and advises the Management Board on management issues. The Management Board involves the Supervisory Board in any decisions of fundamental importance for the Company. The rules of procedure for the Supervisory Board stipulate that certain, significant business transactions by the Company are subject to the approval of the Supervisory Board, for example acquiring or disposing of real estate property for a consideration of more than EUR 30 m, entering financing agreements with a volume of more than EUR 30 m, entering or prematurely terminating leasing contracts with an annual consideration of more than EUR 2 m, or investing in Company assets (modernisation measures) with an annual total sum of more than EUR 2 m when such investments were not already included in the budget approved by the Supervisory Board. The Supervisory Board reports on its activity in the financial year 2010 in its report to the financial general meeting on pages 78 to 81 of the financial report.

Composition of the Supervisory Board

In accordance with the articles of association, the Supervisory Board comprises six members. The following are members of the Supervisory Board at present: Alexander Stuhlmann as Chair of the Supervisory Board, John van Oost as Vice-chair, as well as Dr Johannes Conradi, Roger Lee, Richard Mully and Daniel Quai. The terms of office of all members of the Supervisory Board expire at the end of the general meeting which resolves to discharge them in respect to their activities for the financial year 2010.

No former members of the Management Board sit on the Supervisory Board. The Supervisory Board is composed of members who have the necessary knowledge, competence and professional experience to properly carry out their duties. On November 23, 2010, with due consideration of the specific situation of the Company, the Supervisory Board of alstria office REIT-AG specified the following goals for the composition of the Supervisory Board which are to be considered in its nominations to the shareholders in general meeting:

- > The members of the Supervisory Board as a group should possess the diversity of knowledge, competence and experience necessary to successfully carry out their duties.
- > At least one member of the Supervisory Board should have notable experience gained abroad.
- > At least one member of the Supervisory Board should not serve as a consultant or managing body at principal tenants, creditors or other business partners of the Company.
- > At least one independent member of the Supervisory Board must have expert knowledge in the area of financial accounting or auditing of financial statements.
- > Within the next two appointment periods, at least one member of the Supervisory Board should be female.
- > Members of the Supervisory Board should, as a rule, be no older than 70 years old.

It will need to be noted in future nominations to the shareholders in general meeting that the goals specified by the Supervisory Board regarding the representation of women are currently not yet met. The other goals have, however, currently been met.

Supervisory Board committees

The Supervisory Board has formed three standing committees. Each committee has its own rules of procedure to specify the concerns and tasks of the committee.

The audit committee monitors the Company's financial reporting process, engages the independent auditors to prepare audit reports, determines the key audit areas and the independent auditors' compensation, and is responsible for issues surrounding risk management, internal control and compliance. The audit committee consists of Dr Johannes Conradi, as Chairman, as well as Roger Lee and Daniel Quai.

The investment committee decides whether the Supervisory Board will approve the acquisition or disposal of real estate property or other assets worth between EUR 30 m and EUR 30 m. The entire Supervisory Board is needed to approve such transactions if the value is greater than this amount. The investment committee consists of John van Oost, as chair, as well as Richard Mully and Alexander Stuhlmann.

The tasks of the nomination and remuneration committee, which also carries out the function of a nomination committee, include preparations for the appointment and dismissal of members of the Management Board, for the Management Board's compensation system and for the total remuneration of individual members of the Management Board, the resolution of, or amendments to, the rules of procedure of the Management Board, as well as the approval of certain other activities and primary contracts of members of the Management Board. It is also responsible for entering into, amending, extending and terminating contracts with Management Board members, as well as for decisions regarding compensation beyond the terms of the contracts. Finally, the nomination and remuneration committee prepares the resolutions of the Supervisory Board regarding the proposal of the appointment of suitable Supervisory Board members at annual general meetings. The nomination and remuneration committee consists of Alexander Stuhlmann, as chair, as well as Richard Mully and John van Oost.

In the financial year 2010, the Supervisory Board formed a special committee for the execution of a capital increase as of September 23, 2010. The special committee consisted of John van Oost as chair, as well as Dr Johannes Conradi and Richard Mully.

For information on the activities of the committees of the Supervisory Board during the financial year 2010, see its report to the general meeting on pages 78 to 81 of the financial report.

Remuneration of the Management Board and Supervisory Board

The compensation system for the Management Board and the Supervisory Board is laid out in the remuneration report for the financial year 2010. The remuneration of each member of the Management Board and the Supervisory Board is also broken down there for the financial years 2009 and 2010. By way of a resolution of the shareholders in general meeting on January 16, 2010, the shareholders approved the new remuneration system for the members of the Management Board with a large majority.

