alstria

First German REIT

Annual Report 2013

→ Part II/II – Financial Report

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Key figures

five-year overview

according to IFRS

EUR k	2013	2012	2011	2010	2009
Revenues and earnings					
Revenues	104,224	101,286	90,798	89,094	102,510
Net rental income	93,249	90,110	80,868	81,759	91,964
Consolidated profit / loss for the period	38,945	39,911	27,448	206	–79,651
FFO	45,328	43,571	34,685	27,541	32,690
Earnings per share (EUR)	0.49	0.51	0.40	0.00	–1.40
FFO per share (EUR)	0.57	0.55	0.48	0.45	0.58

	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Balance sheet					
Investment properties	1,632,362	1,622,988	1,528,589	1,348,400	1,425,440
Total assets	1,785,679	1,786,893	1,686,637	1,542,336	1,766,134
Equity	844,114	829,287	768,195	692,408	634,185
Liabilities	941,565	957,606	918,442	849,928	1,131,949
NAV per share (EUR)	10.69	10.51	10.71	11.24	11.32
Net LTV (%)	50.7	47.8	50.1	49.8	57.9
G-REIT key figures					
G-REIT ratio (%)	50.9	50.0	48.7	49.8	40.3
Revenues plus other income from investment properties (%)	100	100	100	100	100
EPRA[1] key figures					
EPRA[1] earnings per share (EUR)	0.57	0.55	0.50	0.44	0.53
Diluted EPRA NAV per share (EUR)	10.63	10.98	11.32	11.68	12.18
EPRA NNNAV per share (EUR)	10.68	10.50	10.71	11.24	11.32
EPRA net initial yield (%)	5.6	5.7	5.8	5.5	5.4
EPRA ‘topped-up’ net initial yield (%)	5.8	5.7	5.8	5.7	5.4
EPRA vacancy rate (%)	6.8	8.0	6.5	5.1	3.3
EPRA cost ratio (%)	18.4	18.5	n/a	n/a	n/a

[1] Please refer to EPRA Best Practices Recommendations » www.epra.com.

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ECONOMICS AND STRATEGY (BUSINESS OVERVIEW)

Economic conditions

Despite the ongoing recessions in some European countries, the German economy proved to be solid in 2013. Germany's GDP increased slightly by 0.4 % which is less than its growth in 2012 (0.7 %) and its average of the last 10 years (+1.2 %).* This development was also reflected in the German labour market, resulting in a slight increase of the unemployment rate by 0.2 percentage points to 6.9 % in comparison to 2012.**

The German real estate market developed in a positive manner in 2013, resulting in the highest transaction volume since the boom of 2007. The total investment volume on the commercial real estate market rose to approx. EUR 31 bn and was therefore 21 % higher than in the previous year. Domestic and international investors seem to prefer the stable German real estate market, which appears to be very attractive with regard to its risk/return profile.***

Overview of the German office property market

Development of office rents

In 2013, office rents developed positively at the most important commercial real estate sites, namely Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich und Stuttgart ('Big-7'). On average, prime rents increased by around 1.9 %. An above average increase was registered in Frankfurt/Main at 6.1 % (EUR 35.00 per sqm) and Düsseldorf at 5.8 % (EUR 27.50 per sqm). In Munich the rents increased by 1.6 % (EUR 31.50 per sqm). In Berlin (EUR 22.00 per sqm), Hamburg (EUR 24.00 per sqm) and Stuttgart (EUR 18.50 per sqm) rents remained at previous year level.

Take-up in major German cities

The vacancy rate of office properties in German cities decreased from 8.8 % in 2012 to 8.3 % in 2013, which represents total vacancies of 7.31 million sqm (decrease of 0.47 million sqm). Comparing the Big-7, the highest vacancy rate was noted in Düsseldorf (11.4 %), followed by Frankfurt (11.1 %), Berlin (8.2 %), Hamburg (7.8 %), Munich (7.3 %), Cologne (7.0 %) and Stuttgart (5.3 %).

New lease-up

In 2013, new lease contracts for over 2.93 million sqm of office space were signed in the seven major German cities. This reflects a slight decrease by 0.11 million sqm or 3.5 % compared to the previous year. The greatest decreases were registered in Munich (–17.1 %), Berlin (–16.4 %) and Frankfurt (–14.0 %). These were partially offset by some major increases e.g. in Stuttgart (+34.7 %), Düsseldorf (+19.4 %) and Cologne (+18.1 %).

New office supply

In 2013, the delivery of new office and commercial space increased by approx. 890,000 sqm. This is a slight increase (+8.2 %) as compared to last year's very low level, and is mainly due to the completions in Frankfurt (+143.3 %), Cologne (+59.0 %), and Stuttgart (+57.2 %). For 2014, a large increase in completion volume (approx. 1,170,000 sqm) is forecasted, of which the predominant part (63.0 %) is already prelet. As a result the supply of high-quality new office space will remain at a low level in 2014.

* Federal Statistics Office (Statistisches Bundesamt).
** Federal Employment Agency (Bundesagentur für Arbeit).
*** All numbers referred to in this section are sourced from Jones Lang Lasalle.

Investment markets

The positive trend on the investment market continued in fiscal year 2013. Total investment volume was approx. 21 % (around EUR 30.7 bn for commercial assets) above previous year results. Thus transaction volumes in 2013 represent the highest volume since the boom of 2007. The Big-7 cities recorded a transaction volume of around EUR 19.5 bn. The highest transaction volumes were recorded in Munich at EUR 4.7 bn, Frankfurt at EUR 4.2 bn and Berlin at EUR 3.5 bn, respectively.

The investment market has continued to focus on high-quality core properties in premium locations. The average prime yield for commercial office real estate was 4.67 %. In regards to the deal structure, approx. 75 % of the commercial investment turnover in fiscal year 2013 related to single deals, whereas the share of portfolio transactions amounted to 25 %.

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 19 subsidiaries, which include nine general partners, nine limited partnerships holding assets and one REIT service company. Operations are made at the parent company. Although the major part of the assets is allocated to the alstria office REIT-AG, 15 properties are held by nine subsidiaries as at December 31, 2013.

alstria is a long term-holder of its real estate portfolio. alstria's strategy is structured based on the following assumptions:

› The German real estate market will offer limited rental or capital value growth in the future.

› Overall built environment is sufficient to host the entire demand for office space.

› The market's vacancy rates will remain relatively stable.

Based on these assumptions, our strategy consists in owning and actively managing assets which:

› Match a specific tenant's demand in their immediate micro-environment.

› Are rented at or below market, or if over-rented are valued as such.

› Offer room for value enhancement through required refurbishments.

› Have the potential to offer the best value for money to tenants in their micro-environment.

alstria's aim is to provide superior real estate returns through active day - to - day management of its portfolio.

› alstria has a long-term leased portfolio (around 6.8 years weighted average lease lengths). Some 69 % of rental income derives from a small number of high-quality tenants. Around 42 % of rental income is generated from public or public related entities, which are less affected by economic developments.

› alstria pursues a non-trading strategy, and focuses on long-term value creation through asset management. alstria conducts real estate operations (i.e. asset and property management) internally, which positively differentiates us from our competitors.

› One of the key elements of alstria's 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.

Portfolio overview

As at December 31, 2013, alstria's portfolio consisted of 75 office properties and one retail property with a total of approx. 894,300 sqm of lettable area and a contractual vacancy rate of 9.1 %. The portfolio is valued at a yield of 6.5 %. Its remaining weighted average unexpired lease term is approximately 6.8 years.

The key metrics for the portfolio[1]

As at December 31, 2013

Metric	Value
Number of properties	76
Number of joint venture properties	1
Market value (EUR bn)[2]	1.6
Contractual rent (EUR m/annum)	106.7
Valuation yield (contractual rent/OMV)	6.5 %
Lettable area (k sqm)	894
Vacancy (% of lettable area)[3]	9.1 %
WAULT (years)	6.8
Average rent/sqm (EUR/month)	10.9

[1] Includes assets classified under property, plant and equipment.

[2] According to the year-end valuation by Colliers International.

[3] Contractual vacancy rate includes vacancies in assets of the Company's development pipeline. EPRA vacancy rate is at 6.8%.

Transactions underline alstria´s focus on core markets

Investment decisions at alstria are based on the analysis of the local markets and on the adequacy of a building within its local environment in terms of location, size and quality. alstria's strategy is to enter into new markets and build a critical mass through long-term secured assets. In light of this approach alstria added two properties and approx. 16,900 sqm of lettable space to the portfolio in 2013, helping to reinforce its position in two of its core markets, namely Stuttgart and Düsseldorf.

In 2013, alstria signed binding and notarised agreements for the acquisition of a piece of land in Düsseldorf and two office properties in Stuttgart and Düsseldorf. The acquisition of the land was finalised in April 2013, while the transfer of benefits and burden of the assets in Stuttgart and Düsseldorf took place on July 1, 2013 and September 1, 2013, respectively.

Transactions

Acquisitions 2013

Asset	City	Purchase price (EUR k)[1]	Annual rent (EUR k)	Avg. lease length (years)[2]	Signing SPA	Transfer of benefits and burden
Freehold Georg-Glock-Str.	Düsseldorf	7,564	–	–	Feb.13, 2013	Apr.23, 2013
Hauptstätter Str.	Stuttgart	19,625	1,701	3.5	May 22, 2013	Jul. 01, 2013
Immermannstr.	Düsseldorf	16,835	1,140	3.4	Jul. 11, 2013	Sep.01, 2013
Total		**44,024**	**2,841**			

[1] Including transaction costs.
[2] At the time of transfer of benefits and burden.

Disposals and transfers of benefits and burdens 2013

Asset	City	Sales price	Annual rent (EUR k)	Avg. lease length (years)[2]	Signing SPA	Transfer of benefits and burden
Zwinglistr.	Dresden	2,640	203	2.5	Oct. 25, 2012	Jan. 1, 2013
Benrather Schlossallee	Düsseldorf	7,620	614	8.4	Nov.14, 2012	Feb. 1, 2013
Lothar-Streit-Str.	Zwickau	350	0	-	Mrz. 28, 2013	May 24, 2013
Kanalstr.	Hamburg	15,000	914	4.3	Mrz. 5, 2013	May 31, 2013
Schweinfurter Str.	Würzburg	4,530	397	3.0	Apr. 2, 2013	Jun. 30, 2013
Helene-Lange Str.	Potsdam	5,700	422	4.7	May 6, 2013	Jun. 30, 2013
Am Roten Berg	Erfurt	1,060	142	1.5	Apr. 23, 2013	Jul. 31, 2013
Johannesstr.	Erfurt	5,850	577	3.9	Jul 18, 2013	Oct. 31, 2013
Joliot-Curie-Platz	Halle	610	81	0.9	Oct. 24, 2013	Dec. 31, 2013
Bornbarch	Norderstedt	10,320	947	4.0	Oct. 31, 2013	Dec. 31, 2013
Total		**53,680**	**4,297**			

[1] Excluding transaction costs.
[2] At the time of transfer of benefits and burden.

alstria signed binding and notarised agreements for the disposal of eight properties during financial year 2013:

› In the first quarter, alstria signed binding and notarised agreements for the sale of two assets. The transfer of benefits and burden of the assets in Zwickau and Hamburg took place in May 2013.

› In the second quarter, alstria signed binding and notarised agreements for the sale of three assets. While the assets in Würzburg and Potsdam were legally transferred on June 30, 2013, the transfer of benefits and burden of one asset in Erfurt took place on July 31, 2013.

› In the third quarter, alstria signed a binding and notarised agreement for the sale of another asset in Erfurt. The transfer of benefits and burden took place on October 31, 2013.

› In the fourth quarter, alstria signed binding and notarised agreements for the sale of one asset in Halle and one asset in Norderstedt. The transfer of benefits and burden took place on December 31, 2013.

Additionally, in the last quarter of 2012, alstria agreed on the disposal of two properties, which were classified as 'assets held for sale' as at December 31, 2012.
These assets were transferred to the new

owners in the first quarter of 2013.

Refurbishment projects

alstria also achieved considerable progress with its refurbishment projects.

› Kaiser-Wilhelm-Straße 79–87, Hamburg (Holstenhof)

The historic Kontorhaus Holstenhof in Hamburg, Kaiser-Wilhelm-Strasse was acquired by alstria in 2006. At the time of acquisition, the listed Art Nouveau building, which was erected in 1900/01, was in need of renovation. alstria decided to completely revitalise the building. Redevelopment measures started at the end of 2012. The modernisation includes, among others, the rebuilding of the entire roof construction and the ceiling above the 4th floor. After completion of all modifications the building will offer efficient office space with high-quality equipment and modern retail space on the ground floor. Furthermore, the building will be certified as a 'major refurbishment`- building by the BREEAM International Green Building Standard. alstria succeeded to sign a 5-year lease contract for around 2,000 sqm six months before the area will be ready for occupancy.

› Schaartor 1, Hamburg

The building at Schaartor was acquired by alstria in 2011. The property is directly located between the city centre and the new HafenCity, which is one of Hamburg's most important urban axis. The revitalisation of the building started in April 2013. It includes the complete installation of the building's technical facilities, a new construction of the 6th floor and further tenant specific developments. Although the completion of the modernisation is planned for 2014, alstria signed a lease agreement for 85 % of the lettable area already in September 2013.

› Arndtstraße 1, Hanover

The office building was erected in 1970. The technical installations dating back from 1970 mostly no longer fulfil today's requirements. The planned revitalisation adapts the building to today's state of the art technology and tenant's expectations. Besides the modernisation of the façade the refurbishment measures include the complete refurbishment from the ground floor to the 9th floor, the replacement of central technical installations and an improvement in the floor plan flexibility. The completion of the refurbishment is scheduled for the end of 2014. Nonetheless, at the end of 2013, alstria already succeeded in pre-letting a substantial part of the building to the City of Hanover on a long-term basis.

› Grosse Bleichen 23–27, Hamburg (Kaisergalerie)

In January 2010, alstria agreed on terms of a second joint venture with the Hamburg-based Quantum Immobilien AG to refurbish the Kaisergalerie in Hamburg. The Kaisergalerie was erected from 1907-1909 and is listed in the 'List of recognized monuments' (Liste erkannter Denkmäler) in Hamburg.

The property is located at Grosse Bleichen 23–27 directly in the centre of Hamburg. The refurbishment of this joint venture property started after the old tenant 'Ohnsorg-Theatre' moved to its new location Bieberhaus in 2011, which was also renovated by alstria. After completion of the modernisation, the building will offer attractive retail space. Part of this redevelopment project is to add a new pedestrian bridge at the waterside of the Kaisergalerie and a passage through the building to connect the Grosse Bleichen and the Bleichenfleet. The refurbishment is progressing according to plan and is scheduled to be completed in spring 2014.

In 2013, alstria invested around EUR 14.5 m* in ongoing refurbishment projects. Of this EUR 14.5 m, around EUR 6.5 m refers to development projects. The main part of the 2013 capex investment was connected to the refurbishment of the Hamburg buildings Holstenhof (Kaiser-Wilhelm-Strasse 79-87) and Schaartor (Schaartor 1) as well as the property at Arndtstrasse 1 in Hanover. In the next two years, the Company plans to invest around EUR 48 m in the portfolio. These investments depend on ongoing lease negotiations with existing and potential tenants. Major projects are related to the prop-

* Excluding joint ventures.

erties Hamburger Strasse 1–15 (Mundsburg Center) in Hamburg, Kaiser-Wilhelm-Strasse (Holstenhof) in Hamburg and Arndtsrasse 1 in Hanover. This capex plan is part of alstria's ongoing asset value enhancement programme.

Lease-ups

Leasing activities in 2013 were very successful. In 2013, alstria signed new leases* totalling approx. 35,600 sqm and prolonged lease agreements of around 49,000 sqm. This resulted in a decrease of the vacancy rate by 230 basis points (bps) to 9.1 % or 81,300 sqm. Of these 81,300 sqm, 24,120 sqm represent strategic vacancy (intended vacancy initiated by alstria as part of its repositioning process for certain assets), while the remainder of this space is operational vacancy. Over 60 % (of lettable area) of the lease agreements, which were due to expire in 2013, could be retained during the year.

With the successful lease-up of 7,700 sqm of office and ancillary space at Hans-Böckler-Strasse 36, alstria signed one of the largest new leasing contracts in Düsseldorf in the reporting year. The Company agreed a long-term lease with the State of North Rhine-Westphalia for the whole building for the accommodation of a regional tax office (Finanzamt Düsseldorf-Nord). The lease will start in the first half of 2014.
Another climax in terms of letting achievements was the signing of an agreement with a new tenant for the property Ernsthaldenstrasse 17, Stuttgart, for which a five-year contract comprising around 2,500 sqm of office and ancillary space has been signed. The lease commenced in the fourth quarter of financial year 2013.

In 2013, alstria also successfully leased areas of those assets, which are undergoing refurbishment measures.
In the third quarter of 2013 alstria signed a long-term lease for 4,000 sqm of office and ancillary space at Schaartor 1, Hamburg with a leading advertising agency in Germany. The lease will start after the completion of the development on August 1, 2014.

* New leases correspond to lease of vacant space. It does not account for any lease renewals, prolongations or tenant exercise of renewal option.

alstria continued its lease progress in the development segment with a new lease in the Holstenhof. The new tenant signed a five-year lease for approximately one third of the lettable space (2,000 sqm). The lease will start on July 1, 2014.
Furthermore a long-term lease for around 5,400 sqm has been signed with the City of Hanover and a lease for around 1,200 sqm with the 'Niedersächsisches Landesmuseum Hanover' in the property at Arndtstrasse in Hanover.

Portfolio valuation

alstria's portfolio was valued by Colliers International as at December 31, 2013 pursuant to IAS 40 and in accordance with the RICS* Red Book guidance.

The valuation resulted in a total value of investment properties of EUR 1,632 m.

For further information about the valuation of alstria's portfolio please refer to the valuation certificate of Colliers International, which is part of the Annual Report » Part I/II – Company Report.

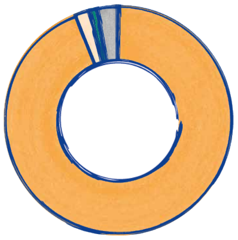
Tenants

One of the main characteristics of the alstria portfolio is its focus on a set number of major tenants. 69 % of total revenues are generated by alstria's top ten tenants. The 2013 portfolio also reflects the clear focus on the office asset class. 94 %** of the total lettable area is office space.