Stock option program and similar securities-oriented incentive systems

Stock option program and Long Term Incentive Plan

In March 2007, the Supervisory Board adopted a stock option program for the members of the Management Board and issued a first and only tranche of stock option rights to the Management Board pursuant to the authorisation granted by the shareholders in general meeting on March 15, 2007. The stock option program was replaced in March 2010 by a Long Term Incentive Plan as a new long term remuneration component, but the program continues in the scope of the tranche granted in 2007. Within the framework of the Long Term Incentive Plan, the members of the Management Board will be issued virtual shares with a four year term each year starting with the financial year 2010. The stock option program and Long Term Incentive Plan are described in the remuneration report on pages 90 to 93.

Employee profit participation program

The employee profit participation plan regulates the granting of convertible profit participation rights to employees of alstria and companies directly or indirectly controlled by alstria. Members of the Management Board are not considered employees for the purposes of this plan.

The nominal value of each convertible profit participation certificate is EUR 1. The plan stipulates that a maximum of 500,000 convertible profit participation certificates can be issued for a total nominal value of EUR 500,000. To date, 220,100 certificates have been issued.

Each convertible profit participation certificate can be converted into an alstria bearer share once the share price exceeds the price on the day the certificate was issued by 5% or more on at least seven non-consecutive trading days. Conversion is only carried out on predefined dates and only when the subscriber pays the conversion price and is still employed at alstria or one of its subsidiaries on the date of conversion. The maximum term for a convertible profit participation certificate is five years. Presumably 106,000 convertible profit participation rights will be converted into shares of the Company for the first time in June 2011.

Directors' dealings – securities transactions subject to reporting requirement

The Management Board and Supervisory Board of alstria office REIT-AG, as well as related parties (family members) are required, pursuant to Section 15a of the German Securities Trading Act, to notify the Company of their own transactions involving Company shares. Every buy or sale transaction related to alstria shares (e.g. the purchase or sale of options on alstria shares) has to be reported. The Company shall be informed of such transactions within five working days and publish them immediately. This only applies when the total of the transactions is EUR 5,000 or more within one calendar year.

The following transactions were reported to alstria in 2010:

| Name of person subject to the disclosure requirement | Position | Classification of financial instrument | | Transaction | Place | Transaction date | Price per share (EUR) | Number of shares | Total value (EUR) |
|--|--------------------------------|--|--------------|-------------|-------|------------------|-----------------------|------------------|-------------------|
| | | Share | ISIN | | | | | | |
| Olivier Elamine | Member of the Management Board | Share | DE000A0LD2U1 | Buy | XETRA | Apr. 7, 2010 | 8.47 | 10,500 | 88,935 |
| Alexander Dexne | Member of the Management Board | Share | DE000A0LD2U1 | Buy | XETRA | Apr. 7, 2010 | 8.55 | 8,500 | 72,670 |

These transactions were the transfer of Company shares as performance incentives for the financial year 2009. The members of the Management Board each invested approx. 25 % of their performance incentives in shares of the Company.

Share ownership by members of Management Board and Supervisory Board

Section 6.6 of the German Corporate Governance Code recommends indicating the ownership of Company shares or related financing instruments by members of the Management Board and Supervisory Board if such ownership directly or indirectly exceeds 1 % of the shares issued by the Company. If the total shares owned by all members of the Management Board and Supervisory Board together exceed 1 % of the total shares issued by the Company, the total share ownership is to be broken down by Management Board and Supervisory Board.

No member of the Management Board or Supervisory Board of alstria office REIT-AG directly or indirectly owns more than 1 % of the subscribed capital of the Company. The total share ownership of all members of the Management Board and the Supervisory Board does not exceed 1 % of the total shares issued by the Company.

Relationship to the shareholders of the Company

alstria office REIT-AG respects the rights of its shareholders and makes best efforts to guarantee the exercise of those rights to the extent stipulated by law or the bylaws. In particular, these include the right to freely purchase and sell shares, appropriate access to information, an adequate number of voting rights per share (one share – one vote) and participation in our annual general meeting. Shareholders have the possibility of exercising their voting rights personally or by authorised representative at the general meeting, or sending voting instructions to their proxies. The invitation to the general meeting includes voting instructions. The articles of association currently do not stipulate an option to vote by mail. Shareholders already have the option of voting before the general meeting by authorising a proxy in such that the additional option of voting by mail would not facilitate the exercise of the shareholders' rights.

After the shareholders in general meeting in 2008 approved the provision of information to shareholders electronically, it is now possible to send invitations and documents for general shareholders' meetings to shareholders electronically upon request. The invitation and the documents to be made available for viewing prior to the upcoming general meetings in accordance with the provisions of law will be published together with additional documents pursuant to Section 124a of the German Stock Corporation Act and the agenda on the Company website. The results of the votes will likewise be published on the website of the Company following the general meeting.