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

Total portfolio by utilisation

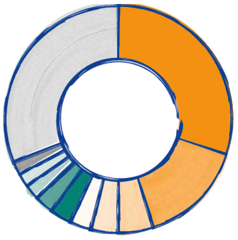
% of total lettable area



office	94
retail	2
residental	1
others	3

alstria´s core tenants 2013

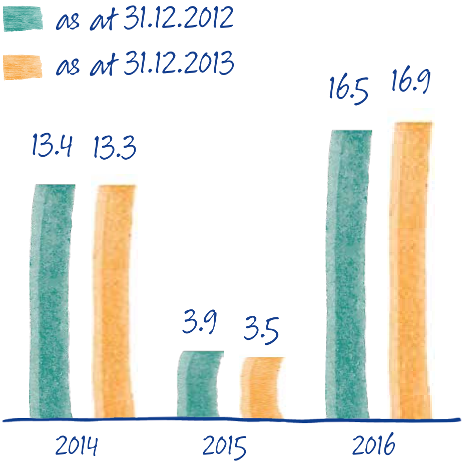
% of annual rent



City of Hamburg	30
Daimler AG	15
Bilfinger SE	5
Siemens AG	4
Barmer GEK	3
Deutsche Renten-versicherung Bund	3
Württembergische Lebensversicherungs AG	3
Rheinmetall	2
L´Oréal Deutschland GmbH	2
State of Baden-Württemberg	2
Others	31

Lease expiry profile

% of annual rent



FINANCIAL ANALYSIS

alstria developed according to plan in the reporting period. Both revenues (approx. EUR 104 m) and funds from operations (FFO) (approx. EUR 45 m) were in line with the forecast for the financial year 2013.

Earnings position

Compared to the previous year, revenues increased in 2013 by 2.9 % following the transfer of the newly acquired assets in the first half of 2012. Total revenues in this reporting period amounted to EUR 104,224 k (2012: EUR 101,286 k). The share of real estate operating expenses at revenues decreased by 0.3 percentage points to 10.0 % of total revenues (EUR 10,462 k) compared to 10.3 % of total revenues (EUR 10,398 k) in 2012. Net rental income for 2013 amounted to EUR 93,249 k (2012: EUR 90,110 k).

The following table shows the main figures of the income statements for financial years 2013 and 2012:

EUR k	2013	2012
Gross rental income	104,224	101,286
Net rental income	93,249	90,110
Operational expenses	−13,115	−12,571
Net other income	3,821	2,124
Operating income	**83,955**	**79,663**
Net result from fair value adjustments on investment property	27	−1,876
Net result on disposals of investment property	1,398	369
Net operating result	**85,380**	**78,156**

Operational expenses (including administrative and personnel expenses) were EUR 13,115 k for the year, compared to EUR 12,571 k in 2012, which represents 12.6 % of total revenues. Compared to 2012, the rate increased slightly by 0.2 percentage points.

Net other income mainly comprised the reversal of accruals for rental guarantees (EUR 946 k), payments for the reimbursement of expenses from former shareholders related to a capital increase (EUR 571 k), compensation payments for not executed maintenance measures due to the early termination of lease contracts (EUR 410 k) as well as other income (EUR 2,005 k). Furthermore, it comprised expenses of EUR 111 k.

alstria closed the financial year 2013 with a net operating result before financing costs and taxes of EUR 85,380 k which compares to EUR 78,156 k for the previous year. The increase mainly results from higher revenues, a better net result on fair value adjustments of investment properties as well as higher realised disposal gains compared to 2012.

Funds from operations (FFO) per share up by 4 % (EUR 0.57)

EUR k	2013	2012
Pre-tax income (EBT)	**38,983**	**39,957**
Net profit/loss from fair value adjustments on investment property	−27	1,876
Net profit/loss from fair value adjustments on financial derivatives	7,554	1,380
Profit/loss on disposal of investment property	−1,398	−369
Other adjustments[1]	545	54
Fair value and other adjustments in joint ventures	−329	673
Funds from operations (FFO)[2]	**45,328**	**43,571**
Maintenance capex	−7,963	−3,795
Adjusted funds from operations (AFFO)[3]	**37,365**	**39,776**

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

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

[3] The AFFO is equal to the FFO with adjustments made for capital expenditures used to maintain the quality of the underlying investment portfolio.

Funds from operations amounted to EUR 45,328 k in 2013 compared to EUR 43,571 k in 2012. As a result, FFO per share* was EUR 0.57 in financial year 2013 (2012: EUR 0.55). The increase in comparison with 2012 resulted mainly from the growth of revenues following the acquisition and transfer of new assets.

* Divided by the number of shares at the end of the reporting period (December 31, 2013: 78,933,487; December 31, 2012: 78,933,487).

Hedging instruments

The change in valuation of the financial derivatives was driven by the development of the yield curve in the year 2013. alstria applies hedge accounting to all qualifying hedges in order to limit the impact of the volatility of the interest rate markets on profit and loss. This allows alstria to recognise the losses or gains on the qualifying part of the derivatives as an equity cash flow hedge reserve, having no effect on income.

New derivative financial instruments were entered into in line with the Group-wide financing strategy for floating interest hedging in 2013.

In financial year 2013, the effective revaluation in the value of the swaps was EUR 11,820 k. The amount was recorded in equity as ‘hedging reserve’, and is therefore not recognised in the income statement. 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’ along with the ineffective part in fair value changes of cash flow hedges. Interest expenses on swaps and caps are recorded in the financial result.

alstria's main debt exposure is hedged by financial derivatives. The current overall cost of debt due to these hedging activities amounts to around 3.6 % for the existing portfolio.

An overview of the composition and changes is described in detail in section » 10.7 of the notes.

Financial result

The following table shows the development of the financial result for the period from January 1 to December 31, 2013:

EUR k	2013	2012
Financial income	**317**	**657**
Interest expenses syndicated loan	–13,471	–14,383
Interest expenses other loans	–9,036	–9,385
Interest result derivatives	–13,406	–12,589
Interest expenses convertible bond	–2,697	0
Other interest expenses	–119	–250
Financial expenses	**–38,729**	**–36,607**
Other financial expenses	**–704**	**–135**
Net financial result	**–39,116**	**–36,085**

As at December 31, 2013 alstria was not in breach of any of its financial covenants.
Net financing costs increased by EUR 3,031 k to EUR 39,116 k in comparison to 2012. The increase is mainly attributable to one-off expenses in relation to the refinancing of the syndicated loan of an amount of EUR 2,593 k.

For details on the new loans, we refer to the section entitled ‘financial and asset position’ on » page 15.

Consolidated net result at EUR 38,945 k

The pre-tax result for financial year 2013 amounted to EUR 38,983 k (2012: EUR 39,957 k). Consolidated net income amounted to EUR 38,945 k for the reporting period compared to EUR 39,911 k in 2012. The reasons for the decline are mainly driven by higher financing costs as well as a lower net result from fair value adjustments on financial derivatives. These could only partly be compensated by the positive developments in revenues, in net result from fair value adjustments on investment property and the gain on disposal of investment property.

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

ligations of EUR 38 k arose on group level in 2013 (2012: EUR 46 k) for affiliates serving as a general partner of a partnership or REIT Service Companies.
Earnings per share were down by 4 % at EUR 0.49 for 2013 (2012: EUR 0.51).

Financial and asset position

Financial management

alstria's financial management is carried out at corporate level, with individual loans being taken out at property and portfolio level. The main goal of alstria's financial policy is the establishment of secured, long-term structures to support the development of its business whilst providing the required degree of flexibility. Corporate management of debt financing forms the basis for optimised capital procurement, proactive management of interest and liquidity risks and efficiency improvements for the whole Group.

In 2013, alstria signed a credit agreement amounting to EUR 544 m, replacing the existing syndicated loan facility, which was due to mature on July 20, 2015. The new syndicated loan facility was initially drawn on September 30, 2013, amortising the old syndicated loan with an amount of EUR 544 m at the same time. The new syndicated loan has a maturity of seven years and has been signed by four German banks. The early refinancing allows alstria to benefit from the attractive financing environment and significantly improves the overall debt maturity profile of the Company to around 5.3 years. With the new syndicated loan in place, alstria has no major refinancing needs before mid-2018.

Furthermore, alstria issued its first convertible bond in June 2013. The bonds have a maturity of five years, and are issued and will be redeemed at 100 % of their principal amount. The coupon is set at 2.75 % p.a., payable quarterly in arrears. The initial conversion price was set at EUR 10.0710, representing a conversion premium of 15 % above the reference share price of EUR 8.7574. The convertible bond has also improved the Company's maturity profile and is considered to be an important step in diversifying the Company's sources of financing.

As one of the first refinancing measures resulting from the corporate bond issue, alstria terminated one non-recourse facility and repaid it on July 22, 2013 (EUR 30,240 k).

In connection with the disposal of five assets, an amount of EUR 20,619 of the old syndicated loan was repaid until September 30, 2013.

In connection with the disposal of two further assets, an amount of EUR 5,137 k of the new syndicated loan was repaid until December 31, 2013.

Existing loan agreements as at December 31, 2013

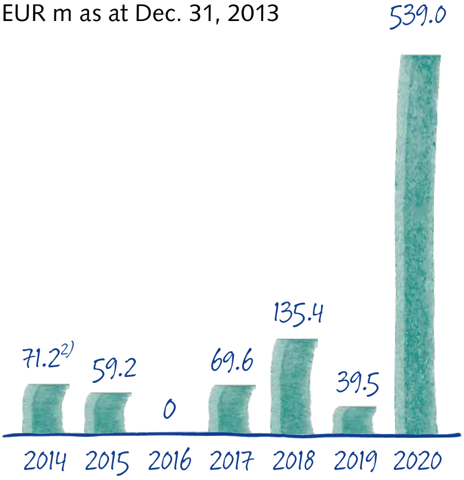
Financing	Maturity	Principal amount outstanding (EUR k)	Current LTV (%)	LTV covenant (%)
Syndicated loan	Sep. 30, 2020	538,963	53.4	70.0
Non-recourse loan #1	Oct. 20, 2015	47,902	70.2	80.0
Non-recourse loan #2	Dec. 31, 2014	42,670	64.0	80.0
Non-recourse loan #3[1]	Jun. 30, 2014	28,503	54.8	62.5
Non-recourse loan #4	Jan. 31, 2017	69,626	61.5	75.0
Loan #5	Dec. 31, 2015	11,328	51.5	80.0
Loan #6	Dec. 17, 2018	56,000	46.1	60.0
Loan #7	Sep. 30, 2019	39,500	40.6	65.0
Total loans		**834,492**	**50.9**	
Convertible bond	Jun. 14, 2018	79,400		
Total as at Dec. 31, 2013		**913,892**	**55.8**	

[1] Refinancing of EUR 28 m has already been signed with a maturity date of Sep. 30, 2019.

alstria's main financial goal is to establish a sustainable long-term finance structure. An integral part of this structure is to hedge long-term loans with corresponding hedging instruments, such as swaps and caps. The aim of this strategy is to largely eliminate short-term interest volatility from the income statement. As at December 31, 2013 the average debt maturity was at 5.3 years compared to 3.0 years as at December 31, 2012. The average cost of debt of the Group decreased to around 3.6 % (compared to 3.9 % p.a. in the previous year).

Financial debt by maturities[1]

EUR m as at Dec. 31, 2013



[1] Excluding regular amortisation.
[2] Refinancing of EUR 28 m has already been signed with a maturity date of Sep. 30, 2019.

Cash position amounting to EUR 82,782 k

Cash flows from operating activities amounted to EUR 50,114 k in financial year 2013. The increase compared to the reporting period 2012 (EUR 45,735 k) resulted mainly from higher rental revenues and lower interest expenses.

The cash flow from investing activities is impacted by the cash outflows resulting from the acquisitions of two investment properties and a piece of land and investments in existing properties (cash outflow EUR 58,506 k). Cash inflows of EUR 51,040 k relate to payments received from the disposal of investment properties. Payments for capital contribution in joint ventures generated cash outflows of an amount of EUR 3,370 k.

Cash flows from financing activities mainly reflect refinancing activities, i.e. payments for the redemption of borrowings of an amount of EUR 606,592 k and cash proceeds from the issue of loans (EUR 544,100 k) and a convertible bond (EUR 79,400 k). Dividend payments resulted in cash outflows of EUR 39,467 k. Furthermore cash payments were made for the acquisition and termination of financial derivatives (EUR 46,512 k).

As a result, alstria held a cash position of EUR 82,782 k (2012: EUR 118,548 k) at the end of financial year 2013. The Group is adequately funded to comply with its financial obligations.

Investment properties remain stable

Total investment property value amounted to EUR 1,632,362 k at year-end, in comparison to EUR 1,622,988 k at the beginning of the year. The slight increase in investment property results from the acquisition of two properties and a piece of land as well as the capitalisation of modernisation measures on one hand and the disposal of eight assets on the other hand. The valuation result amounted to EUR 27 k compared to EUR −1,876 in 2012. The fair value of immovable assets is used for the calculation of the G-REIT equity ratio.

EUR k	
Investment properties at Dec. 31, 2012	**1,622,988**
Subsequent acquisition and production costs	14,483
Acquisitions	36,865
Disposals	−42,000
Reclassifications	0
Revaluations	27
Investment properties at Dec. 31, 2013	**1,632,362**
Fair value of owner-occupied properties	6,078
Fair value of property held for sale	0
Interests in real estate partnerships	21,001
Fair value of immovable assets	**1,659,441**

Equity ratio of 47.3 % – G-REIT equity ratio of 50.9 %

The balance sheet shows a total equity position of EUR 844,114 k with an equity ratio of 47.3 % (December 31, 2012: EUR 829,287 k, 46.4 %). The G-REIT equity ratio, which is defined as total equity divided by immovable assets, amounted to 50.9 % (December 31, 2012: 50.0 %). According to the G-REIT Act (REITG), the minimum requirement for compliance with the G-REIT criteria is a G-REIT equity ratio of 45 % calculated at year-end.

NNNAV at EUR 10.68 per share

NNNAV (Triple Net Asset Value according to EPRA*) increased to EUR 10.68 per share (2012: EUR 10.50 per share).

Compared to fiscal year 2012, total equity increased in 2013 by EUR 14,827 k. Due to an increase in fair value of financial instruments, the hedging reserve increased by an amount of EUR 14,808 k from EUR -22,137 k as at December 31, 2012 to EUR -7,329 k as at December 31, 2013. The consolidated profit for the period resulted in equity growth of EUR 38,945 k. On the other hand the capital surplus decreased by EUR 38,926 k, mainly due to the payments of dividends. All in all this led to a total increase in equity from EUR 829,287 k to EUR 844,114 k**.

Decrease in long-term loans

Long-term loans decreased by 6.8 % to a total of EUR 822,486 k in 2013. This is mainly related to the re-classification of two loans which are due to expire within the next 12 months from non-current to current liabilities.

Increase in current liabilities

Current liabilities amounted to EUR 88,820 k, of which EUR 73,886 k were categorised as short-term loans, mainly representing two loans which are due to expire within the next 12 months. Other current liabilities amounting to EUR 8,977 k mainly comprised outstanding invoices (EUR 3,435 k), deferred income (EUR 1,544 k) and other current liabilities (EUR 3,998 k).

Please refer also to » section 11.4 of the Notes for the financial year 2013 for further details.

* EPRA: European Public Real Estate Association, Best Practices Committee, Brussels, Belgium.

** See also the consolidated statement of changes in equity.

Corporate management

alstria proactively focuses on the following financial key performance indicators: revenues and funds from operations (FFO).
Revenues mainly comprise rental income, which derives from the leasing activities of the Company.

The FFO is the operating result from real estate management, excluding valuation effects and other adjustments such as non-cash expenses/income and non-recurring effects.*

For the financial year 2013 the Company forecasted revenues of around EUR 103 m. Due to a good leasing result, this projection was exceeded by around EUR 1 m, resulting in revenues of EUR 104 m in 2013.

Funds from operations (FFO) amounted to around EUR 45 m in 2013, in line with the FFO forecast for this year.

Furthermore, the Company keeps track on the cash flow, the LTV, and the G-REIT equity ratio.

By proactively managing its balance sheet, alstria was able to improve its LTV from bank financing, reducing it from 55.0 % as at December 31, 2012 to 50.9 % as at year-end 2013.

The G-REIT equity ratio was 50.9 % at year-end, exceeding a rate of 50.0 % in the prior year and the legal covenant of 45 %.

* For further details, please refer to page 13.

REPORT ON RISKS AND OPPORTUNITIES

Risk report

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 an at least quarterly basis. The aim 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 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 is the targeted securing of existing and future potential for success, along with improving the quality of the Company's planning processes.
The risk management system of alstria office REIT-AG is an integral part of the management and control system of the alstria Group. The risk management system is integrated into the regular reporting to the Management Board and Supervisory Board in order to ensure that risks are dealt with proactively and efficiently. The risk management system thereby focuses on a full coverage of the risks. The identification and assessment of opportunities is not part of the risk management system of alstria office REIT-AG.

Structure of risk management system

Risk management is organised as a central unit independent of the individual business divisions. The risk manager prepares a risk report on a quarterly basis and provides it to the Management Board. The bases for the preparation of the risk report are the reports from the risk owner, who is responsible for a particular area of risk.
alstria Group faces various areas of risk within the context of its business activities, which are divided into the following four categories:

› strategic risks
› operational risks
› compliance risks
› financial risks

Each risk category is assigned to a so-called risk owner. Inherent to his position in the Company the risk owner represents the area in which the identified risks could possibly materialise and is at the same time responsible for the assigned risk category:

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

The risk report presents the findings that are observed during risk identification, assessment, evaluation and monitoring. At the same time, the comprehensive documentation of this report ensures an orderly assessment, which is conducted by the responsible departments and by the Supervisory Board.
In addition, the divisions report their respective risks and opportunities to the Management Board in weekly meetings. The Management Board must be notified of any risks immediately via ad-hoc announcements, which represent a potential economic loss of more than EUR 1.0 million.
By monitoring the risk management system, alstria is able to continually improve and adapt its structures and processes.

Risk valuation

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

Classification according to likelihood

Probability/likelihood of occurrence (in %)	Description
1 to 15	Remote
16 to 35	Unlikely
36 to 55	Likely
56 to 75	Highly likely
76 to 99	Close to certain

Under this framework, a remote risk is defined as one that will occur only under exceptional circumstances and a close-to-certain risk as one that can be expected to occur within a specified period of time.

Classification according to degree of impact

Expected impact in EUR million	Degree of impact
> 0.0 to 0.3	Insignificant
> 0.3 to 0.75	Minor
> 0.75 to 3.0	Moderate
> 3.0 to 7.5	Major
> 7.5	Critical

Based on the likelihood that risks will occur and the impact they would have on the business, financial position, profit, and cash flow of the Group risks are classified as 'high', 'medium' or 'low' according to the following matrix:

Probability					
Close to certain	L	M	H	H	H
Highly likely	L	M	M	H	H
Likely	L	L	M	M	H
Unlikely	L	L	L	M	M
Remote	L	L	L	L	M
Degree of impact	Insignificant	Minor	Moderate	Major	Critical

H = High risk M = Medium risk L = Low risk

The risk management system of alstria office REIT-AG was not exposed to any significant changes compared to the previous year.

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

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

The monitoring measures consist of elements incorporated in the process as well as external, independent elements. Among others, the integrated measures include process-related system-based technical controls such as the 'dual control principle', which is applied universally, and software-based checking mechanisms. In addition, qualified employees, who have the appropriate expertise, and 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 an auditing company are involved in the monitoring system. They perform various checks that are independent of the Company's processes.

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

In addition, monitoring related to accounting is executed by the 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 is conducted both for the consolidated financial statements and for 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 its preparation.
The accounting-related risk management system forms part of the Group's risk management system. The risk owner responsible for the area of risk 'finance' monitors risks that are relevant for the accuracy of accounting-related data. Risks are identified on a quarterly basis and are assessed and documented by the risk management committee. Appropriate action is taken to monitor and optimise accounting-related risks throughout the alstria Group.

Description and assessment of risks

In accordance with alstria's risk management system all material risks inherent to the future development of the Group's position and performance are described in this chapter. The individual risks described relate to the planning period from 2014 to 2016.

Strategic risks

Strategic risk management is concerned with factors influencing the Company's market environment, its regulatory environment and its strategic corporate organisation.

Market environment risks to the Group are derived from macro-economic developments and their impact on real estate markets. Unfortunately, the impact on the situation of the financial markets and on the future macroeconomic environment in Germany that may result from the ongoing sovereign debt crisis in Europe and the U.S. remains unclear. Compared to last year, no direct impact on the overall strategic risk situation that can be linked to the future macroeconomic environment can currently be identified.

As long as there is no substantial change in the economic environment, the market environment risk level will remain stable at low (L) to medium (M).

Risks related to the Company's legal environment result from changes to regulations and laws. These may, in turn, have an impact on the key regulatory requirements as well as the corporate constitution of the alstria companies. These are e.g. alstria office REIT-AG's classification as a REIT, and a currently planned stronger regulation of the European investment industry by the EU Directive on Alternative Investment Fund Managers (AIFM Directive). The directive was transposed into national law in mid-2013. It is not yet clear whether alstria will fall under the scope of the directive. If so, the new law could result in new regulatory requirements, resulting in higher expenses.

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

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

Operational risks

alstria's operational risk management deals with property-specific risks and general business risks. This includes, among others, vacancy risk, the credit worthiness of tenants and the risk of falling market rents. Personnel-related risks such as loss of know-how and competences due to fluctuation of staff are also monitored in this risk area. The Group applies various early warning indicators to monitor these risks. Ongoing insurance checks such as rent projections, vacancy analyses, the control of the lease terms and termination clauses are designed to help identify potential dangers and risks. An operational risk, which could materialise as a result of the sovereign debt crisis, is, as before, mainly due to a potential shortfall of rental payments from one or more major tenants. Due to the fact that all of alstria's main tenants are public institutions or highly rated, the risk of shortfall in payments is currently, and as in the previous year, limited (L).

Refurbishment projects

alstria realises a significant number of refurbishment projects. All risks related to these projects are managed by extensive project controlling and a related budget management process. Potential risks are e.g. the risk of not-in-time completion, risk of budget overrun, as well as the risk of deficiencies in the construction. Unchanged to the end of the previous reporting period the risk resulting from refurbishment projects is categorised at a moderate level (M).

Employees

The skills and motivation of alstria's employees are decisive factors in the Group's success. A risk of losing knowledge results from the fluctuation of staff as well as from not recruiting sufficiently qualified experts to fill vacancies in the Group in good time. Both cases could result in a shortfall of suitable experts and key personnel, which could endanger the Group's competitive advantages in its markets as well as its further growth opportunities. alstria mitigates these risks through the following measures: selective, needs-oriented skills-development of the existing staff, strengthening its 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 (L), which corresponds to the situation at the end of the previous year.

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 of operating activities. alstria protects itself against IT risks by constant examination and enhancement of the information technology deployed. In addition, modern hardware and software solutions and safeguards against attacks are installed. Structural security measures are in place to protect the computer centre. All data is backed up daily in an internal data depository, and in an external data depository once a week. Workstations have access restrictions so that employees are only able to access the systems they need for their work. Overall, therefore IT risks are assessed to be unlikely to materialise. Equal to last year's assessment, their possible consequences are considered to be moderate (M).

Property transactions

alstria is exposed to risks related to the acquisition and disposal of real estate properties. Related risks are not revealing all or the full extent of the risks and liabilities associated with properties in the due diligence examination carried out or the risks associated with or inherent to the valuation method used to value the property. In case of the disposal of real estate assets alstria usually gives certain warranties to the potential purchaser regarding factual and legal matters of the property in question. It cannot be fully ruled out that alstria's management is not aware of a risk covered by certain elements and warranties given in the sales agreement. As a result, there is generally a risk that alstria (as the seller) may be charged for breach of warranty by a prospective purchaser. From a purchasing perspective, alstria is exposed to the risks that hidden deficiencies on land and/or property are not observed or unfavourable contractual agreements are transferred to the Company, resulting in additional future costs.

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

Environmental risks

alstria is exposed to risks arising from environmental liabilities or possible damages resulting from natural events like fire or flooding. alstria's buildings may contain undetected hazardous materials (such as asbestos) to an unanticipated extent. It may further be contaminated or otherwise affected by environmental risks or liabilities, such as pre-existing pollution and soil contamination. Risk mitigation is implemented by a due-diligence examination that alstria customarily undertakes when acquiring new properties in addition to a warranty issued by the seller.

Furthermore insurances covering the impacts of natural catastrophes are in place. The environmental risks described are considered to be at a low (L) level, same as in the previous year.

Compliance risks

G-REIT legislation

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

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

Due to the consistent monitoring of the compliance with all described REIT criteria, the risk of non-compliance is considered to be low (L), as in the previous year REIT corporations are fully exempt from German corporate income tax (KSt) and German trade tax (GewSt). This tax exemption has been applied with retrospective effect starting on January 1, 2007.

Capital management

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

alstria Group 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 issue new shares or make a capital repayment to its shareholders. No changes were made to the aims, guidelines and processes as at December 31, 2013 and December 31, 2012.

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 %.

According to § 5 of the REIT Act, altria's equity (as reported in its consolidated financial statements) must not fall short of 45 % of its immovable assets. If the minimum equity ratio is, however, not satisfied for three consecutive financial years, the exemption from corporate income tax (KSt) and trade tax (GewSt) ceases at the end of the third financial year.

The G-REIT equity ratio is 50.9 % on the balance sheet date. Accordingly, alstria complies with the minimum G-REIT equity ratio requirement according to section 15 G-REIT-Act (REITG). Nonetheless, the risk that alstria may fail to meet the minimum G-REIT equity ratio of 45 % in the following three consecutive years remains. As stated above it would then face the prospect of losing its status as G-REIT and its tax exemption. The three-year forecast until December 31, 2016, excludes the possibility that alstria will lose its G-REIT status by falling shortfall of the 45 % barrier.

Compliance risks

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

Legal risks

The Company is not involved in any major lawsuits from any individual or other kind of legal dispute outside of its day-to-day business. Thus equal to the previous year, the risk of legal disputes is classified as low (L).

Financial risks

Due to alstria's refinancing strategy, the financial risk situation is stable as compared to the previous year's reporting period.
The Group's main financial instruments are 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 risks, interest rate risks and liquidity risks. alstria's current debt ratio is approx. 52.7 %. This is a reasonable rate compared to the average leverage of German real estate companies. alstria's syndicated loan facility agreement allows for a loan-to-value ratio (LTV) of up to 70 %. After refinancing the main loan in financial year 2013, alstria managed to fix the LTV at 53.4 % on the relevant test date. The risk of a covenant breach was encountered effectively.

According to plan the next refinancing of the main part of alstria's loans will be necessary in 2018. Thus, the risk of refinancing on unfavourable terms is limited for the time being (L).

Interest rate risk

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

alstria's hedging policy allows the use of a combination of plain vanilla swaps and caps in order to limit the Company's exposure to interest rate fluctuations. It still provides enough flexibility to allow for the disposal of real estate assets, avoiding any 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 linked to the term of maturity of the loans.

Derivative financial instruments mainly relate to interest swaps, in which the Company agrees to exchange the difference between fixed and variable interest rate amounts with its contract partners at specified intervals, as calculated by reference to an agreed notional principal amount. Interest caps were further 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 is paid out. As in the previous year the interest rate risk as based on the described hedging strategy is at present, classified as moderate (M).

Liquidity risk

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

Having implemented refinancing in 2013, 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-2020, the liquidity risk resulting from repayment obligations is currently, as in the previous year, mitigated (L).

Valuation risks

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

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

Counterparty risk

alstria hedges a portion of its risk by applying 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 makes use of other sources of information to challenge the rating agencies' assessments.

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

Overall risk assessment by the Management Board

alstria office REIT-AG consolidates and aggregates all risks reported by the different business units and functions following its risk management policy. Compared to the previous year, the overall risk situation of alstria remained stable. In financial year 2013 only minor or immaterial changes were noted for risks categorised as high (H) or medium (M) in alstria's risk level matrix. At the end of the year, risks categorised as 'high' accounted for 1.1 % (2012: 1.1 %) of all identified risks while risks categorised as 'medium' accounted for 46.3 % (2012: 37.6 %) of all identified risks.

On the one hand this is due to the economic environment in Germany, which so far has proven to be relatively stable despite the sovereign debt crisis in some European countries and the USA. On the other hand, the Company's stable funding position, conservative level of debt and the solid-REIT equity ratio support this assessment.

Sufficient precautions have been taken against identifiable risks. In our view, the risks described in our aggregated risk report do neither individually nor cumulatively threaten our ability to continue as a going concern, considering their likelihood of occurrence and impact level. This applies both to the single Group companies and the Group.

Report on opportunities

Management of opportunities

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

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

The funding that is necessary for the implementation of these activities is safeguarded by the financing activities of the Group. Here, opportunities lie in ensuring sustainable financing on favourable terms.

The evaluation of opportunities is partially carried out in the context of the annual budget planning or on an ongoing or occasional basis during the year. The process starts with the careful analysis of the market environment and the market opportunities of the properties held in the portfolio. These include the assessment of different criteria like tenant needs, the category of properties, as well as the regulatory changes. Regular reporting supports the monitoring of growth initiatives within the respective budget and planning approval processes. alstria office REIT-AG's Management Board is regularly (usually at least via a monthly report) updated on the status and progress of the initiatives being implemented. In addition, the real estate operations department receives monthly reports in which the planned costs and revenues are compared to the actual budget consumption and actual revenues. Coordinated by the central controlling department the Management Board is provided with an indicator-based report, in which the planned performance indicators are compared to the actual figures. In addition, the financial and liquidity planning as well as forecasts are updated and changes to the project scope are made transparent.

Opportunities relating to real estate acquisitions

The location of a property is essential for its attractiveness. Opportunities arise when the regional market is characterised by favourable demographics and positive real estate dynamics. Together with an optimal property management this results in opportunities for long-term capital appreciation. alstria's acquisition strategy aims to identify properties with the described opportunity structure. The acquisition will therefore only be performed if the investment volume offers prospects of achieving a sustainable increase in value.

Opportunities relating to tenant relationships

A structured and active property and asset management ensures the quality of our leasing service and is the basis for a sustainable tenant relationship. Opportunities arise through a flexible response to the needs and requirements of existing or potential tenants. alstria has the knowledge and resources to provide solutions and to implement the requirements for the tenants of the rental property. This gives rise to opportunities for the generation of sustainable and long-term leases.

Opportunities arising from real estate development

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

Opportunities from financing

The Group's financing strategy is focused on optimal provision of funds to invest in new properties and development projects. Opportunities arise from optimisation of the financing terms. This requires the implementation of long-term and flexible funding at favourable conditions as well as the safeguarding of the financial covenants at all times. A significant opportunity from financing also arises out of the low debt ratio (LTV from bank financing), which is currently at 50.9 %, representing a comfortable base for future funding and growth.

Overall Summary of the Opportunities Report

The current refinancing position of the Group safeguards a stable financial position at favourable interest rates until mid-2018. Concerning revenues, alstria benefits from long-term rental agreements of an average lease length of approx. 6.8 years and potential increases in rents due to decreases in vacancy rates and adjustments to the consumer price index. In addition, the Group possesses a range of properties available for attractive and value adding refurbishment opportunities. alstria's 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 identify and implement relevant future market opportunities.

alstria's core competence is the management of assets. The asset repositioning and the refurbishment alstria is continuously undertaking, both as a part of joint ventures and on its own, will strengthen the basis for an increase in organic value across the portfolio.

SUSTAINABILITY REPORT

In 2013, alstria published its fourth sustainability report. This report shows a continuous improvement of alstria's reporting framework, and the scope of coverage since the first sustainability report. It provides information about alstria's key achievements within its sustainability framework and gives the reader a deeper insight into the respective operational impacts. The key values within the framework expressed for each and every stakeholder group are alstria's main drivers to consider a sustainable approach in every decision made at every level of the organisation.

For further information on our sustainability engagement and targets, please refer to our annual sustainability report 2013, which is available on our website » http://www.alstria.com/en/sustainability/sustainability-reports/date/2013/ and/or to » Part I/II – Company Report of the Annual Report 2013.

MANDATORY DISCLOSURES

Disclosures in accordance with Section 315 para. 4 of the German Commercial Code (HGB) for financial year 2013 and the explanatory report of the Management Board

Composition of subscribed capital

As at December 31, 2013, alstria's share capital amounted to EUR 78,933,487.00, divided into 78,933,487 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 Company's profit. The individual rights and duties of the shareholders result from the provisions of the German Stock Corporation Act (Aktiengesetz, AktG), in particular Sections 12, 53a et seq., 118 et seq. and 186.

Restrictions on voting rights or the transfer of shares

The exercise of voting rights and the transfer of shares are based on the general statutory requirements and alstria's articles of association, which does not restrict either of these activities. For cases falling under Section 136 AktG, the voting rights of the affected shares are excluded by law. No other restrictions concerning voting rights or the transfer of shares apply on the reporting date or, if arising from agreements between shareholders, are not known to the Management Board.

Shareholdings that exceed 10 % of the voting rights

alstria was not aware of any shareholders directly or indirectly holding an excess of 10 % of the voting rights as at December 31, 2013.

Shares with special rights

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

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

Equal to other shareholders, employees, holding alstria shares, exercise their control rights in accordance with applicable law and the articles of association.

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

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

Amendments to the articles of association are made pursuant to Sections 179 and 133 AktG. The Supervisory Board is furthermore authorised to make changes in, and amendments to, the articles of association that merely affect its wording without the shareholders passing a resolution in general meeting (Section 12 para. 2 of the articles of association). Pursuant to Section 15 para. 5 of the articles of association in conjunction with Sections 179 para. 2 and 133 AktG, shareholders may pass 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 law prescribes a larger majority, such majority shall be decisive. The articles of association were last amended by resolution of the Annual General Meeting on May 29, 2013: The provisions regarding Authorized Capital 2012 were replaced by the provisions regarding Authorized Capital 2013 and the provisions regarding Conditional Capital 2010 were replaced by the provisions regarding Conditional Capital 2013.

Authority of Management Board regarding the issue and buyback of shares

1. Authorised Capital

Subject to the approval of the Supervisory Board the articles of association authorise the Management Board to increase the share capital by issuing new bearer shares against contribution in cash and/or kind once or repeatedly up to a total amount of EUR 39,466,743.00 until November 28, 2014. Further details are governed by Section 5 para. 3 and 4 of the articles of association.

2. Conditional Capital

alstria controls four conditional capitals (pursuant to Sections 192 et seq. AktG, which are regulated in Sections 5 para. 5 to 8 of the Company's articles of association.

a) Conditional Capital 2013

The share capital is conditionally increased by an amount of up to EUR 38,000,000.00 by the issuance of up to 38,000,000 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 para. 2 AktG. 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, which are issued on the basis of the authorisation resolved by the shareholders in the general meeting on May 29, 2013 utilise their option rights or conversion rights or, insofar as such holders have conversion obligations, such holders fulfil their conversion obligations, unless a cash settlement is granted or treasury shares are used to fulfil the option rights or conversion rights.

b) Conditional Capital II

The share capital is conditionally increased by an amount of up to EUR 515,625.00 by issuing 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 alstria issued 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 if 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 through exercise of the option.

c) Conditional Capital III

The share capital is conditionally increased by an amount of up to EUR 336,874.00 by issuing of up to 336,874 no par value bearer shares. The conditional capital increase is used solely to grant shares to the holders of convertible profit participation certificates, which were issued by the Company until March 14, 2012 in accordance with the authorisation of the general meeting held on March 15, 2007. The conditional capital increase is only 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 through conversion of the certificates.

d) Conditional Capital III 2012

Furthermore share capital is conditionally increased by an amount of up to EUR 500,000.00 by issuing up to 500,000 no par value bearer shares. The conditional capital increase shall be used solely to grant shares to the holders of convertible profit participation certificates, which were issued by the Company until April 23, 2017 in accordance with the authorisation of the general meeting held on April 24, 2012. The conditional capital increase is only carried out insofar as issued convertible profit participation certificates are converted into Company shares 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 through conversion of the certificates.

3. Purchase of treasury shares

The shareholders in general meeting on June 8, 2011 authorised the Management Board to acquire shares until June 7, 2016 up to a total of 10 % of the Company's share capital at the time of issuing of the authorisation. The acquired shares and other treasury shares that are in the possession of or are attributed to alstria pursuant to Sections 71a et seq. AktG may never 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).

Significant agreements, which take effect upon a change of control of the Company

A significant syndicate loan agreement of alstria entitles the creditor to declare the loan due for payment should any person or company acquire – directly or indirectly – 50 % of the voting rights or a controlling influence in alstria.

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

No compensation agreements were entered into with Management Board members or employees in case of a takeover bid.