Communication with the public

In sharing information with people outside of the Company, the Management Board follows the principles of transparency, promptness, openness, clarity and equal treatment of shareholders. In particular, alstria informs its shareholders and the interested public about the situation of the Company and significant business events through financial reports, analyst and press conferences, press and ad-hoc announcements and the general meeting. The website of alstria includes information on the Company and its shares, especially the financial reports, share price tracking and announcements about the acquisition or disposal of Company shares or related financing instruments pursuant to Section 15a of the German Securities Trading Act. Moreover, alstria's financial reports and website include a financial calendar which indicates all dates of importance to shareholders. All announcements and information is additionally published in English. The Annual Document (pursuant to Section 10 of the German Securities Prospectus Act) includes a detailed list of all capital market-related announcements issued in 2010; it can be found on our website (www.alstria.com).

Financial reporting and auditing

During the financial year, alstria regularly informs shareholders and third parties by publishing its consolidated, half-year and quarterly financial statements. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). For legal reasons (calculating dividends, creditor protection), financial statements for alstria office REIT-AG are also prepared in accordance with the German Commercial Code (HGB).

The consolidated financial statements and the financial statements of alstria office REIT-AG are audited by both the independent auditor selected by the general meeting, and by the Supervisory Board. The audit committee of the Supervisory Board appoints an external auditing firm, after examining its independence, to audit the financial statements and negotiates the auditing fees. PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, was appointed

to audit the annual and half-year financial statements of alstria office REIT-AG and of the Group for the financial year 2010. The auditors participate in the meetings of the audit committee and the Supervisory Board in plenum, to advise on the consolidated financial statements and the financial statements of alstria office REIT-AG, and to present the key findings of the audit.

Compliance

In accordance with Section 4.1.3 of the German Corporate Governance Code, the Supervisory Board is responsible for ensuring compliance with the legal provisions and Company guidelines throughout all of the consolidated companies. The good reputation of alstria and the trust of its shareholders, tenants and employees depend entirely on the behaviour of each individual employee.

For this reason, alstria drew up a code of conduct, listing guidelines for behaviour and orientation for resolving conflicts (e.g. conflicts of interest), thereby serving as a model of correct behaviour for all employees of the Group. The guidelines are published on our website (www.alstria.com).

alstria set up a compliance organisation to communicate the values inherent in the code of conduct and Company guidelines, and to monitor compliance with these values. The compliance officer is responsible for communicating these values by answering questions on the implementation of the code and through in-house training for all employees. Compliance is monitored through colleagues, supervisors and the compliance officer, as well as via regular investigation by auditors. alstria has also set up a hotline through which employees can anonymously report any violations of the code of conduct or the Company-internal guidelines. Furthermore, the Management Board regularly discusses Company compliance with the Supervisory Board's audit committee.

Violations of the code of conduct will not be tolerated; they will be fully investigated and the violators punished. This can be anything from disciplinary measures to dismissal, a claim for damages or even prosecution.

REMUNERATION REPORT *

Management Board remuneration

The remuneration system for the members of the Management Board is determined by the Supervisory Board and is reviewed regularly. In its meeting in March 2010, the Supervisory Board resolved, as recommended by the remuneration expert, to amend the remuneration system and the service contracts of the members of the Management Board in accordance with the new legal requirements of the German Act on Appropriateness of the Management Board Compensation (VorstAG). The Supervisory Board is of the opinion that this remuneration system provides adequate remuneration for the members of the Management Board, which is based on customary market terms and conditions and, in particular, also takes account of the lasting success of the company. The remuneration system for the members of the Management Board described below was approved by the shareholders in general meeting for the financial year 2009 by a large majority.

In the new remuneration system, the criteria for determining the appropriateness of the remuneration of the members of the Management Board are the duties of each individual Management Board member, his or her personal performance, the financial situation, the success and future prospects of the company, as well as the customary practice regarding remuneration relative to its peer companies and the remuneration structure of the Company.

The remuneration structure, furthermore, consists of a fixed basic salary, a short term and a long term variable component and ancillary benefits (benefits in kind) for each Management Board member. The majority of the remuneration is made up of the variable components which each are partially or primarily based on several years of assessment. Limits were introduced for extraordinary developments.

The fixed remuneration is a basic salary independent of performance which is paid as salary on a prorated basis each month. The fixed remuneration amounts to approx. 40 % of the designated total remuneration without ancillary benefits.