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

ADDITIONAL GROUP DISCLOSURES

Employees

As at December 31, 2013, alstria had 63 employees (December 31, 2012: 59). The annual average number of employees was 61 (previous year: 55). 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 a fixed remuneration.

The remuneration report (appendix to the Group management report 2013), 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.

REPORTS ON POST-BALANCE SHEET DATE EVENTS AND EXPECTED DEVELOPMENTS

Report on post-balance sheet date events

No events occurred after the balance sheet date, which had a significant impact on the earnings, financial and assets position of the alstria-Group.

Report on expected developments

The report on expected developments contains statements relating to anticipated future developments. The development of the Company depends on various factors. Some of these factors are beyond the Company's sphere of influence. Statements about expected developments are based on current assessments and are hence, by their very nature, exposed to risks and uncertainty. The actual development of the alstria Group may differ positively or negatively from the predicted development in the statements of this report.

Expected economic development

Based on a strong German economy and the expected recovery in the Euro-zone, the German government is forecasting a 1.8 % growth rate of its economy in 2014. This development is expected to positively impact the labour market, resulting in an increase in the rate of employment, especially due to immigrations, and a further growth of income levels.

Development of the real estate market: Outlook for 2014

The relevance of real estate as investment class will persist at a high level in 2014, due to the continuing very low interest rate level. On the investment market, the demand for core assets is expected to remain high and will highly exceed the supply. Therefore investor demand for value-add properties could accelerate, although the biggest transactions still should take place in the core market. Considering the continuing request for first-class office space in central locations, top rents are likely to increase slightly in 2014.

Outlook for the alstria-Group

Based on the expected stability of the German economy and the real estate market, the Company does not expect significant changes in alstria's direct environment. However, changes other than the expected concerning interest rates, further property acquisitions or disposals or other changes in the assumptions for 2014 could have an impact on the projections.

Due to the disposal of eight properties in financial year 2013 and taking into account the already contracted rent for 2014, alstria is expecting revenues to decrease by around EUR 2 m to EUR 102 m compared to EUR 104 m revenues in 2013.

For fiscal year 2014, the Company is expecting an FFO of around EUR 47 m. The increase in FFO compared to the FFO of EUR 45 m achieved in 2013 is mainly due to the Company's new finance structure, resulting in lower financing costs.

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

Hamburg, February 14, 2014

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Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2013

EUR k	Notes	2013	2012
Revenues	9.1	104,224	101,286
Income less expenses from passed-on operating expenses	9.2	–513	–778
Real estate operating expenses	9.3	–10,462	–10,398
Net rental income		**93,249**	**90,110**
Administrative expenses	9.4	–5,325	–5,722
Personnel expenses	9.5	–7,790	–6,849
Other operating income	9.6	3,932	3,160
Other operating expenses	9.7	–111	–1,036
Net result from fair value adjustments on investment property	10.1	27	–1,876
Gain on disposal of investment property	9.9	1,398	369
Net operating result		**85,380**	**78,156**
Net financial result	9.8	–39,116	–36,085
Share of the result of joint venture companies accounted for at equity	4	273	–734
Net loss from fair value adjustments on financial derivatives	9.8	–7,554	–1,380
Pre-tax income (EBT)		**38,983**	**39,957**
Income tax expenses	9.10	–38	–46
Consolidated profit		**38,945**	**39,911**
Attributable to:			
Shareholders		**38,945**	**39,911**
Earnings per share in EUR			
Basic earnings per share	14	0.49	0.51
Diluted earnings per share	14	0.46	0.51

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2013

EUR k		2013	2012
Consolidated profit for the period		**38,945**	**39,911**
Items which might be classified to the income statement in a future period:			
Cash flow hedges	*10.7*	*11,820*	*–5,363*
Reclassification from cash flow hedging reserve	*10.7*	*2,988*	*986*
Other comprehensive income for the period:		**14,808**	**–4,377**
Total comprehensive income for the period:		**53,753**	**35,534**
Total comprehensive income attributable to:			
Shareholders		53,753	35,534

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2013

Assets

EUR k	Notes	2013	2012
Non-current assets			
Investment property	10.1	1,632,362	1,622,988
Equity-accounted investments	10.2	21,001	18,183
Property, plant and equipment	10.3	5,156	5,334
Intangible assets	10.4	472	467
Derivatives	10.7	32,474	403
Total non-current assets		**1,691,465**	**1,647,375**
Current assets			
Assets held for sale	10.5	0	10,010
Trade receivables	10.6	3,708	3,656
Accounts receivable from joint ventures	10.6	89	89
Derivatives	10.7	644	403
Other receivables	10.6	6,991	6,812
Cash and cash equivalents	10.8	82,782	118,548
thereof restricted		*252*	*252*
Total current assets		**94,214**	**139,518**
Total assets		**1,785,679**	**1,786,893**

Equity and liabilities

EUR k	Notes	2013	2012
Equity	11.1		
Share capital		78,933	78,933
Capital surplus		730,486	769,412
Hedging reserve		−7,329	−22,137
Retained earnings		42,024	3,079
Total equity		**844,114**	**829,287**
Non-current liabilities			
Long-term loans, net of current portion	11.2	822,486	882,105
Derivatives	10.7	25,963	35,080
Provisions	11.3	3,244	5,191
Other liabilities	11.4	1,052	7,129
Total non-current liabilities		**852,745**	**929,505**
Current liabilities			
Short-term loans	11.2	73,886	9,986
Trade payables	11.4	3,474	3,735
Profit participation rights	19	468	345
Provisions	11.3	2,015	0
Other current liabilities	11.4	8,977	14,035
Total current liabilities		**88,820**	**28,101**
Total liabilities		**941,565**	**957,606**
Total equity and liabilities		**1,785,679**	**1,786,893**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2013

EUR k	Notes		2013	2012
1. Cash flows from operating activities				
Consolidated profit for the period			38,945	39,911
Unrealised valuation movements			7,254	3,990
Interest income		9.8	–317	–656
Interest expense		9.8	39,432	36,741
Result from income taxes		9.10	38	46
Other non-cash expenses (+)			708	2,530
Gain (–)/loss (+) on disposal of investment properties		9.9	–1,398	–369
Depreciation and impairment of fixed assets (+)	10.3	10.4	549	402
Increase (–)/decrease (+) in trade receivables and other assets that are not attributed to investing or financing activities			–270	–914
Increase (+)/decrease (–) in trade payables and other liabilities that are not attributed to investing or financing activities			–1,652	–787
Cash generated from operations			**83,289**	**80,894**
Interest received			317	656
Interest paid			–33,454	–35,769
Income taxes paid			–38	–46
Net cash generated from operating activities			**50,114**	**45,735**
2. Cash flows from investing activities				
Acquisition of investment properties			–58,506	–107,125
Proceeds from the sale of financial assets			51,040	11,080
Payment of transaction cost in relation to the sale of investment properties			–272	–251
Acquisition of other property, plant and equipment			–376	–571
Proceeds from the equity release of interests in joint ventures			826	25,212
Payments for capital contribution in joint ventures			–3,370	0
Proceeds from the repayment of loans granted to joint ventures			0	1,771
Net cash used in investing activities		12.3	**–10,658**	**–69,884**

EUR k	Notes	2013	2012
3. Cash flows from financing activities			
Cash received from equity contributions		0	61,066
Payment of transaction costs due to the issue of shares		0	–1,310
Proceeds from issuing of bonds and taking on loans		544,100	42,500
Proceeds from the issue of a convertible bond	11.2	79,400	0
Payments of dividends	15	–39,467	–34,705
Payments for the acquisition and termination of financial derivatives		–46,512	–10,002
Payments due to the redemption of bonds and borrowings		–606,592	–10,317
Payments of transaction costs		–6,151	–543
Net cash generated from financing activities	12.3	**–75,222**	**46,689**
4. Cash and cash equivalents at the end of the period			
Change in cash and cash equivalents (subtotal of 1 to 3)		–35,766	22,539
Cash and cash equivalents at the beginning of the period		118,548	96,009
Cash and cash equivalents at the end of the period *thereof restricted: EUR 252 k; previous year: EUR 252 k*	10.8	**82,782**	**118,548**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2013

EUR k	Notes	Share capital	Capital surplus	Hedging reserve	Retained earnings	Total equity
As at Jan. 1, 2013		**78,933**	**769,412**	**–22,137**	**3,079**	**829,287**
Changes in the financial year 2013						
Consolidated profit		0	0	0	38,945	38,945
Other comprehensive income		0	0	14,808	0	14,808
Total comprehensive income		**0**	**0**	**14,808**	**38,945**	**53,753**
Payments of dividends	15	0	–39,467	0	0	–39,467
Share-based remuneration	19	0	541	0	0	541
As of Dec. 31, 2013	11.1	**78,933**	**730,486**	**–7,329**	**42,024**	**844,114**

for the period from January 1 to December 31, 2012

EUR k	Notes	Share capital	Capital surplus	Hedging reserve	Retained earnings	Total equity
As at Jan. 1, 2012		**71,704**	**751,084**	**–17,760**	**–36,833**	**768,195**
Changes in the financial year 2012						
Consolidated profit		0	0	0	39,911	39,911
Other comprehensive income		0	0	–4,377	0	–4,377
Total comprehensive income		**0**	**0**	**–4,377**	**39,911**	**35,534**
Payments of dividends	15	0	–34,705	0	0	–34,705
Share-based remuneration	19	0	506	0	0	506
Proceeds from shares issued	11.1	7,170	53,778	0	0	60,948
Transaction costs due to issue of shares	11.1	0	–1,310	0	0	–1,310
Conversion of convertible participation rights		59	59	0	0	118
As of Dec. 31, 2012	11.1	**78,933**	**769,412**	**–22,137**	**3,079**	**829,287**

Notes to the consolidated financial statements

1 Corporate information

alstria office REIT-AG is a listed real estate property corporation 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.

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'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 Company's Management Board prepared the consolidated financial statements of alstria office REIT-AG (hereinafter also referred to as the 'Company' or 'alstria office REIT-AG') as at December 31, 2013. It passed resolution on their publication and submission to the Supervisory Board on February 14, 2014.

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. Areas involving a higher degree of judgement or complexity, or items where assumptions and estimates have a significant impact on 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.

The consolidated financial statements presented in this report were prepared for the period from January 1 to December 31, 2013.

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

Assets and liabilities are classified as non-current and current, respectively. Current items are defined as items that are due in less than one year and vice versa.

3 Changes in accounting policies and mandatory disclosures

Effects resulting from new and amended IFRS

alstria office REIT-AG prepares its consolidated financial statements, in accordance with Section 315a of the German Commercial Code (HGB), under those IFRS endorsed by the European Commission for use in the European Union. The following paragraphs describe the IFRS published by the IASB and endorsed for application in the EU that were applied for the first time during the reporting period. Thereafter new Standards and Interpretations issued by the IASB at the reporting date are described which have not been applied early, as their application is either not mandatory or endorsement by the European Commission is still pending or which are not relevant for the consolidated financial statements of alstria office REIT-AG.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on January 1, 2013:

EU endorsement until Dec. 31, 2013	Standards/ Interpretationen	Content	Applicable for financial years beginning on/after	Effects
Dec. 11, 2012	IFRS 13	Fair value measurement	Jan. 1, 2013	Notes disclosure
Dec. 11, 2012	Amendments to IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	Jan. 1, 2013	None
Mar. 4, 2013	Amendments to IFRS 1	Government loans	Jan. 1, 2013	None
Dec. 13, 2012	Amendments to IFRS 7	Disclosures – offsetting financial assets and financial liabilities	Jan. 1, 2013	Notes disclosure
Jun. 5, 2012	Amendments to IAS 1	Presentation of financial statements	Jul. 1, 2012	OCI disclosure
Dec. 11, 2012	Amendments to IAS 12	Deferred tax: Recovery of underlying assets	Jan. 1, 2013	None
Jun. 5, 2012	Amendments to IAS 19	Amendments to IAS 19, ‘Employee benefits’	Jan. 1, 2013	None
Dec. 11, 2012	IFRIC 20	Stripping costs in the production phase of a surface mine	Jan. 1, 2013	None
Mar. 27, 2013	Improvements to IFRSs	Improvements to IFRSs 2009–2011	Jan. 1, 2013	None

Standards, interpretations and amendments to standards and interpretations initially applied in the reporting period with an impact on the amounts and disclosures reported

› IFRS 13 Fair Value Measurement

The Group firstly applied IFRS 13 in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both items classified as financial instruments as well as non-financial instruments. It applies to the latter if other IFRSs require or permit fair value measurements and disclosures about fair value measurements of these items with some limited exceptions. Exceptions are share-based payment transactions that are within the scope of IFRS 2 'Share-based Payment', leasing transactions that are within the scope of IAS 17 'Leases' and similar measurement bases, such as net realisable value in IAS 2 'Inventories' or value in use in IAS 36 'Impairment of Assets'.

IFRS 13 defines fair value as the price that would be received upon disposal of an asset or the price paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market on the measurement date and under current market conditions. Fair value under IFRS 13 is an exit price, regardless of whether that price is directly observable or estimated using another valua-tion technique. Furthermore, IFRS 13 requires extensive disclosures.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and will be prospectively applied. In addition transitional provisions have been given to entities affected in that they need not apply the disclosure requirements set out in the standard for reporting periods prior to the initial application of the standard. In accordance with this, the Group has not made any disclosures as required by IFRS 13 for the comparative period 2012 (please see » notes 7, 10.1 and 20.3 for the 2013 disclosures). The standard requires the inclusion of the company's own credit risk (debt valuation adjustment or DVA) in the valuation of derivative financial instruments for the first time. This has an immaterial impact on the total value of the Group's financial derivatives. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

› Amendment to IFRS 7 'financial instruments: Disclosures' – Offsetting financial assets and financial liabilities

The IASB has revised the requirements for offsetting financial assets and financial liabilities and as a result, published amendments to IFRS 7 'financial instruments: disclosure'. A new feature is the IFRS 7 disclosure requirements inserted in connection with certain settlement agreements. The amendments to IFRS 7 are to apply retrospectively for annual periods beginning on or after January 1, 2013. Impact from these changes may result in terms of reporting in the event that there is a netting agreement.

› Amendments to IAS 1 'Presentation of financial statements'

On June 16, 2011, the International Accounting Standards Board (IASB) published amendments to IAS 1. The amendments introduce new obligations concerning the reporting of other comprehensive results. The amendments to IAS 1 retain the 'one or two statement' approach at the entity's discretion and only revise the way other comprehensive income is presented. The changes require separate subtotals for those elements, which may be reclassified into profit and loss, and those elements that will not. The amendments are applicable to annual periods beginning on or after July 1, 2012. The amendments resulted in selective effects concerning the presentation of the consolidated statement of comprehensive income.

Apart from the effects and additional disclosure requirements of the fore mentioned standards, alstria office REIT-AG did not apply any standards or interpretations for the first time in the financial year 2013, which had an impact on the amounts and disclosure reported in the reporting period.

Standards, interpretations and amendments to standards and interpretations initially applied in the reporting period without impact on the amounts and disclosures reported

› Amendments to IFRS 1 'Severe hyperinflation and removal of fixed dates for first-time adopters'

The amendment is generally applicable for financial years starting on July 1, 2011 or later but was allowed to be applied not before January 1, 2013 on as a result of the European Union endorsement process. Since alstria has no exposure to hyperinflation markets, the amendments have no effect on alstria's financial reporting.

› Amendment to IFRS 1 with regard to government grants with interest rates not in line with market level

The amendment was published on March 13, 2012. It gives first-time adopters the same relief concerning recognition and measurement of government grants as it does existing preparers. The amendment applies to annual periods beginning on or after January 1, 2013. It has no effect on the Group's financial reporting.

› Amendment to IAS 12 'Deferred tax: Recovery of underlying assets'

The Amendment was issued on December 20, 2010. It has no impact on altria's financial reporting and was generally to be applied from January 1, 2012 onwards. As a result of the European Union endorsement process its adoptions was, however, also permitted for annual periods beginning on January 1, 2013.

› Amendments to IAS 19 'Employee benefits'

On June 16, 2011, the IASB published the final version of IAS 19. The amendments issue rules concerning the recognition of employee benefits in the financial statements. The amendments are applicable to annual periods beginning on or after January 1, 2013, permitting early adoption. The amendments do not affect the Group's financial reporting.

› IFRIC 20 'Stripping costs in the production phase of a surface mine'

IFRIC 20 considers when and how to account separately for benefits arising from the stripping activities in surface mining operations. IFRIC 20 applies to annual periods beginning on or after January 1, 2013. Its interpretation has no relevance for the Group.

› Annual improvement process IFRS 2009–2011

The International Accounting Standards Board (IASB) issued a document called 'Annual Improvements 2009–2011'. It is a collection of amendments to IFRSs, in response to issues addressed during the 2009–2011 cycle. Five standards (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) are primarily affected by the amendments, with consequential amendments to numerous others. The mandatory, retroactive adoption applies to annual periods beginning on or after January 1, 2013. Their effect will be of only minor, if any, relevance for the Group.

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

In its 2013 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 2013.

EU Endorsement	Standards/ Interpre-tationen	Content	Applicable for financial years beginning on/after	Effects
not yet endorsed	IFRS 9	New Standard 'Financial instruments: classification and measurement'	Jan. 1, 2017	No material effects
Dec. 11, 2012	IFRS 10	Consolidated financial statements	Jan. 1, 2014	None
Dec. 11, 2012	IFRS 11	Joint arrangements	Jan. 1, 2014	No material effects
Dec. 11, 2012	IFRS 12	Disclosure of interests in other entities	Jan. 1, 2014	Notes disclosure
Dec. 11, 2012	IAS 27	Separate financial statements	Jan. 1, 2014	None
Dec. 11, 2012	IAS 28	Investments in associates and joint ventures	Jan. 1, 2014	None
not yet endorsed	Amendments to IFRS 7 and IFRS 9	Mandatory effective date and transition disclosure	Jan. 1, 2017	None
not yet endorsed	Amendments to IAS 19	Defined benefit plans: employee contributions (Amendments to IAS 19 'Employee Benefits')	Jul. 1, 2014	None
Dec. 13, 2012	Amendments to IAS 32	Offsetting financial assets and financial liabilities	Jan. 1, 2014	Notes disclosure
not yet endorsed	Amendment to IAS 36	Impairment of assets – clarification of disclosures required	Jan. 1, 2014	None
not yet endorsed	Amendment to IAS 39	Novation of derivatives and continuation of hedge accounting	Jan. 1, 2014	None
Apr. 4, 2013	Transition Guidance	Amendments to IFRS 10, IFRS 11 and IFRS 12	Jan. 1, 2014	No material effects
not yet endorsed	Investment Entities	Amendments to IFRS 10, IFRS 12 and IAS 27	Jan. 1, 2014	No material effects
not yet endorsed	IFRIC 21	New interpretation: 'levies'	Jan. 1, 2014	None
not yet endorsed	Improvements to IFRSs	Improvements to IFRSs 2010–2012	Jul. 1, 2014	None
not yet endorsed	Improvements to IFRSs	Improvements to IFRSs 2011–2013	Jul. 1, 2014	None

[1)] Shift for the mandatory application date for EU companies to January 1, 2014.

› IFRS 9 'Financial instruments'

New standard issued November 12, 2009. The standard addresses the classification and measurement of financial assets and is likely to affect the Group's accounting of financial assets. Application of the standard is mandatory from January 1, 2017 onwards. However, the standard is available for early adoption subject to EU endorsement. The Group has not yet assessed the full impact of IFRS 9 on its reported figures.

In May 2011, the IASB issued a set of five standards relating to group accounting, which are described below.

› IFRS 10 'Consolidated financial statements'

New standard issued on May 12, 2011. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements for an entity controlling one or more other entities. The standard supersedes the guidelines on consolidation as outlined in the present IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation – Special Purpose Entities'. IFRS 10 is applicable to annual reporting periods beginning on or after January 1, 2014*. It is not expected that the application of the new standard will lead to a change in the companies included in the consolidated Group.

› IFRS 11 'Joint arrangements'

New standard issued on May 12, 2011. The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations. It accounts for those rights and obligations in accordance with that specific type of joint arrangement. The standard supersedes IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers'. IFRS 11 is applicable to annual reporting periods beginning on or after January 1, 2014*. It is not expected that the application of the new standard will lead to changes in accounting for joint ventures.

* Shift for the mandatory application date for EU companies to January 1, 2014.

› IFRS 12 'Disclosures on interests in other entities'

New standard issued on May 12, 2011. The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the nature of and risks associated with the interests in other entities and the effects of those interests on their financial position, financial performance and cash flows. IFRS 12 is applicable to annual reporting periods beginning on or after January 1, 2014*. The Group expects additional disclosure requirements.

› IAS 27 'Separate financial statements'

New revised standard issued on May 12, 2011. IAS 27 (revised 2011) has the objective of setting standards to be applied when accounting for investments in subsidiaries, joint ventures, and associates if an entity chooses to or is by local regulations required to present separate (non-consolidated) financial statements. Together with IFRS 10 'Consolidated Financial Statements', IAS 27 (2011) supersedes the previous version of IAS 27 (2008) 'Consolidated and Separate Financial Statements', including the related interpretation SIC-12 'Consolidation – Special Purpose Entities'. IAS 27 (revised 2011) is applicable to annual reporting periods beginning on or after January 1, 2014*. Since none of alstria's Group companies prepare single entity financial statements in accordance with IFRS, no impact on accounting procedures is expected as a result of the revised standard.

› IAS 28 'Investments in associates and joint ventures'

New standard issued on May 12, 2011. The objective of IAS 28 (revised 2011) is to set the accounting for investments in associates and to set the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 (2011), together with IFRS 12 'Disclosures of interests in other entities', supersedes the previous version of IAS 28 (2008) 'Investments in Associates'. IAS 28 (revised 2011) is applicable to financial years beginning on or after January 1, 2014 *.

It is not expected that the application of the new standard will lead to a change in accounting for joint ventures.

› Investment entities

An entity may only adopt the aforementioned standards IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 'Separate Financial Statements (2011)' and IAS 28 'Investments in Associates and Joint Ventures 2011' early, if it then adopts all standards at the same time.

› Effective date of IFRS 7 amendments on application of IFRS 9

On 16 December 2011, the IASB issued Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7), which: amends the effective date of IFRS 9 Financial Instruments to annual periods beginning on or after 1 January 2017 modifies the relief from restating comparative periods and the associated disclosures in IFRS 7 Financial Instruments: Disclosures. The amendments to IFRS 7 apply when an entity first applies the requirements of IFRS 9 and so apply to annual periods beginning on or after 1 January 2017 (or such other date as when an entity applies IFRS 9).

› IAS 32 'Financial instruments: presentation'

The IASB has revised the requirements for offsetting financial assets and financial liabilities and as a result has published amendments to IAS 32 'Financial instruments: presentation' and IFRS 7 'Financial instruments: disclosure'. The current offsetting model in IAS 32 has basically been maintained and has solely been substantiated by additional application guidance, which applies to annual periods beginning on or after January 1, 2014*.

› Transition guidance

Amendments to IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', and IFRS 12 'Disclosures of interests in other entities' – Transition Guidance. The amendments clarify the transition guidance in IFRS 10, which also grant additional relief to the application of all three standards. Similar to IFRS 10, IFRS 11 and IFRS 12 the amendments are applicable to annual periods beginning on or after January 1, 2014*.

› Amendments to IAS 19 'Employee benefits'

On November 21, 2013, the IASB published further amendments to IAS 19. The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. The amendments are effective for annual periods beginning on or after July 1, 2014, with earlier application being permitted. The amendments are not affecting the presentation of the Group's financial reporting.

› Amendment to IAS 36 'Impairment of assets'

IAS 36 was amended by recoverable amount disclosures for non-financial assets (further clarification of disclosures is required). The amendment is applicable to reporting periods beginning on or after January 1, 2014 and will have no consequences for the Group's financial reporting.

› Amendment to IAS 39 'Financial instruments: recognition and measurement'

The amendment relates to the novation of derivatives and the continuation of hedge accounting. According to the amendment there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The amendment is applicable to reporting periods beginning on or after January 1, 2014 and is available for early adoption. It is not assumed that the amendment will have consequences for the recognition and accounting of derivative instruments of the Group.

* Shift for the mandatory application date for EU companies to January 1, 2014.

› IFRIC 21 'Levies'

The interpretation provides guidance on when to recognise a liability for a levy imposed by a government. Guidance is given for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those for which where the timing and amount of the levy is known and certain. The interpretation is applicable to reporting periods beginning on or after January 1, 2014 and is not assumed to have material consequences for the Group's financial reporting.

› Annual improvement process IFRS 2010–2012

The International Accounting Standards Board (IASB) issued 'Annual Improvements 2010–2012', a collection of amendments to IFRSs, in response to issues addressed during the 2010–2012 cycle. Eight standards (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38 und IAS 34) are affected by the amendments. The improvements apply to annual periods beginning on or after July 1, 2014 and will be of only minor, if any, relevance for the Group.

› Annual improvement process IFRS 2011–2013

The International Accounting Standards Board (IASB) issued 'Annual Im-provements 2011–2013', a collection of amendments to IFRSs, in response to issues addressed during the 2011–2013 cycle. Four standards (IFRS 1, IFRS 3, IFRS 13, IAS 40) are affected by the amendments. The improvements apply to annual periods beginning on or after July 1, 2014 and will be of only minor, if any, relevance for the Group.

The Group did not early adopt any new or amended standard or interpretation in 2013.

4 Basis of consolidation

The consolidated financial statements comprise the financial statements of alstria office REIT-AG and its subsidiaries as at December 31, 2013. The subsidiaries' financial statements are prepared for the same reporting year as the parent Company. Consistent accounting policies are applied.

Subsidiaries are entities whose financial and operating policies are controlled by the Group. Generally, the Group holds more than half of the voting rights of these companies.

Subsidiaries are fully consolidated from the date onwards, on which the Group obtains control, which is generally the date of acquisition. They are excluded from the consolidated financial statements on the date on which the Group ceases to have control over them.

All intra-Group balances, transactions, income and expenses as well as 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 by means of the acquisition method. The acquired assets and liabilities are fully recognised at their fair value irrespective of the ownership interest. These are reflected in their carrying amounts on the date on which control over the subsidiary is obtained. A debit difference is recognised as goodwill. Any credit difference remaining after reassessment is recognised immediately in profit and loss. The disclosed hidden reserves and charges are carried forward, amortised or released, depending on the treatment of the corresponding assets in the periods following the business combination.

The Company generally applies IFRS 3 to account for transactions under common control. Any credit and debit differences resulting from respective capital consolidations are recognised as an increase or decrease in the Group's capital surplus.

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

The Group of consolidated companies includes 20 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 (subsidiaries of alstria office REIT-AG)	Share capital (%)
alstria Bamlerstraße GP GmbH, Hamburg	100
alstria Englische Planke GP GmbH , Hamburg	100
alstria Gänsemarkt Drehbahn GP GmbH, Hamburg	100
alstria Halberstädter Straße GP GmbH, Hamburg	100
alstria Hamburger Straße 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 Englische Planke GmbH & Co. KG, Hamburg	100
alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg	100
alstria office Halberstädter Straße GmbH & Co. KG, Hamburg	100
alstria office Hamburger Straße 43 GmbH & Co. KG, Hamburg	100
alstria office Insterburger Straße 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 Portfolio 1 GP GmbH, Hamburg	100
alstria solutions GmbH, Hamburg	100
alstria Steinstraße 5 GP GmbH,Hamburg	100

In comparison to the consolidated financial statements as at December 31, 2012 there have been no changes to the consolidated Group in financial year 2013.

Interests in joint ventures

The Group holds interests in two joint ventures resulting in a carrying amount at the end of the reporting period of EUR 21,001 k. alstria office REIT-AG holds a share of 49 % in each of the two joint ventures. The joint ventures are Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG, Hamburg, and Alstria VII. Hamburgische Grundbesitz GmbH & Co. KG, Oststeinbek.

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

EUR k	2013	2012
Non-current assets	36,530	30,896
Current assets	3,649	7,417
Non-current liabilities	18,247	17,685
Current liabilities	2,800	4,187
Profit or loss for the period	273	–734

5 Key judgements 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 reported figures and disclosures of assets and liabilities, as well as income and expenses. Actual amounts may differ from these estimates.

Judgements

Management has made the following discretionary decision in line with the Group's accounting policies. Apart from decisions involving estimations, it 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. Based on an evaluation of the terms and conditions of the arrangements the Group has determined that all the significant risks and rewards of ownership of these properties remain with the Group. As a result the contracts are treated and accounted for as operating leases.

Estimates and assumptions

Together with other key sources of estimation uncertainty the key assumptions concerning the future, which were valid on the reporting date, are discussed below. They present a significant risk, possibly resulting in necessary, material adjustments to the carrying amounts of assets and liabilities within the next financial year. Applying estimates is in particular necessary to:

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

Especially when determining the fair value of the investment property, alstria office REIT-AG must apply and take into account numerous estimated factors. The 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 future earnings. The effects of the most significant input parameters on the valuation of the Group's investment properties are shown in » Note 10.1.

An independent third party performed a fair value measurement of the derivative financial instruments. The market data compiled thereof was included in the standard valuation models. Thus, a normal level of estimation uncertainty exists with respect to possible deviations from the market data applied. We consider the models used to be adequate and believe there is no reason to question their applicability.

Until settlement the fair value of share-based virtual shares granted to the Management Board is measured at each balance sheet date. They are accounted for as provisions. The proportional expense incurred in the period comprises the addition to, and the reversal of, the provision between two reporting dates and the dividend paid during the respective 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, is allocated to the vesting period subject to the terms of the underlying share based incentive plan. The resulting personnel expenses incurred an addition to provisions of EUR 1,046 k (December 31, 2012: EUR 563 k) and a provision of an amount of EUR 2,397 k as reported in the consolidated financial statements as at December 31, 2013. Furthermore provisions include provisions for rental guarantees of an amount of EUR 2,862 k. The amount of the provision for rental guarantees is based on the assessment of the probability of their use. This, in turn, refers to information about the situation of the respective tenants and the likelihood of them exercising the break option.

The fair value of convertible profit participation certificates granted to the Group's employees was estimated at the respective granting dates using a binary barrier option model based on the Black-Scholes model; assumptions include automatic conversion once the barrier is 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.

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

EUR k	Dec. 31, 2013	Dec. 31, 2012
Investment property	1,632,362	1,622,988
Properties held for sale	0	10,010
Positive fair values of derivatives	33,118	806
Negative fair values of derivatives	25,963	35,080
Other provisions	5,259	5,191
Valuation of convertible profit participation rights and virtual shares	–1,711	–1,174

6 Seasonal or economic effects on business

The business activities of alstria office REIT-AG (primarily the generation of revenues from investment properties) are not generally affected by seasonality. However, the sale of one or more large properties can 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 changes in consumers' net income, GDP, interest rates, consumer confidence, demographic factors and other factors inherent to the market. Changes in the interest rate might lead to a modified 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. It is neither used in production nor for administrative purposes. It is recognised at acquisition cost at the time of purchase. Costs include transaction costs, which have to be capitalised (particularly real estate transfer tax). In accordance with IAS 40.17, costs incurred subsequently for dismantling, replacement of parts or maintenance of property are also included.

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 IFRS 13.61 et seq., which reflects an income capitalization approach combined with market conditions at the end of the reporting period.

The valuation technique used is appropriate in the circumstances and sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. To increase consistency and comparability in fair value measurements and related disclosures, the IFRSs established a fair value hierarchy that categorises the inputs used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

- Level 1 inputs are quoted prices (unadjusted in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level of disclosure is more extensive for Level 3 inputs.

Only inputs of level 2 and 3 are applicable for property. The majority is categorised as Level 3.

In addition, if inputs are categorized in different levels of the fair value hierarchy, the entire fair value measurement is categorized at the same level of the fair value hierarchy as the lowest level input significant to the measurement in question.

The property valuation process is normally carried out by qualified external valuers using, when available, relevant market information generated from transactions of comparable properties. Such information can be regarded as an observable input.

A high degree of judgment may be required from valuers when observable information is not available or when significant adjustments are made to the observable market information. If the adjustments made are significant to the entire measurement then the fair value is to be categorized within Level 3.

Categorization in level 2 is possible to the extent that sufficient data is available and does not require significant adjustments. This will occur in the more transparent markets where there is likely to be a significant number of comparable transactions.

Disclosure categorization will be determined by such factors as the nature, characteristics and risks of the asset and on the level of fair value hierarchy.

The level of disaggregation of the following quantitative disclosures is largely based on asset type and geographical location (city/country). The intention is to provide sufficient detail to reflect the different characteristics of assets and to provide enough information for users to assess whether the entity's views about individual inputs differs from their own.

Inputs used in the valuation approach adopted by the Group for all its properties include rental revenues, adjusted yield figures (e.g. property based capitalization rates) and vacancy periods. Therefore the fair value measurement used by the Group for valuation of all investment properties is entirely categorized as level 3.

Information about the significant unobservable inputs used and their sensitivities on the fair values of the Group's investment property is presented in » Note 10.1.

Valuation process for investment properties

The fair value hierarchy does not make any statements concerning the applied valuation techniques.

All market values were determined by Colliers International UK plc, London, a renowned appraiser and brokerage firm, as at December 31, 2013.

The basis for deriving the fair values as defined by IFRS 13.61 should, if possible, be based on valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, thereby maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The analysis above showed that there was not a sufficient number of official comparable transactions to derive any market values. Therefore, the fair values were determined based on an income approach in accordance with IFRS 13.61.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation method during the year.

The method used is a hard-core and top slice method, whereby rental income is horizontally segmented. The hard-core portion represents 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. In addition, 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 into account

- the contractual rent for the remaining term of the lease;
- a vacancy period of between 12 and 24 months following the expiry of the lease;
- the necessary maintenance costs to re-let the properties at a comparable rent level;
- re-lets at market rents;
- capitalisation rates reflecting the individual risk of the property as well as the market activity (comparable transactions);
- non-allocable operating costs of an amount of 5 % of market rents p.a. and
- the net selling price.

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

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

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

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

Leases

In accordance with IAS 17 the lessee is considered to be the beneficial owner of leased assets when the lessee bears all the risks and rewards incidental to the assets (finance lease). If the lessee is deemed to be the beneficial owner, the leased asset is recognised at fair value or at the lower present value of the minimum lease payments at the inception date of the lease. The corresponding leasing liability is recorded as a lease commitment under other non-current liabilities. The resulting lease payments are separated into an interest portion and an amortizing portion, respectively. In the reporting period the Group acquired a ground lease for which the terms of IAS 17 apply. The ground lease is categorized as a financial lease and the leasehold rental payments are recorded as lease payments.

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 acts as a 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. Furthermore, alstria office REIT-AG is, to a limited extent, lessee within the scope of operating lease agreements.

Impairments of assets

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

Assets that are amortised, however, 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 recorded at an amount equivalent to 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, which is the maximum value that would have resulted, if normal amortisation had been charged.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include replacement costs 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 owner-occupied property is estimated at 50 years. While the building is depreciated on a scheduled basis, the land is not subject to 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 proceeds of disposal and the carrying amount of the asset) is recorded 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 required, at the end of each financial year.

Borrowing costs, 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

Separately acquired intangible assets are measured at cost upon initial recognition. The cost of intangible assets acquired in a business combination is its fair value on 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 infinite.

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

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 category of expenses consistent with the function of the intangible asset.

Amortisation 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.

The financial statements do not show any deferred taxes as alstria office REIT-AG, is exempt from income taxation due to its REIT status.

Financial instruments

Pursuant to IAS 39, a financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity. Financial assets in particular comprise cash and cash equivalents, trade receivables, as well as other loans and receivables issued by the enterprise, held-to-maturity investments and original and derivative financial assets held for trading. Financial liabilities frequently feature a claim to their return in cash or by means of other financial assets. In particular these include liabilities to banks and other creditors, trade payables and derivative financial liabilities. Financial assets and liabilities are generally set off against each other.

Financial assets

The recognition and measurement of financial assets is subject to the provisions of IAS 39. Depending on the following classification as 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 market prices. If the market for a financial asset is not active (and for unlisted securities), the Group determines its 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 initially recognised, they are measured at fair value plus transaction costs. The former is applicable for all financial assets whose fair value is not adjusted for through profit or loss. Management decides on the classification of financial assets upon 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 customary purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset in question. A purchase or sale of financial assets is customary when it requires the delivery of assets within the period generally established by regulations or conventions in the marketplace.

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

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, they are disclosed under financial liabilities.

Financial assets available-for-sale 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 investments mature within twelve months of the end of the reporting period or management intends to dispose of them in this period or the maturity at the end of reporting period is less than twelve months. Available-for-sale financial assets are initially recognised at fair value and subsequently carried forward at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity; in the case they are sold or impaired their accumulated fair value adjustments are recognised in the income statement.