The short term variable remuneration (Short Term Incentive or STI) is determined for each year on the basis of a performance target, the Budgeted Funds from Operations (FFO). The amount of the Short Term Incentive depends on the degree to which the target is reached, whereby the target value must be met by at least 50 % for the incentive to be paid out and by no more than a maximum of 150 % (cap). The individual performance of each Management Board member will be taken into account in a multiplier (0.8 to 1.2). The maximum amount to be paid is limited by a cap. Only 75 % of the performance incentive will be paid to a Management Board member in cash. A total of 25 % of the performance incentive will be converted to virtual shares, which are subject to a minimum vesting period of two years. The number of virtual shares granted is calculated from the amount corresponding to 25 % of the Short Term Incentive divided by the share price of one alstria share at the time, which is calculated on the basis of one reference period. The virtual shares will be converted into a cash amount after the expiry of the vesting period. This cash amount is calculated based on the number of virtual shares multiplied by the share price of one alstria share at the time, and is calculated on the basis of a reference period. This component of the remuneration amounts to approx. 20 % of the prescribed total remuneration without ancillary benefits.

A new performance share plan (Long Term Incentive Plan, LTI Plan) replaces the previous stock option program for the Management Board as a long term variable remuneration component. Virtual shares with a four-year term are issued to the members of the Management Board each year. The number of virtual shares to be granted results, in principle, from a target value divided by the share price of one alstria share upon the issue of the virtual share (calculated on the basis of a reference period). The amount of virtual shares issued from the LTI plan will be adjusted at the end of each performance period depending on the degree to which the target is met. A total of 50 % of the performance targets determined by the Supervisory Board is the absolute total shareholder return derived from the Weighted Average Cost of Capital (WACC) and 50 % is the relative total shareholder return calculated on the

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

basis of the reference index EPRA NAREIT Europe Ex UK. The virtual shares will be converted into a one-time cash payment after the expiry of the term. The amount will be calculated by the number of virtual shares after adjustment multiplied by the share price of one alstria share at the time (calculated on the basis of a reference period) and a multiplier (0.8 to 1.2) which takes into consideration the individual performance of the Management Board member. Just as with the Short Term Incentive, a certain degree of the target must be reached in order for a payment to be made. Furthermore, the amount of the payment is also limited by a cap in the LTI plan. This component of the remuneration amounts to approx. 40 % of the planned total remuneration without ancillary benefits.

The members of the Management Board, furthermore, receive ancillary benefits in the form of benefits in kind which essentially consist of insurance premiums, pension benefits and the private use of a company car. As a component of remuneration, each individual member of the Management Board is to pay taxes on such ancillary benefits. Each member of the Management Board is, in principle, equally entitled to such ancillary benefits though the amount varies in accordance with each personal situation. For the purpose of pension, the Company grants the members of its Management Board an annual amount, i. e. EUR 75,000 for Olivier Elamine and EUR 50,000 for Alexander Dexne, each payable in prorated monthly instalments.

The total remuneration for the active members of the Management Board in the last financial year amounted to EUR 2,453 k. The members of the Management Board did not receive any advance salary payments, loans or pension benefits. A total of approximately 25 % of the incentive payment was paid out as shares in the company for the financial year 2009. The members of the Management Board were promised short term variable remuneration at the terms and conditions of the new Short Term Incentive Plan for the first time for the financial year 2010. The target of the commitment amounts to EUR 220 k for Olivier Elamine and EUR 180 k for Alexander Dexne. The members of the Management Board, furthermore, received a first tranche of the new long term remuneration component in the financial year 2010. Mr Elamine was issued 54,455 virtual shares with a target cash value of EUR 440 k and Mr Dexne was issued 44,554 virtual shares with a target cash value of EUR 360 k. Former members of the Management Board received payments in the financial year 2010 totalling EUR 5 k. No provisions needed to be set aside for former members of the Management Board. The legal specifications for the self-deductible of the members of the Management Board for D&O insurance were implemented with effect as of July 1, 2010.

INDIVIDUAL MANAGEMENT BOARD REMUNERATION 2010

EUR k

| Management Board member | Fixed amount | Short-term variable remuneration ¹ | | Long-term variable remuneration | Ancillary benefits ³ | Total remuneration |
|---|--------------|---|-----------------|---------------------------------|---------------------------------|--------------------|
| | | Cash component | Share component | | | |
| Olivier Elamine, Chief Executive Officer | 440 | 300 | 90 | 440 ² | 93 | 1,363 |
| Alexander Dexne, Chief Financial Officer | 360 | 240 | 72 | 360 ² | 58 | 1,090 |
| Former members of the Management Board | 0 | 0 | 0 | 0 | 5 | 5 |
| Total | 800 | 540 | 162 | 800 | 156 | 2,458 |

¹ For performance in 2009, granted according to old remuneration system for the last time.

² Virtual shares with specified cash value and four-year term.

³ Includes benefits for company car, insurance and pension.