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

No items of financial assets have been categorised as 'at fair value through profit or loss'.

Receivables

Receivables are classified as loans and receivables as defined by IAS 39 and initially measured at fair value and subsequently at amortised cost, after deduction of any necessary 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).

The result of which was that there were no reasons for a rent reduction (delcredere risk). This examination 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 resulting from receivables being derecognised or impaired or due to amortisation are recognised in profit or loss.

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 objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss may be 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.

Provisions for impairments are 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 respective 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 instru-ments 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 their fair value is positive and as liabilities when their fair value is negative.

The instruments reported as at December 31, 2013 were valued 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. Further details on the valuation of derivative financial instruments under the fair value hierarchy can be found in » Note 20.3.

When the Group first becomes party to the contract it assesses whether embedded derivatives are required to be separated from host contracts. A reassessment can only occur 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. Furthermore, the aim of the risk management measure and underlying strategy when concluding the hedge transaction are described.

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 the identification of the hedging instrument, the hedged item, the nature of the risk that is 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 that are attributable to the hedged risk. The applied hedges are deemed to be highly effective in achieving offsetting changes in fair value or cash flows. They are assessed on an on-going 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 neither uses any 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 are comprised of 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 at their 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 discounted if classified as non-current and non-interest bearing.

Fair values are determined by discounting the future contractually agreed cash flows by an appropriate interest rate from the yield curve at 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 as prescribed by IAS 39, which is:

› 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 accordingly at the end of reporting period.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. They 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 resulting from derecognition of amortisation are recognised in profit or loss.

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. Upon issuing the jouissance shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is then classified as a financial liability and measured at amortised cost until it is extinguished on conversion or redemption.

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

Provisions

Provisions are recognised where a present obligation to third parties exists 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 all risks into account at the best estimate of future cash outflows required to meet the obligation. If they are non-current they are discounted. Provisions are not offset with reimbursements.

Share-based payments

Share-based payments comprise 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. It measures the total personnel expense which is to be recognised in profit and loss for the service period and which in turn increases equity (paid-in capital) by the same amount.

Until settlement liability awards are measured at fair value at each balance sheet date, they 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.

Revenue recognition

Revenues are recognised when it is probable that the economic benefits will flow to the Group and when it becomes reliably measureable. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or du-ties. Revenues are recorded excluding VAT. In addition, the following specific recognition criteria must be met before revenues are recognised:

Rental income

Rental income from operating leases on investment properties is accounted for on a straightline basis over the lease terms.

Interest income

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

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 information on segments is presented on the same basis used for internal reporting purposes.

The services offered by alstria office REIT-AG exclusively focus on letting activities to commercial property tenants in Germany. In accordance with IFRS 8, a single reporting segment is identified which comprises all of the Groups' operations.

The manner of reporting for this segment is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources to the operating segments of an entity and assesses their performance. The Group's chief operating decision-maker is the Management Board.

Revenues are generated by a larger number of tenants. Total revenues amount to EUR 104,224 k (previous year: EUR 101,286 k), of which EUR 30,097 k and EUR 15,656 k relate to leases to the two largest customers of the Group. No other single customer has neither in the financial year 2012 nor in the financial year 2013 contributed with 10 % or more to the consolidated revenues.

9 Notes to the consolidated income statement

9.1 Revenues

EUR k	2013	2012
Revenues from investment property	104,224	101,286

Revenues from investment property chiefly include rental income from investment property.

9.2 Income and expenses from passed-on operating expenses

EUR k	2013	2012
Income from passed-on operating expenses	16,361	15,967
Income from passed-on operating expenses related to the prior year	193	434
	16,554	**16,401**
Expenses from passed-on operating expenses	−16,361	−15,967
Expenses from passed-on operating expenses related to the prior year	−706	−1,212
	−17,067	**−17,179**
Income less expenses from passed-on operating expenses	**−513**	**−778**

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

9.3 Real estate operating expenses

EUR k	2013	2012
Maintenance and refurbishment	5,218	4,900
Vacancy costs	3,190	3,166
Running repairs	1,253	1,203
Taxes on land and building	170	50
Property management	26	427
Other	605	652
	10,462	**10,398**

9.4 Administrative expenses

EUR k	2013	2012
Legal and consulting fees	1,320	1,754
Depreciation	549	471
Communication and marketing	532	607
IT maintenance	420	377
Travel expenses	397	318
Audit fee (audit and audit related services)	335	330
Supervisory Board compensation	305	302
Leasing costs	190	158
Office area costs	143	128
Training & workshops	136	116
Recruitment	62	110
Insurances	41	179
Other	894	872
	5,325	**5,722**

9.5 Personnel expenses

EUR k	2013	2012
Salaries and wages	3,919	3,625
Social insurance contribution	580	524
Bonuses	1,256	1,228
Expenses for share-based compensation	1,711	1,174
thereof relating virtual shares	*1,046*	*564*
thereof relating to the convertible profit participation certificates	*665*	*610*
Amounts for retirement provisions and disability Management Board	202	186
Other	122	112
	7,790	**6,849**

Convertible profit participation rights granted to employees do not only grant the right to a conversion when the conditions apply, but also to an annual payment equivalent to the dividend amount paid out 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). From the total expense in relation to the profit participation rights amounting to EUR 665 k, EUR 541 k were recognised in equity (2012: EUR 506 k), while EUR 124 k were recorded in liabilities (2012: EUR 104 k).

On average the Group employed 61 employees in 2013 (2012: 55).

9.6 Other operating income

EUR k	2013	2012
Compensation payments and other recharges	1,926	1,130
Income due to the reversal of provisions in relation to rental guarantees	946	0
Reimbursement of property taxes	429	0
Property management services	186	110
Income from the reversal of accrued liabilities	88	387
Car use	64	52
Success fee	0	579
Income in relation to development projects	0	326
Payments on provisions on doubtful debts	0	80
Other	293	496
	3,932	**3,160**

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

Compensation payments also include charges passed on to a former majority shareholder in an amount of EUR 571 k. The compensation has been incurred in connection with the placement if alstria-shares of that shareholder in the capital markets.

An explanation for the reversal of provisions for rental guarantees can be found in » Notes 11.3.

The success fee for the previous year relates to alstria acting as an agent in property transactions.

Income due to development projects relates to compensation received from tenants for the restructuring of leased premises. They can vary each year.

9.7 Other operating expenses

EUR k	2013	2012
Donations	68	76
Impairments on trade receivables	40	64
Additions to provisions for rental guarantees	0	895
Other miscellaneous	3	1
	111	**1,036**

Explanations on additions to provisions for rental guarantees in the previous year can be found in » Notes 11.3.

9.8 Financial and valuation result

The financial result breaks down as follows:

EUR k	2013	2012
Financial income	**317**	**657**
Interest expenses syndicated loan	–13,471	–14,383
Interest expenses other loans	–9,036	–9,385
Interest result derivatives	–13,406	–12,589
Interest expenses convertible bond	–2,697	0
Other interest expenses	–119	–250
Financial expenses	**–38,729**	**–36,607**
Net present value adjustments due to the discount of a leasing liability	–413	0
Commitment fees	–20	–18
Other	–271	–117
Other financial expenses	**–704**	**–135**
Net financial result	**–39,116**	**–36,085**

Total interest income and expenses for financial assets and liabilities which are not financial derivatives were EUR 317 k interest income (2012: EUR 657 k) and EUR 24,011 k interest expenses; (2012: EUR 24,018 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 4,280 k (interest expenses; 2012: EUR 1,700 k).

Within the two former financial years the Group did not hold financial assets available for sale. Therefore the net result from the disposal of financial assets available for sale amounted, like in the previous year, to EUR 0.

Fair value adjustments on financial derivatives resulted in a net loss, which is broken down as follows:

EUR k	2013	2012
Transfer of cumulated loss from cash flow hedge reserve to income statement	–2,988	–986
Ineffective change of the fair value of cash flow hedges	–7,798	–1,069
Change in fair value of financial derivatives not qualifying as a cash flow hedge	3,232	675
Net loss from fair value adjustments on financial derivatives	**–7,554**	**–1,380**

In 2013, a loss amounting to EUR 2,988 k related to cumulative losses from fair value adjustments of cash flow hedge derivatives, which were recorded in equity. The adjustments resulted from the fact that the originally hedged transactions are no longer expected to occur. Further details and explanation on derivatives are presented in » Note 10.7.

9.9 Net result on the disposal of investment property

EUR k	2013	2012
Proceeds from the disposal of investment property	54,418	8,189
Carrying amount of investment property disposed of	−53,020	−8,080
Valuation result of properties held-for-sale	0	260
	1,398	**369**

The total loss from the disposal of objects and portfolios sold below their carrying value amounted to EUR 523 k in 2013 and EUR 146 k in 2012.

9.10 Income taxes

alstria office REIT-AG obtained the G-REIT status on January 1, 2007. At this time it was subject to final taxation and has been tax-exempt with regard to corporate tax and trade tax effective since then.

Minor tax payment obligations may arise on Group level for affiliates serving as a general partner of a partnership or REIT Service Companies.

Deferred income tax Due to its REIT tax exemption, there were no impacts on profit and loss, the financial statements, or equity or profit and loss in 2012 and 2013 resulting from deferred income tax.

10 Notes to the consolidated statement of financial position – assets

10.1 Investment property

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

EUR k	2013	2012
Fair values		
As of Jan. 1	**1,622,988**	**1,528,589**
Property acquisition	36,865	101,844
Capital expenditure	14,483	12,867
Disposals	−42,000	−8,080
Reclassification from investment property	0	−606
Transfers to held for sale	0	−9,750
Net result from the adjustment of the fair value of investment property	27	−1,876
As of Dec. 31	**1,632,362**	**1,622,988**

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.

The item on the income statement 'net result from fair value adjustments on investment property' of an amount of EUR 23,929 k is attributable to a change in unrealized losses.

The following table provides details of the Group's investment properties and information about the fair value hierarchy as at December 31, 2013:

	Level 1	Level 2	Level 3	Fair value as at Dec., 31.13
Investment property (in EUR)	–	–	1,632,362	1,632,362

There were no transfers between Levels 1 and 2 during the year.
The Group has considered the nature, characteristics and risks of its properties as well as the level of the fair value hierarchy within which the fair value measurements are categorised in determining the appropriate classes of investment property. The following factors have been applied to determine the appropriate classes.

a) The real estate segment: Within all investment portfolios the majority of the lettable area is dedicated to offices. Therefore all investment properties belong to one asset class: offices.

b) The geographical location of all properties is Germany.

c) The level of fair value hierarchy for all investment properties is level 3.

d) There are larger differences between the contractual lease terms. This also affects the weighted average lease length (WAULT) for each investment property. A distinction is made between objects with a short, medium and long WAULT.

As a result three appropriate classes of investment properties have been identified:

› Germany – Office – Level 3 – short WAULT (0 to 5 years),

› Germany – Office – Level 3 – medium WAULT (> 5 to 10 years),

› Germany – Office – Level 3 – long WAULT (> 10 years).

Quantitative information about fair value measurements using unobservable inputs (level 3)

EUR k, unless stated otherwise				Range		
	Fair value at Dec. 31, 2013	Valuation technique	Unobservable inputs	Min.	Max.	Weighted average
Portfolio						
Offices Germany	1,632,362	hard-core and top slice	Estimated rental value (EUR/sqm/month)	5.7	19.2	10.6
			Adjusted yield (%)	4.3	13.2	6.1
			Void period of office leases expiring within next 5 years (months)	12.0	24.0	16.2
0 ≤ WAULT ≤ 5 years						
Offices Germany	715,017	hard-core and top slice	Estimated rental value (EUR/sqm/month)	6.2	19.1	10.3
			Adjusted yield (%)	4.9	13.2	6.7
			Void period of office leases expiring within next 5 years (months)	12.0	24.0	16.2
5 < WAULT ≤ 10 years						
Offices Germany	367,325	hard-core and top slice	Estimated rental value (EUR/sqm/month)	8.4	17.1	11.9
			Adjusted yield (%)	5.2	8.0	6.1
			Void period of office leases expiring within next 5 years (months)	12.0	18.0	16.5
WAULT > 10 years						
Offices Germany	550,020	hard-core and top slice	Estimated rental value (EUR/sqm/month)	5.7	17.0	10.3
			Adjusted yield (%)	4.3	5.8	5.0
			Void period of office leases expiring within next 5 years (months)	12.0	12.0	12.0

Sensitivity of measurement to variance of significant unobservable input

The decrease in the estimated rental income decreases the fair value.

An increase in the vacancy periods decreases the fair value.

An increase in the adjusted yield decreases the fair value.

A decrease in the estimated rental income leads to an increase in the adjusted yield; an increase in the estimated rental income leads to a decrease in the adjusted yield.

A decrease in the vacancy period leads to an increase in the adjusted yield; an increase in the vacancy period leads to a decrease in the adjusted yield.

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

Value of investment properties (EUR million)

Capitalisation rates (%)	2013	2012
–0.25	1,713	1,697
0.00	1,632	1,623
0.25	1,560	1,553

In financial year 2013 benefits and obligations were transferred for ten properties, two of which were classified as 'assets held for sale' as at December 31, 2012. The transaction volume amounted to EUR 53,680 k.

An area of land was acquired in Düsseldorf (owned through leasehold before) in the second quarter of 2013. This transaction led to an increase in investment property of EUR 405 k.

Capital expenditure (EUR 14,483 k) is comprised of subsequent acquisition and production costs relating to property acquisitions and refurbishment projects.

Furthermore, the Group acquired two investment properties for which the transfer of benefits and obligations was completed in the reporting period. The transaction volume for the properties amounted to EUR 36,460 k. For more information about changes to the immovable property, please refer to the 'Transactions' section in the Group management report 2013 » see page 8f.

Borrowing costs that would have had to be capitalised as construction costs were not incurred during the reporting period (2012: EUR 0 k).

Disclosures concerning expenses/income as recorded in the income statement pursuant to IAS 40.75 (f) include:

- EUR 104,224 k (2012: EUR 101,286 k) rental income from investment property;
- EUR 7,272 k (2012: EUR 7,232 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 3,190 k (2012: EUR 3,166 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) of an amount of EUR 1,632,362 k (2012: EUR 1,632,998 k) served as collaterals for bank loans.

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 21,001 k (December 31, 2012: EUR 18,183 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 2013
Acquisition and production cost				
As at Jan. 1, 2013	**1,169**	**883**	**5,019**	**7,071**
Additions	0	47	0	47
As at Dec. 31, 2013	**1,169**	**930**	**5,019**	**7,118**
Accumulated amortization, depreciation and write-downs				
As at Jan. 1, 2013	**1,134**	**318**	**285**	**1,737**
Additions	19	113	93	225
As at Dec. 31, 2013	**1,153**	**431**	**378**	**1,962**
Net book values as at Dec. 31, 2013	**16**	**499**	**4,641**	**5,156**

EUR k	Plant	Furniture and fixtures	Own occupied property	Total 2012
Acquisition and production cost				
As at Jan. 1, 2012	**1,150**	**625**	**4,343**	**6,118**
Additions	19	259	70	348
Reclassifications from investment property	0	0	606	606
Disposals	0	–1	0	–1
As at Dec. 31, 2012	**1,169**	**883**	**5,019**	**7,071**
Accumulated amortization, depreciation and write-downs				
As at Jan. 1, 2012	**1,117**	**223**	**202**	**1,542**
Additions	17	95	83	195
As at Dec. 31, 2012	**1,134**	**318**	**285**	**1,737**
Net book values as at Dec. 31, 2012	**35**	**565**	**4,734**	**5,334**

The useful life of the assets is estimated to be between three to 15 years for plant, furniture and fixtures and 33.33 to 50 years for the own-occupied properties.

Plant is comprised of miscellaneous items such as fire extinguishers or a control panel for a closed-circuit television system.

alstria office REIT-AG occupies areas for its own use in two of its office buildings in Hamburg and Düsseldorf. Therefore, the owner-occupied areas of the properties are catego-rised as ‘property, plant and equipment’ according to IAS 16.

In order to secure Group liabilities, the properties are pledged via land charges.

10.4 Intangible assets

	Licences	
EUR k	**2013**	**2012**
Acquisition and production cost		
As of Jan. 1	**1,480**	**1,192**
Additions	332	288
Disposals	**0**	**0**
As of Dec. 31	**1,812**	**1,480**
Accumulated amortisation, depreciation and write-downs		
As of Jan. 1	**1.013**	**742**
Additions	327	271
Disposals	**0**	**0**
As of Dec. 31	**1.340**	**1.013**
Net book values as at Dec. 31	**472**	**467**

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 369 k and EUR 103 k, respectively.

10.5 Assets held for sale

At the end of the previous reporting period only investment properties held for sale were disclosed under assets held for sale. The level of fair value hierarchy within which the fair value measurements are categorised is level 3. The valuation of the held for sale properties is based on two unobservable input parameters: (i) the contractual disposal price for the asset and (ii) the expected disposal costs to be borne by the Group. Since the expected disposal expenses are of minor influence to the valuation the significant unobservable input, the contractual disposal price, corresponds the carrying amount of the assets held for sale.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation method during the year.

10.6 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, 2013**	**Dec. 31, 2012**
Trade receivables		
Rent receivables	3,708	3,656
Accounts receivables from affiliates	**89**	**89**
Other receivables		
Accrued receivables for 'Rent free periods'	4,768	2,998
Deposit account	1,639	1,624
Prepayments	130	142
Receivables and other assets	454	2,048
Other receivables	**6,991**	**6,812**

Except for EUR 1,639 k of receivables (December 31, 2012: EUR 1,624 k) from an escrow holder all receivables are due within one year from the end of the reporting period. The fair value of all receivables is equal to their carrying amount.

Trade receivables were written down by EUR 40 k (December 31, 2012: EUR 64 k) due to rent payments in arrears. Apart from trade receivables no other receivables, were impaired.

As at December 31, 2013, trade receivables of an amount of EUR 991 k (December 31, 2012: EUR 1,343 k) were past due but not yet 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, 2013**	**Dec. 31, 2012**
Trade receivables		
Up to 3 months	662	820
3 to 6 months	87	103
Over 6 months	242	420
Total	**991**	**1,343**

All receivables from rental agreements and property disposals, as well as insurance receivables and derivative financial instruments, have been assigned to the lenders » Note 11.2 in order to secure the Group's loans.