Due to the change in the remuneration system in the financial year 2010, in accordance with the new legal requirements of the German Management Board Remuneration Appropriateness Act (VorstAG), the numbers in the table are hardly comparable and include variable remuneration elements for performance in the financial year 2009 (short term variable remuneration) and the new long term variable remuneration element (virtual shares with a four year term) granted for the first time in the

financial year 2010. Therefore, the total remuneration for the financial year 2010 is hardly comparable to the total remuneration for the previous financial year. Due to the expiring short term incentive plan, the generally intended allocation of the remuneration elements without ancillary benefits under the new remuneration system (40 % fixed, 20 % short term variable, 40 % long term variable) is not yet existent in the financial year 2010.

INDIVIDUAL MANAGEMENT BOARD REMUNERATION 2009

EUR k

| Management Board member | Fixed amount | Short-term variable remuneration ¹ | | Long-term variable remuneration | Ancillary benefits ² | Total remuneration |
|---|--------------|---|-----------------|---------------------------------|---------------------------------|--------------------|
| | | Cash component | Share component | | | |
| Olivier Elamine, Chief Executive Officer | 438 | 262.5 | 87.5 | 0 | 94 | 882 |
| Alexander Dexne, Chief Financial Officer | 360 | 150 | 50 | 0 | 74 | 634 |
| Former members of the Management Board | 0 | 0 | 0 | 0 | 13 | 13 |
| Total | 798 | 412.5 | 137.5 | 0 | 181 | 1,529 |

¹ For performance in 2008.

² Includes benefits for company cars, insurance and pensions.

If membership of the Management Board is terminated, members have agreed to a post-contractual non-compete agreement of up to twelve months, which may be waived by alstria with a six months' notice period. As long as alstria exercises

this post-contractual non-compete obligation, the members of the Management Board shall receive a compensation payment for this period equivalent to their last fixed salary. Benefits to be paid by the company if the appointment is terminated by the death of the board member amount to the fixed salary for the month in which the member died and for the following three months. The incentive payment for this period shall be paid pro rata up to and including the month of death.

Stock option scheme 2007

On March 27, 2007, the Supervisory Board established a stock option program for members of the Management Board (hereinafter, the "stock option scheme 2007"), stipulated the details of this stock option scheme based on the authorisation by the annual general meeting of March 15, 2007, and issued the first tranche of stock options to members of the Management Board. No stock options were granted in 2008, 2009 or 2010. The stock option scheme 2007 has, meanwhile, been replaced by a new long term remuneration component but will continue in the scope of the tranche granted in 2007. No expenses arose in the financial year 2010 from the stock options granted in the financial year 2007.

The details of the stock option program 2007 are as follows:

The exercise price for the stock options granted in 2007 is EUR 16. The term of the stock options is seven years from the time they are granted. The

options may only be exercised if the current share price of the Company exceeds the exercise price by 20 % or more on at least seven non-consecutive trading days of the Frankfurt Stock Exchange before the start of the respective exercise period. The performance target for the 2007 stock options amounts to EUR 19.20. The stock options may only be exercised after expiry of a vesting period of two years and during one of the four exercise periods of each year. The exercise period amounts to 30 days beginning on the date of publication of the Company's results for the first, second and third quarters and the date of the Company's annual general meeting. There are no cash settlement alternatives.

Remuneration of the Supervisory Board

The total remuneration for the Supervisory Board in 2010 amounted to EUR 305 k. The members of the Supervisory Board each receive an annual fixed remuneration in the amount of EUR 40 k. The chairman of the Supervisory Board also receives an additional annual amount of EUR 20 k and the deputy chairman receives an additional EUR 10 k. Members who only sit on the Supervisory Board for part of a year receive pro rata remuneration. Membership of the audit committee entails separate remuneration of EUR 10 k and the chair of the audit committee receive EUR 15 k. Membership in other committees does not give entitlement to any additional remuneration. No advance remuneration payments were made to members of the Supervisory Board, nor were any loans made. No remuneration was paid out for individual services.

INDIVIDUAL SUPERVISORY BOARD MEMBER REMUNERATION

EUR k

| Supervisory Board member | Supervisory Board membership | Audit committee membership | Remuneration for 2009 (EUR k) | Remuneration for 2010 (EUR k) |
|--------------------------|------------------------------|----------------------------|-------------------------------|-------------------------------|
| Alexander Stuhlmann | Chairman | n.a. | 60 | 60 |
| John van Oost | Deputy Chairman | n.a. | 57.5 | 50 |
| Dr Johannes Conradi | Member | Chairman | 55 | 55 |
| Roger Lee | Member | Member | 36.6 | 50 |
| Richard Mully | Member | n.a. | 40 | 40 |
| Daniel Quai | Member | Member | 50 | 50 |
| Total | | | 299.1 | 305 |

REIT DISCLOSURES

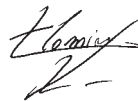
REIT DECLARATION

Statement of the Management Board

Regarding the compliance with the requirements of Section 11 to 15 REIT Act (Real Estate Investment Trust Law) as per December 31, 2010, we declare the following in relation with our financial statement according to Section 264 HGB (German Commercial Code) and our consolidated financial statement according to Section 315a HGB as per balance sheet date:

1. As per balance sheet date, 40.86 % of alstria's shares were free float according to Section 11 paragraph 1 REIT Act. This was stated to the German Federal Financial Supervisory Authority (BaFin).
2. In accordance with Section 11 paragraph 4 REIT Act, as per balance sheet date, no shareholder owned directly 10 % or more of our shares or shares of such an amount, that he holds 10 % or more of the voting rights.
3. In relation to the sum of the assets pursuant to the consolidated statements less the distribution obligation and the reserves pursuant to Section 12 paragraph 2 REIT Act
 - a) as per the balance sheet date the immovable assets amounted to EUR 1,389,885 k which equals to 90.12 % of the assets, therefore at least 75 % of the assets belong to the immovable assets;
 - b) the assets belonging to the property of REIT service companies which were included in the consolidated statements amount to a maximum of 20 %, namely EUR 277 k and therefore 0.02 %.
4. In relation to the sum of the sales revenue plus the other earnings from immovable assets pursuant to Section 12 paragraph 3 and 4 REIT Act
 - a) for the financial year 2010, the entire sales revenues of the Group plus other earnings from immovable assets amounted to EUR 98.4 m. This equals 100 % of total revenues plus other earnings from immovable assets;
 - b) the sum of the sales revenue plus the other earnings from immovable assets of REIT service companies amounted to EUR 163 k in the financial year 2010. This equals 0.17 % of total revenue plus other earnings from immovable assets.
5. In 2010 a dividend payment of EUR 28.0 m for the prior financial year was distributed to the shareholders. The financial year 2009 did not result in a net income according to commercial law pursuant to Section 275 of the German Commercial Code.
6. alstria office REIT-AG's dividend does not derive from already taxed parts of the profit.
7. Since 2007 the Group has realised 20.34 % of the average portfolio of its immovable assets and therefore did not trade with real estate according to Section 14 REIT Act.
8. On balance sheet date the Group's equity as shown in the consolidated statements according to Section 12 paragraph 1 REIT Act was EUR 692.4 m. This equals to 49.8 % of the value of the immovable assets which are shown in the consolidated statements in conformance with Section 12 paragraph 1 REIT Act.

Hamburg, February 18, 2011



Olivier Elamine
CEO
alstria office REIT-AG



Alexander Dexne
CFO
alstria office REIT-AG

REIT MEMORANDUM

Auditor's Memorandum according to Section 1 (4) of the Act on German Real Estate Stock Corporations with Listed Shares (REIT Act)

To alstria office REIT-AG, Hamburg

As auditor of the financial statement and the consolidated financial statement of alstria office REIT-AG, Hamburg, for the fiscal year from January 1, to December 31, 2010, we have audited the information given in the attached declaration of the Management Board members for the compliance with the requirements of Section 11 to 15 of the REIT Act and the composition of the proceeds concerning the pre-taxation of proceeds according to Section 19 (3) and 19a REIT Act as of December 31, 2010 (hereinafter referred to as "REIT declaration"). The information given in the REIT declaration is in the responsibility of the Management Board of the company. Our responsibility is to express an opinion on the information given, based on our audit.

We conducted our audit considering the audit guidance promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW): Particularities concerning the audit of a REIT stock corporation according to Section 1 (4) REIT Act, a pre-REIT stock corporation according to Section 2 Clause 3 REIT Act and the audit according to Section 21 (3) Clause 3 REIT Act (IDW PH 9.950.2). Therefore we have planned and performed our audit to make a judgement with reasonable assurance if the free float ratio and the maximum stock ownership per shareholder according to Section 11 (1) and (4) REIT Act agrees with the announcements due to Section 11 (5) REIT Act as of December 31, 2010 and if the provided information concerning the requirements of Section 12 to 15 REIT Act and the composition of the proceeds concerning the pre-taxation of proceeds according to Section 19 a REIT Act is appropriate. It was not part of our engagement to fully assess the companies tax assessments or position. Within our audit procedures we compared the information concerning the free float ratio and the maximum stock ownership per shareholder according to Section 11 (1) and (4) REIT Act provided within the REIT-declaration with the announcements due to Section 11 (5) REIT Act as of December 31, 2010 and agreed the

provided information concerning the requirements of Section 12 to 15 REIT Act with the information disclosed in the financial statement and the consolidated financial statements of the company. Furthermore we tested the adjustments made to the valuation of immovable assets held as investment for their compliance with Section 12 (1) REIT Act. We believe that our audit provides a reasonable basis for our opinion.