A total of EUR 4,768 k of other receivables is made up of accruals resulting from the recognition of total rental revenues on a straight-line basis over the entire term of the lease agreements (rent smoothing).

An amount of EUR 1,229 k of receivables is included in previous year's receivables and other assets of EUR 2,048 k. They result from charges passed on to a former majority shareholder that were incurred in connection with the placement of that shareholder's shares on the capital market.

10.7 Derivative financial instruments

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

On June, 7 2013, alstria issued a convertible bond for a total amount of EUR 79,400 k. Due to the terms and conditions of the convertible bond, the conversion right has to be separately accounted as an embedded derivative.

In line with alstria's hedging strategy, a new interest rate forward cap agreement with a notional value of EUR 380,870 k and a cap rate of 0.0000 % was entered to hedge the variable interest payments. The cap will become effective on July 20, 2015 and will expire on September 30, 2020. This transaction was executed on September 11, 2013.

The interest rate forward cap agreement will replace the existing interest rate forward swap with a notional amount of EUR 380,870 k, a swap rate of 2.9900 % and a maturity to July 20, 2015.

			Dec. 31, 2013		Dec. 31, 2012	
Product	**Strike p.a. (%)**	**Maturity date**	**Notional (EUR k)**	**Fair value (EUR k)**	**Notional (EUR k)**	**Fair value (EUR k)**
Cap	3.0000	Sept. 30, 2019	42,500	641	42,500	395
Cap	4.6000	Oct. 20, 2015	47,902	3	47,902[1]	8
Swap	2.9900	Jul. 20, 2015	380,870	–15,769	0	0
Interest rate derivatives – held for trading			**471,272**	**–15,125**	**42,500[2]**	**403**
Forwad-Cap[3]	0.0000	Sept. 30, 2020	380,870	31,932	0	0
Cap	3.0000	Dec. 17, 2018	56,000	541	56,000	395
Cap	3.2500	Dec. 31, 2015	11,327	2	11,500	5
Cap	3.3000	Oct. 20, 2014	0	0	22,876	2
Cap	3.3000	Oct. 20, 2014	0	0	7,871	1
Swap	2.1940	Dec. 31, 2014	37,283	–858	37,283	–1,632
Swap	2.9900	Jul. 20, 2015	0	0	472,500	–33,448
Interest rate derivatives – cash flow hedges[4]			**104,610[4]**	**31,617**	**608,030**	**–34,677**
Total Interest rate derivatives			**575,882**	**16,492**	**650,530**	**–34,274**
Embedded Derivative	n/a	Jun. 14, 2018	7,884[5]	–9,336		0
Total				**7,156**		**–34,274**

[1] Not effective before July 10, 2013

[2] Notional excluding the EUR 47,902 k not effective before July 10, 2013

[3] Not effective before July 20, 2015

[4] Notional excluding the EUR 380,870 k not effective before July 20, 2015

[5] Underlying number of shares for conversion in thousand

For more information, please refer to the financial management section in the Group management report, » page 15.

The value changes of the derivatives are reflected in various items in the balance sheet.

The following table shows the change in financial derivatives since December 31, 2012:

Changes in financial derivates

EUR k	Cash flow hedge reserve	Financial assets Non-current	Financial assets Current	Financial liabilities Non-current	Total
Hedging instruments as at Dec. 31, 2012	**–22,137**	**403**	**403**	**–35,081**	**–34,275**
Effective change in fair values cash flow hedges	11,820	49	0	11,771	**11,820**
Ineffective change in fair values cash flow hedges	0	–10,129	0	2,331	**–7,798**
Net result from fair value changes in financial derivatives not qualifying for cash flow hedging	0	0	114	3,118	**3,232**
Reclassification of cumulated loss from equity to income statement	2,988	0	0	0	**0**
Changes in accrued interests concerning financial derivatives	0	0	0	118	**118**
Acquisitions	0	42,152	127	–12,453	**29,826**
Disposals	0	0	0	4,233	**4,233**
Hedging instruments as at Dec. 31, 2013	**–7,329**	**32,475**	**644**	**–25,963**	**7,156**

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 575,882 k (December 31, 2012: EUR 650,530 k).

Derivatives of a notional amount of EUR 471,272 k (December 31, 2012: EUR 42,500 k) are not designated as a cash flow hedge.

An increase in the fair values of derivatives of an amount of EUR 11,820 k that are effective in a cash flow hedge has been recognised in the hedging reserve in 2013 (2012: decrease of EUR 5,363 k).
The ineffective portion that arises from cash flow hedges amounted to a fair value loss of EUR 7,798 k (2012: loss of EUR 1,069 k) and is recognised in profit or loss.

Further gains totalling EUR 3,232 k (2012: gain of EUR 675 k), which were due to the market valuation of derivatives not included in hedge accounting, were recorded in the income statement 2013.

A loss of EUR 2,988 k (2012: EUR 986 k) relates to cumulative losses from cash flow hedges for which the forecast transaction is no longer expected to occur as loans were repaid prematurely.

Overall, this results in a total loss of EUR 7,554 k (2012: loss of EUR 1,380 k), which is recorded as ‘net result from fair value adjustments on financial derivatives’.

10.8 Cash and cash equivalents

EUR k	Dec. 31, 2013	Dec. 31, 2012
Bank balance	82,782	118,548

Bank balances earn interest at floating interest rates based on daily bank deposit rates. As at the end of the reporting period, EUR 252 k (December 31, 2012: EUR 252 k) of the cash and cash equivalents were restricted. The amount corresponds to accrued interest obligations and other amounts that are not at the Company's free disposal.

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

11.1 Equity

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

Share capital

Thousand	Dec. 31, 2013	Dec. 31, 2012
Ordinary share of EUR 1 each	78,933	78,933

On December 31, 2013 alstria office REIT-AG's share capital remained unchanged at an amount of EUR 78,933,487, represented by 78,933,487 non-par value bearer shares.

The majority of the shares in the Company are in free float.

The following table shows the reconciliation of the number in shares outstanding:

Number of shares	2013	2012
Shares outstanding on Jan. 1	**78,933,487**	**71,703,625**
Issue of new shares	0	7,170,362
Conversion of convertible participation rights	0	59,500
As of Dec. 31	**78,933,487**	**78,933,487**

Capital reserve

The capital reserve changed as follows during the financial year:

EUR k	2013	2012
As of Jan. 1	**769,412**	**751,084**
Contributions to capital reserve	0	53,778
Transaction costs of issue of shares	0	–1,310
Payment of dividends	**–39,467**	**–34,705**
Share-based payments	541	506
Conversion of convertible participation rights	0	59
As of Dec. 31	**730,486**	**769,412**

The new shares generated from the capital increase in the previous financial year were issued and sold at a price of EUR 8.50 per share. The issue proceeds by which the nominal share capital increase was exceeded amounted to EUR 53,778 k. They were recognised in capital reserves. The share placement resulted in an overall increase in the capital reserve of EUR 52,468 k, due to additions of EUR 53,778 k and expenses of EUR 1,310 k.

An increase of EUR 541 k (2012: EUR 506 k) resulted from the vesting of the convertible profit participation certificates as granted to the Group's employees.

Dividend payments released from capital reserves totalled EUR 39,476 k (EUR 0.50 per outstanding share).

Hedging reserve

EUR k	Dec. 31, 2013	Dec. 31, 2012
Hedging reserve	–7,329	–22,137

For further details on the change in hedging reserve please refer » to Note 10.7.

Treasury shares

As of December 31, 2013, the Company held no treasury shares.

By resolution of the Annual General Meeting held on June 8, 2011, the Company's au-thorisation 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 8, 2016. There is no intention to make use of this authorisation at present.

Retained earnings

Retained earnings as at December 31, 2013 totalled an amount of EUR 42,024 k. Since the payment of the dividend could not be generated from positive retained earnings at the time the dividend was paid, the amount of the dividend payouts in 2013 was released from the capital reserve.

11.2 Financial liabilities

	Non-current	Current			Total
EUR k		Loan	Accrued interest	Total current	Dec. 31, 2013
Loans					
Syndicated loan	534,794	0	29	29	534,823
Other loans	220,984	73,178	582	73,760	294,744
Convertible bond	66,708	0	97	97	66,805
Total	**822,486**	**73,178**	**708**	**73,886**	**896,372**

	Non-current	Current			Total
EUR k		Loan	Accrued interest	Total current	Dec. 31, 2012
Loans					
Syndicated loan	555,610	5,460	26	5,486	561,096
Other loans	326,495	4,121	379	4,500	330,995
Total	**882,105**	**9,581**	**405**	**9,986**	**892,091**

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

As at December 31, 2013, the total repayable amount of the loans drawn by alstria office REIT-AG was EUR 913,892 k (December 31, 2012: EUR 896,984 k). The lower carrying amount of EUR 896.372 k (EUR 822.486 k non-current and EUR 73.886 k current) takes into account interest liabilities and transaction costs to be allocated under the effective interest method upon raising liabilities. Financial liabilities with a maturity of up to one year are recognised as current loans.

In the second quarter of financial year 2013, alstria office REIT-AG issued a convertible bond generating proceeds of EUR 79,400 k.

The convertible bond has a term to maturity of five years. It will be redeemed at 100 % of its principal amount. The bond has a coupon of 2.75 % p.a., payable in quarterly instalments in arrears and an initial conversion price of EUR 10.0710.

The issuing volume resulting from the convertible bond loan amounts to EUR 79,400 k and is included in financial liabilities in full. It is divided into a loan portion and a financial liability in the form of an embedded derivative. The carrying amount of the convertible bond liability therefore lies below its nominal amount. The initial recognition of these two components was at fair value, which corresponds to the emission volume. As a part of the allocation of the issue proceeds, the fair value of the embedded derivative was determined and the residual value less transaction costs was assigned to the loan component. Subsequently, the loan component is valued at amortised cost. The derivative component is, however, valued at fair value at the end of subsequent reporting periods. Upon conversion into shares both components, which are discontinued upon conversion of the bond, are reclassified as equity. alstria office REIT-AG issued this bond based on the authorisation received from the Annual General Meeting in 2013. The convertible loan has a carrying amount without accrued interests of EUR 66,708 k and a fair market value of EUR 73,439 k.

alstria refinanced its main credit facility on September 30, 2013. A syndicate consisting of four banks has provided a credit facility totalling EUR 544,100 k (‘syndicated loan’). Out of this nominal amount, EUR 538,963 k had been drawn as of December 31, 2013 (December 31, 2012: EUR 564,721 k under the former, replaced credit facility agreement). The carrying amount was EUR 534,794 k as of December 31, 2013 (December 31, 2012: EUR 561,070 k under the former, replaced credit facility agreement). The difference between the notional amount and the carrying amount is due the allocated transaction costs accounted under the effective interest rate method.

The loan agreement has a term to maturity of seven years until September 30, 2020. The syndicated loan was arranged by UniCredit Bank AG, Munich and underwritten by HSH Nordbank AG, Hamburg, Berlin-Hannoversche Hypothekenbank AG, Berlin, and Landesbank Hessen-Thüringen Girozentrale, Frankfurt on the Main. As a result of the disposal of six office buildings alstria repaid EUR 25,756 k on its syndicated loan in the reporting period 2013.

To secure the liabilities of the syndicated loan, 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 » Note 10.6.

alstria office REIT-AG entered into a new floating rate loan in March 2011 in connection with the acquisition of two office buildings. The interest rate on this loan is based on the three-months EURIBOR rate plus a spread of 180 basis points. The loan facility, of which EUR 11,328 k has been drawn, has a total amount of EUR 14,600 k. It matures at the end of 2015.

Two other new floating rate loans were taken up in November 2011. Both have an interest rate based on the three-months EURIBOR rate plus a spread of 135 basis points and a term to maturity until December 17, 2018. The loans serve to refinance a newly acquired portfolio of six investment properties. An amount of EUR 56.000 k was drawn as at December 31, 2013. In the third quarter of 2012 a loan agreement for a credit facility of EUR 42,500 k has been entered into. The floating rate loan, which is based on the three-months EURIBOR rate plus a spread of 180 basis points has a term to maturity until September 30, 2019. It was paid out to the Group on December 28, 2012.

The current portion of the loan refers to scheduled repayments and accrued interest on the loans.

The variable interest of the loans is payable on a quarterly basis, whereby the standard margin and borrowing costs for the market are 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 98,130 k (December 31, 2012: EUR 100,945 k) in financial liabilities from non-recourse loans relates to two fixed interest rate loans. At the end of the reporting period, these loans had a fair value of EUR 100,574 k (December 31, 2012: EUR 102.906 k). The fair value estimation is based on the discounted cash flows using quoted prices for loans with equivalent risk and maturity as a discount rate (level 2 in fair value hierarchy).

As at December 31, 2013, the loans and the convertible bond were reduced by transaction costs of EUR 7,087 k (December 31, 2012: EUR 5,418 k).

The average debt maturity as at the end of the reporting period increased to 5.3 years compared to 3.0 years as of December 31, 2012.

The average interest rate of the Group's loans was 3.6 % at the end of the reporting period.

The carrying amounts of the loans are all reported in euros.

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

EUR k	Dec. 31, 2013	Dec. 31, 2012
Up to 1 year	42,843	6,646
More than 1 year	693,520	789,393
Total	**736,363**	**796,039**

The following loans are secured by land charges:

EUR k	Dec. 31, 2013	Dec. 31, 2012
Financial liabilities secured by land charges	829,567	892,091
thereof on investment property	*824,926*	*887,357*

11.3 Provisions

EUR k	Due up to 1 year	Due in more than 1 year	Total Dec. 31, 2013	Due up to 1 year	Due in more than 1 year	Total Dec. 31, 2012
Provisions						
Rental guarantee	490	2,372	2,862	0	3,829	3,829
Provision virtual share liabilities	1,525	872	2,397	0	1,362	1,362
	2,015	**3,244**	**5,259**	**0**	**5,191**	**5,191**

In connection with of the sale of properties, the Group has committed itself to compensate buyers for possible shortfalls in rental income for rental agreements existing with certain tenants at the disposal date that are not extended. A provision amount of EUR 2.862 k was calculated as the net present value of possible cash outflow due to this rental guarantee for which a realisation is more likely than not. The commitment relates to a six-year rental period starting in 2014 and has led to contingent liabilities see » Note 12.2.

As at December 31, 2012, the provision for the rental guarantees amounted to EUR 3,829 k. The decrease in this provision of an amount of EUR 21 k results from the change in the net present value due to the expiration and discount rate changes. The remaining EUR 946 k reduction in the provision for rental guarantee is based on the modification in the expectation of realisation, which takes into account new information of the tenants' situation, with respect to them using their possible break option.

In addition EUR 2,397 k (December 31,2012: EUR 1,472 k) were recognised as a provision for awarding the Long-Term and Short Term Incentive Plan see » Note 18.

11.4 Trade payables and other liabilities

EUR k	Due up to 1 year	Due in more than 1 year	Total Dec. 31, 2013	Due up to 1 year	Due in more than 1 year	Total Dec. 31, 2012
Trade payables						
Other trade payables	3,474	0	3,474	3,735	0	3,735
	3,474	**0**	**3,474**	**3,735**	**0**	**3,735**
Other current liabilities						
Accruals for outstanding invoices	3,435	0	3,435	5,071	0	5,071
Security deposit	996	1,052	2,048	758	742	1,500
Advance rent payments received	1,544	0	1,544	1,309	0	1,309
Accrued bonuses	1,238	0	1,238	1,210	0	1,210
Value added tax liabilities	485	0	485	561	0	561
Customers with credit balances	425	0	425	1,103	0	1,103
Supervisory Board compensation	305	0	305	302	0	302
Auditing costs	266	0	266	286	0	286
Building lease	0	0	0	361	6.387	6,748
Advance payments received for disposals	0	0	0	2,640	0	2,640
Consultancy costs	0	0	0	18	0	18
Miscellaneous other liabilities	283	0	283	416	0	416
	8,977	**1,052**	**10,029**	**14,035**	**7,129**	**21,164**

There are no future minimum payments obligations at the end of the reporting period 2013 anymore because due to the termination of the leasehold in the reporting period no leasehold liability existed. The disclosed carrying amounts approximate their fair values.

Trade payables relate to operating costs not yet invoiced of EUR 1,489 k (December 31, 2012: EUR 2,492k), liabilities from project development, rental activities and third-party real estate management services of EUR 1,985 k (December 31, 2012: EUR 1,243 k).

The property lease liability existing at the end of the previous reporting period EUR 6,748 k resulted from a property leasehold acquired within the previous financial year, that meanwhile no longer exists. The leasehold originally matured in December 2088.

The annual lease payment amounted to EUR 381 k and was attached to the development of the annual average consumer price index in Germany.

The fair value of the leasehold as at December 31, 2012 amounted to EUR 7,130 k.

The following table presents the future minimum lease payments as per end of the reporting period 2012 and their discounted values for future periods.

	Dec. 31, 2013		Dec. 31, 2012	
EUR k	Minimum lease payments	Discounted value of minimum lease payments	Minimum lease payments	Discounted value of minimum lease payments
Maturity property lease				
<1 year	0	0	381	361
1–5 years	0	0	1,523	1,263
>5 years	0	0	27,035	5,124
Total	**0**	**0**	**28,939**	**6,748**
Less:				
Future financing costs	0		22,191	
Discounted value of minimum lease payments	0		6,748	

At the end of the reporting period 2013 no future minimum payment obligations are shown as no leasehold liability was incurred due to its termination.

11.5 Trust assets and liabilities

At the end of the reporting period, alstria office REIT-AG held trust assets worth EUR 1,639 k (December 31, 2012: EUR 1,624 k) and liabilities worth EUR 996 k (December 31, 2012: EUR 758 k), in particular from rent deposits.

11.6 Deferred taxes

According to its REIT status, alstria office REIT-AG has been fully tax exempt regarding income taxes from January 1, 2007 onwards. Therefore, there are neither deferred taxes at the end of reporting period nor at the end of the prior years' reporting period.

12. Other notes

12.1 Compensation of the Management Board and Supervisory Board

Management Board In 2013, the overall compensation of the members of the Management Board totalled EUR 2,192 k (2012: EUR 2,193 k). On the reporting date, liabilities for the compensation of the members of the Management Board amounted to EUR 378 k (2012: EUR 360 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, 2013 and 2012, respectively. The stock options had been granted under the regime of the meanwhile terminated stock option programme implemented in 2007. Details of the stock option programme are also included in » Note 17.