In our opinion based on the findings of our audit, the information given in the REIT declaration concerning the free float ratio and the maximum stock ownership per shareholder due to Section 11 (1) and (4) REIT Act agrees with the announcements made according to Section 11 (5) REIT Act as of December 31, 2010 and the information provided concerning the compliance with Section 12 to 15 REIT Act and the composition of the proceeds concerning the pre-taxation of proceeds according to Section 19a REIT Act are appropriate.

This memorandum is solely provided for submission to the tax authorities of the city of Hamburg within the tax declaration according to Section 21 (2) REIT Act.

Berlin, February 23, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

sgd. Gregory Hartman
Wirtschaftsprüfer
(German Public Auditor)

sgd. i. V. Dr. Kay Lubitzsch
Wirtschaftsprüfer
(German Public Auditor)

OTHER INFORMATION

GLOSSARY

Annual financial accounts

The annual financial accounts include the balance sheet and the profit and loss account of a company. In respect of a joint stock company, these are prepared by the Management Board, audited by a chartered accountant for compliance and checked by the Supervisory Board.

Annual General Meeting

At least once a year the shareholders of a joint stock company convene for the Annual General Meeting. This meeting elects the Supervisory Board and the balance sheet auditor. It passes resolutions on the appropriation of the annual profit shown, on measures for raising capital, on changes to the Articles of Association and other fundamental issues; it is the only body which can approve the decisions made by the Supervisory Board and the Management Board.

Asset management

Value-driven running and/or optimisation of real estate investments through letting management, refurbishment, repositioning and tenant management.

Bearer share

A share whereby the rights of the holder can be exercised. In this instance, the company does not know who its shareholders are.

Cash flow

Indicator that shows the net inflow of cash from sales activities and other current activities during a given period.

CMBS (commercial mortgage-backed securities)

Securities or loans that are backed by commercial real estate mortgages.

CO₂

Carbon dioxide, a gas produced primarily through the combustion of fossil fuels. It is believed to be the main cause of climate change.

Consolidated statement of financial position

Balancing assets against liabilities, that is, "debits" and "credits", at the end of the financial year. As a result one can see the net asset position of the joint stock company. A component part of the annual financial statements.

Corporate Governance

An instrument which is required by professional financial analysts and investors when performing modern company analyses. It can also redress current deficits in the traditional valuation processes particularly in respect of growth values. Competences, communications and control by the decision-making committees for companies quoted on the stock exchange are viewed and inspected. These supposed soft facts are of crucial importance when evaluating a company with increasingly non-material production processes.

DAX

The German Share Index (DAX) reflects the value trend of the 30 most important German shares. In addition to the market prices, the dividend payments are also included here. DAX began at the end of 1987 with a value of 1,000.

Derivative financial instruments

Derivative financial instruments or derivatives are contracts to hedge and compensate financial risk positions. The pricing is based on a market-linked underlying value (e.g. interest rate, shares or indices).

DGNB (Deutsche Gesellschaft für Nachhaltiges Bauen)

The German Sustainable Building Council establishes a system for the assessment and the certification of sustainable buildings.

Dividend

Each shareholder is entitled to a share in the annual profit of their company which is paid out. This will correspond to the amount of their shareholding. This part of the profit is called a dividend.

EPRA index

The EPRA index is the well-known international index which tracks the performance of the largest European and North American listed property companies. The European Public Real Estate Association (EPRA) is an organisation that represents the interests of the major European property management companies and supports the development and market presence of European public property companies. Its members include companies such as alstria office REIT-AG, financial analysts, investors, advisors and auditors.

Fair value (or open market value (OMV))

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value for alstria's investment properties is reviewed regularly by external appraisers.

FFO (funds from operations)

alstria calculates FFO as EBT (Earnings before Taxes), increased/decreased by the net loss/gain from fair value adjustment on investment property, increased/decreased by the net loss/gain from fair value adjustment on financial derivatives, reduced/increased by the profit/loss on disposal of investment property, increased/decreased by the net loss/gain from fair value adjustments on joint ventures, increased/decreased by non-recurring items, plus non-cash-expenses and less cash taxes paid.

G-REIT

Real Estate Investment Trusts are public listed companies, fully tax transparent, which solely invest in properties.

ICR (interest coverage ratio)

The interest coverage ratio/interest service coverage ratio is a commonly used ratio which belongs in a loan agreement to the debtor's contractual assurances (covenants) for the duration of the loan and which is also used to assess the ability to service interest payments. It indicates to which proportion the interest payments have to be/are covered by the earnings of the Company or the respective portfolio (sometimes after allowance for operating and/or maintenance expenses) by the earnings of the investment property.

IFRS

IFRS are adopted by the International Accounting Standards Board (IASB). The objective is to achieve uniformity and transparency in the accounting principles that are used by companies and other organisations worldwide for the financial reporting. IFRSs have applied to listed companies since January 1, 2005.

Investment property

Property, land and buildings, which are held as financial investments to earn rents or for growth, and not used for the company's own purpose. The value of the investment property is determined according to IAS 40.

Joint venture

Legally independent entity formed between two or more parties to undertake economic activity together. It is jointly controlled by the parties under a contractual arrangement whereby decisions on financial and operating policies essential to the operation, performance and financial position of the venture require each party's consent.

LTV (loan to value)

alstria calculates loan to value (LTV) by dividing the total loans outstanding to finance investment properties by the value of all mortgaged investment properties. The calculation of alstria's net LTV also deducts the available non-restricted cash on the respective balance sheet date, which is deducted from the gross debt amount.

Management Board

The Supervisory Board and the Management Board head the management of a joint stock company. The Management Board manages the company's day-to-day business and dealings.

Market value or MV

Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion (PS 3.2 of the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors).

NAV (net asset value)

Reflects the economic equity of a company. It is calculated from the value of assets less debt.

NNNAV (triple net asset value)

NNNAV reflects the economic equity of the Company. The Company computes NNNNAV as total equity as reported in the IFRS balance sheet, which accounts for the carrying amount and the fair value of financial instruments and financial liabilities, adjusted for hidden reserves and hidden losses in immovable assets and financial liabilities.

Office building

Property where at least 75 % of the lettable area is destined for office use (disregarding potential ground floor retail).

Passing rent

Annual gross rental income as per a certain date, excluding the net effects of straight-lining for lease incentives.

Prime Standard

Market segment of the Frankfurt Stock Exchange with the greatest relevance and degree of regulation. Being quoted on the Prime Standard is a prerequisite for admission to DAX, MDAX, SDAX and TecDAX.

Property management

Property management is the management of real estate assets including the processes, systems and manpower required to manage the life cycle of a building.

Sale-and-leaseback transaction

Form of arrangement in which one party sells an asset to another party in exchange for cash and contracts to lease the asset for a specified term.

SDAX

Small Cap Index; it contains, with variable weighting, the prices of the 50 most important, in terms of market capitalisation and turnover, German joint stock companies which are not included in DAX or MDAX. In addition to dividend payments, subscription right proceeds are also included when calculating the index.

Share

The term share describes both the membership rights (holding in the joint stock company) and the security which embodies these rights. The holder of a share (shareholder) is a "sharer" in the assets of the joint stock company. Their rights are protected by the regulations contained in the Companies Act.

Share capital

The capital stipulated in a corporation's articles of association. The articles also specify the number of shares into which the share capital is divided. The company issues shares in the amount of its share capital.

Stock exchange

The stock exchange is the market (meeting place for supplies and demands) for securities. Stock exchange dealing takes place in the Federal Republic of Germany in certain places and at certain times. The German stock exchanges are subject to state control. The Stock Exchange Commission decides which persons are authorised to deal on the stock exchanges. A listing committee supervised by the federal state decides on the admission of securities for stock exchange dealing. There are various sub-markets on the German stock exchanges which are also called trading or market segments. Purchase and sales contracts for securities which are not admitted to any of the market segments may not be accepted or negotiated in the dealing room during trading hours.

Supervisory Board

The Supervisory Board is one of the three executive bodies of a joint stock company: Annual General Meeting, Management Board and Supervisory Board. The Supervisory Board appoints the Management Board and provides supervision and advice regarding management of the company's business.

Vacancy rate

Determines the vacancy within the portfolio and is calculated by comparing the vacancy area and the total lettable area.

Vacant space

Vacant space refers to the sum of all office space that at the end of a calendar year is unoccupied or offered for lease or sale, and that is available for occupation within the next three months. Vacant space consequently does not include space that is unlettable because it is undergoing major refurbishments during the relevant three-month period.

Valuation yield

Key performance indicator, which is determined at a given date by the contractual rent in relation to the fair value of the property.

WAULT (weighted average unexpired lease term)

The weighted average unexpired lease term shows the average remaining lease length of a portfolio and is defined as the total contractual rent to be collected in relation to the contractual rent of the date of the report.

FINANCIAL CALENDAR

| Date | Event |
|---------------|---|
| May 06, 2011 | Publication of Q1 Report Interim Report (Hamburg) |
| Jun. 08, 2011 | Annual General Meeting Hamburg |
| Aug. 08, 2011 | Publication of Q2 Report Half-Year Interim Report (Hamburg) |
| Nov. 07, 2011 | Publication of Q3 Report Interim Report (Hamburg) |



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

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

Forward-looking statements

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

Note

This report is published in German (original version) and English (non-binding translation).

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