As at December 31, 2013 379,768 virtual shares were granted to the members of the Management Board, resulting from a subsequent cash-settled sharebased incentive plan implemented in 2010 (see also » Note 18).

Supervisory Board Pursuant to the Articles of Association, Supervisory Board members' fixed annual payment amounted to EUR 305 k (2012: EUR 302 k).

Further information on disclosures according to Section 314 paragraph 1 no. 6a HGB (German Commercial Code) and IAS 24.17 is provided in the remuneration report (» see pages 111 to 117) that is part of the corporate governance statement.

12.2 Other financial commitments and contingencies

With respect to the sale of properties, at the disposal date the Group has committed itself to compensate buyers for possible shortfalls in rental income in case rental agreements existing with certain tenants are not extended. Contingencies out of this commitment amounted to EUR 456 k (December 31, 2012: EUR 670 k). The commitment relates to a six-year rental period starting in 2014. According to the details of the rental guarantees and the lettability of the objects, the Company does not expect any claims from these rental guarantees.

The same circumstances led to provisions for rental guarantees (see » Note 11.3)

The decrease in this commitment from EUR 670 k to EUR 456 k is based on the extension of the lease term of part of the rental areas in question, resulting in the termination of the rental guarantee originally granted for these areas.

As at December 31, 2013, there were no rental agreements for the administrative prem-ises subject to with a minimum lease term. An amount of EUR 292 k of future financial obligations arose from other leasing agreements. EUR 138 k of them have a residual maturity up to one year and the remainder, EUR 154 k, a remaining maturity of one to five years.

Annual lease payments of an amount of EUR 381 k were resulted from a property leasehold that existed on December 31, 2012. The development of the lease payment rate was connected to the development of the annual average consumer price index in Germany. As at December 2013 the property leasehold ceases to exist.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, which consists of the Group's offices and commercial real estate. These non-cancellable leases have remaining terms to maturity of between one and 22 years. Most leases include an indexation clause, i.e. allowing rental charges to be raised annually according to prevailing market conditions.

Future minimum rental charges receivable as agreed on in non-cancellable operating leases are as follows:

EUR k	Dec. 31, 2013	Dec. 31, 2012
Within 1 year	96,965	98,079
After 1 year but not longer than 5 years	281,798	296,037
More than 5 years	323,480	314,741
	702,243	**708,857**

12.3 Consolidated cash flow statement

The cash flow statement shows how the Group's cash and cash equivalents have 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.

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

Net cash generated from operating activities for the financial year 2013 amounted to EUR 50,114 k. The increase compared to the reporting period 2012 (EUR 45,735 k) resulted mainly from higher rental revenues and lower payments for interest expenses.

Cash flow from investing activities is impacted by the cash outflows resulting from the acquisitions of two investment properties and a piece of land and investments in existing properties (cash outflow EUR 58,506 k). Cash inflows of EUR 51,040 k relate to payments received for the sale of investment properties. Payments for capital contribution in joint ventures generated cash outflows of an amount of EUR 3,370 k.

Cash flows from financing activities mainly reflect refinancing activities with payments for the redemption of borrowings of an amount of EUR 606,592 k and cash proceeds from taking on loans (EUR 544,100 k) and issuing a convertible bond (EUR 79,400 k). Dividend payments resulted in cash outflows of EUR 39,467 k. Furthermore cash outflows were made for the acquisition and termination of financial derivatives (EUR 46,512 k).

Cash and cash equivalents reported in the cash flow statement relate to all liquidity items disclosed in the balance sheet, i.e. cash at 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.

The majority of alstria office REIT-AG's shares are free float shares. No person or entity has a controlling influence over the Company. alstria office REIT-AG is the ultimate parent company of the Group.

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

In the view of alstria office REIT-AG's management, all transactions with related parties entered into in financial year 2013 have been undertaken at terms of arm's length transactions 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 111 to 117).

13.3 Related party transactions

At the end of the reporting period, the Group recorded receivables of an amount of EUR 89 k (December 31, 2012: EUR 89 k) from joint ventures. Furthermore, alstria office REIT-AG received EUR 142 k (2012: EUR 701 k) from the joint venture as a compensation for services connected to real estate.

No further transactions with related parties arose 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:

Earnings per share	2013	2012
Profit attributable to the shareholders (EUR k)	38,945	39,911
Average number of shares outstanding (thousands)	78,933	77,848
Basic earnings per share	0.49	0.51
(EUR per share)		

The potential conversion of shares in relation to the convertible bond could dilute basic earnings per share in the future:

Diluted earnings per share	2013	2012
Diluted profit attributable to the shareholders (EUR k)	39,896	39,911
Average diluted number of shares (thousands)	86,818	77,848
Diluted earnings per share (EUR)	0.46	0.51

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 39,353 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	2013	2012
Dividends on ordinary shares[1] not recognised as a liability as at Dec. 31	39,467	34,705
Dividend per share (without treasury shares)	0.50	0.44

[1] Refers to all shares except treasury shares at the dividend payment date.

The Annual General Meeting of alstria office REIT-AG held on May 29, 2013, resolved to distribute dividends totalling EUR 39,467 k (EUR 0.50 per outstanding share). The dividend was distributed on Mai 30, 2013. The dividends paid out in 2012 totalled EUR 34,705 k (EUR 0.44 per share outstanding).

16 Employees

During the period from January 1 to December 31, 2013, the Company on average employed 61 employees (January 1 to December 31, 2012: on average 55 employees). The average was calculated based the total number of employees at the end of each quarter. On December 31, 2013, 63 people (December 31, 2012: 59 people) were employed at alstria office REIT-AG, excluding the Management Board members.

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.
In 2011 the stock option programme was replaced by a new long-term incentive plan that is described in detail in » Note 18.

The stock options granted in 2007 under the terminated stock option program stay unaffected.

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 2013 and 2012.

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 established a new share-based remuneration system as part of the success based remuneration for members of the Management Board. The share-based remuneration is made up of a long-term component, the Long-Term Incentive Plan (LTIP), and a short-term component, the Short-Term Incentive Plan or STIP. The remuneration type is a cash-settled and share-based payment transaction respectively.

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 is 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 assessment of the target achievement depends on the absolute return of the alstria share price (absolute total shareholder return) and in an equal amount on the relative performance of alstria's share in relation to the EPRA/NA-REIT Index Europe Ex UK (relative total shareholder return).

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

Virtual shares under the short-term variable remuneration (STIP) were granted for the first time on March 3, 2011. The virtual shares resulting from the STI are subject to a minimum vesting period of two years. Virtual STI shares are 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 that time, which is in turn calculated based on a reference period.

The development of the virtual shares until December 31, 2013 is shown in the following table:

Number of virtual shares	**Dec. 31, 2013**		**Dec. 31, 2012**	
	LTI	**STI**	**LTI**	**STI**
Jan. 1	267,665	24,629	175,711	11,718
Granted in the reporting period	86,114	13,078	91,954	12,911
Converted into cash in the reporting period	0	–11,718	0	0
Dec. 31	**353,779**	**25,989**	**267,665**	**24,629**

The 11,718 virtual shares converted into cash under the STIP resulted in payments to the management board in an amount of EUR 121 k within the business year 2013.
In 2013, the LTI and the STI generated remuneration expenses amounting to EUR 1,046 k (2012: remuneration expenses of EUR 563 k) and provisions amounting to EUR 2,397 k (December 31, 2012: EUR 1,472 k). 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 convertible profit participation rights programme was renewed by the Supervisory Board with minor modifications in 2012 in accordance with an authorisation granted by the general meeting of shareholders of April 24, 2012.

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

The nominal amount of each certificate is EUR 1.00 and is payable upon issuance. Under the current programme, starting in 2012, a maximum of 500,000 certificates in an aggregate nominal amount of up to EUR 500 k may be issued.

The certificates are issued as nontransferable 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 85,500 certificates issued on June 18, 2012 and 111,800 certificates issued on June 7, 2013, this market condition was fulfilled until the end of the financial year 2013.

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 share based payment agreements under the employee profit participation programme were in existence during the year.

Number of certificates

Granting date of tranche	Jun. 6, 2008	Jun. 9, 2011	Jun. 18, 2012	Jun. 7, 2013	Total
Jan. 1, 2013	**35,500**	**73,000**	**86,000**	**0**	**194,500**
Expired due to time lapse	–35,500	0	0	0	**–35,500**
Expired due to termination of employment	0	–500	–500	0	**–1,000**
Converted	0	0	0	0	**0**
Granted	0	0	0	111,800	**111,800**
Dec. 31, 2013	**0**	**72,500**	**85,500**	**111,800**	**269,800**

Total expenses relating to convertible profit participation rights were EUR 665 k in 2013 » Note 9.5.

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	Jun. 6, 2008	Jun. 9, 2011	Jun. 18, 2012	Jun. 7, 2013
Dividend yield (%)	4.70	4.23	5.76	5.68
Risk-free interest rate (%)	4.65	1.67	0.04	0.04
Expected volatility (%)	35.00	47.00	38.00	25.00
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)	11.03	10.40	7.64	8.80
Estimated fair value of one option for conversion at the granting date	8.76	8.25	5.45	6.18

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

20 Financial risk management

20.1 Managing financial risk factors

The group's activities expose it to a variety of financial risks such as: interest rate risks, credit risks and liquidity risks. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group makes use of derivative financial instruments to hedge certain exposures to risk. Risk management is carried out by a central treasury function (group treasury) within the finance and controlling department under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the CFO. The Management Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, making use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

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. In addition, the Group also owns various financial assets, such as cash and shortterm deposits, which arise directly from business activities.

Derivative financial instruments comprise interest swaps and caps. The purpose of these derivative financial instruments is to hedge against interest risks arising from the Group's business activities and its funding.

The main risks arising from the Group's financial instruments are cash flow risks, interest rate risks and liquidity risks. The Group is exposed to credit risks mainly where derivative financial instruments are held as assets and via its bank balances. The amount that best presents the maximum credit risk is the carrying amount of the financial assets. The Management Board decides on strategies and processes for managing specific risk types. These are defined in the following paragraphs.

Risks that could arise as a result of the financial crisis are seen mainly in a potential de-fault of payment by a major tenant. Due to the fact that all of the Company's main ten-ants 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 %. The Company managed to keep the LTV ratio for the syndicated loan on the relevant test date at 53.4 %. The risk of a breach of covenant is effectively countered.

The following table presents the single LTV ratios and covenants for the Group loans as at the end of the reporting period:

Existing loan agrements as per December 31, 2013

Loan	Maturity	Principal amount outstanding (EUR K)	Current LTV (%)	LTV covenant (%)
Syndicated loan	Sept. 30, 2020	538,963	53.4	70.0
Non-recourse loan #1	Oct. 20, 2015	47,902	70.2	80.0
Non-recourse loan #2	Dec. 31, 2014	42,670	64.0	80.0
Non-recourse loan #3	Jun. 30, 2014	28,503	54.8	62.5
Non-recourse loan #4	Jan. 31, 2017	69,626	61.5	75.0
Loan #5	Dec. 31, 2015	11,328	51.5	80.0
Loan #6	Dec. 17, 2018	56,000	46.1	60.0
Loan #7	Sept. 30, 2019	39,500	40.6	65.0
Total loans		**834,492**	**50.9**	
Convertible bond	Jun. 14, 2018	79,400		
Total as at Dec. 31, 2013		**913,892**	**55.8**	

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

a) Interest rate risk

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

EUR k	<1 year	1–2 years	2–3 years	3–4 years	>4 years	Total
Financial year as at Dec. 31, 2013						
Variable interest						
Syndicated loan	0	0	24,863	0	514,100	538,963
Other loans	42,843	59,057	0	0	123,000	224,900
Total	**42,843**	**59,057**	**24,863**	**0**	**637,100**	**763,863**
Financial year as at Dec. 31, 2012						
Variable interest						
Syndicated loan	5,460	0	559,261	0	0	564,721
Other loans	1,186	72,576	59,057	0	98,500	231,319
Total	**6,646**	**72,576**	**618,318**	**0**	**98,500**	**796,040**

Due to the extensive portfolio of non-current financial liabilities with a variable interest rate, 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 secure the interest expense. The terms to maturity of the derivatives corresponds to the terms to maturity of the loans. The derivative financial instruments relate to interest swaps for which the Company agrees to exchange the difference between fixed and variable interest rate amounts with contracting partners at specified intervals. The amounts are 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:

			Dec. 31, 2013		Dec. 31, 2012	
Product	Strike p. a.	Maturity date	Notional (EUR k)	Fair value (EUR k)	Notional (EUR k)	Fair value (EUR k)
Cap	3.0000	Sept. 30, 2019	42,500	641	42,500	395
Cap	4.6000	Oct. 20, 2015	47,902	3	47,902[1]	8
Swap	2.9900	Jul. 20, 2015	380,870	–15,769	0	0
Interest rate derivatives – held for trading			**471,272**	**–15,125**	**42,500[2]**	**403**
Forwad-Cap[3]	0.0000	Sept. 30, 2020	380,870	31,932	0	0
Cap	3.0000	Dec. 17, 2018	56,000	541	56,000	395
Cap	3.2500	Dec. 31, 2015	11,327	2	11,500	5
Cap	3.3000	Oct. 20, 2014	0	0	22,876	2
Cap	3.3000	Oct. 20, 2014	0	0	7,871	1
Swap	2.1940	Dec. 31, 2014	37,283	–858	37,283	–1,632
Swap	2.9900	Jul. 20, 2015	0	0	472,500	–33,448
Interest rate derivatives – cash flow hedges			**104,610[4]**	**31,617**	**608,030**	**–34,677**
Total Interest rate derivatives			**575,882**	**16,492**	**650,530**	**–34,274**
Embedded Derivative	n/a	Jun. 14, 2018	7,884[5]	–9,336		0
Total				**7,156**		**–34,274**

[1] Not effective before July 10, 2013.
[2] Notional excluding the EUR 47,902 k not effective before July 10, 2013.
[3] Not effective before July 20, 2015.
[4] Notional excluding the EUR 380,870 k not effective before July 20, 2015.
[5] Underlying number of shares for conversion in thousand.

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 due 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	2013	2012
+ 100 bps	8,490	7,116
– 50 bps	–3,865	–3,558

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:

aa) Impact on equity

Financial derivates qualifying for cash flow hedge accounting

EUR k	2013	2012
+ 100 bps	17,879	13,205
– 50 bps	–9,556	–3,397

ab) Impact on the income statement and resulting effects on equity

Financial derivates not qualifying for cash flow hedge accounting

Impact from interest rate changes of the 3-month-EURIBOR:

EUR k	2013	2012
+ 100 bps	5,638	1,254
– 50 bps	–1,840	–263

Impact from changes in share price of the alstria office REIT-AG share (only relates to the embedded derivative):

EUR k	2013	2012
Share price compared to year end price 2013 (EUR 9.15) + 10 per cent	–4,262	n/a
– 10 per cent	3,602	n/a

b) Credit risk

Except for credit risks relating to accounts receivable balances, credit risks are managed at the group level.

The department responsible for the operating business property management manages and analyses credit risks in relation to each reletting activity, before standard payment and lease terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and other compensatory commitments. Banks and financial institutions only are accepted as counterparties, and only if they are independently rated parties with a minimum rating of 'investment grade'. If tenants are independently rated, these ratings are applied. If there is no independent rating, the credit quality of the tenant is assessed, taking into account his financial position, past experience and other factors. Credit limits to tenants are generally not provided. Lease receivables from tenants are settled in bank transfers usually due at the beginning of each payment term. Tenants must pay a deposit or provide other warranties prior to the start of a lease term.

c) Liquidity Risk

The Company continually monitors the Group-wide risk of potential liquidity bottlenecks using a liquidity-planning tool. The tool 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 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 into consideration.

At the end of the reporting period, the nominal financial liabilities had the following maturities in line with their contractual maturity (based on the three-month EURIBOR as at December 31, 2013 plus the weighted average margin of 162 basis points for the Group's loans).

Financial year as at Dec. 31, 2013

EUR K	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years	Total
Interest	20,689	20,826	23,286	23,945	25,457	39,298	153,501
Loans	73,178	60,975	26,872	63,867	76,000	561,100	861,992
Convertible Bond	0	0	0	0	79,400	0	79,400
Financial derivatives	11,161	4,457	–3,958	–6,316	–8,487	–17,744	–20,887
Trade payables	3,475	0	0	0	0	0	3,475
Other liabilities	8,977	0	0	0	0	0	8,977
	117,480	**86,258**	**46,200**	**81,496**	**172,370**	**582,654**	**1,086,458**

Financial year as at Dec. 31, 2012

EUR k	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years	Total
Interest	18,346	18,502	12,814	5,887	3,581	5,026	64,156
Loans	9,461	102,911	620,236	2,009	63,867	98,500	896,984
Financial derivatives	14,220	13,464	6,555	0	0	0	34,239
Trade payables	3,735	0	0	0	0	0	3,735
Other liabilities	9,180	7	7	7	8	6,713	15,922
	54,942	**134,884**	**639,612**	**7,903**	**67,456**	**110,239**	**1,015,036**

The following chart shows the related future undiscounted cash flows of financial liabilities. The most significant liability is a syndicated loan provided by four banks totalling EUR 538,963 k (December 31, 2012: EUR 564,721 k). The second major item in liabilities is comprised of loans entered into as a result of the Group's refinancing strategy totalling an amount of EUR 295,529 k (December 31, 2012: EUR 332,264 k). 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 registered on the land. Obligations arising from floating interest bank loans were fully secured. Land charges for real estate property with a carrying amount of EUR 1,632,362 k were provided as collaterals.

20.2 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 actively 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, 2013, and as at December 31, 2012.

The capital structure is monitored by the Company using the key performance indicators (KPIs) relevant for classification as a REIT. The REIT equity ratio, which is 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:

KPI´S according to German REIT law

%	2013	2012	G-REIT covenant
Equity ratio acc. to German REIT law	50.87	50.04	>45
Immovable assets	92.93	92.74	>75
Revenues gained from immovable assets	100.00	100.00	>75
Income gained from disposal of immovable assets	23.66	20.99	<50[1)]

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

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

	Carrying amount	Non-financial assets	Financial assets				
Assets as per balance sheet (EUR k) as of Dec. 31, 2013			Loans and receivables	Assets at fair value through profit and loss	Derivatives for hedging	Total	Fair value
Trade receivables	3,708	0	3,708	0	0	3,708	3,708
Accounts receivable from joint ventures	89	0	89	0	0	89	89
Derivatives	33,118	0	0	644	32,474	33,118	33,118
Receivables and other assets	6,991	4,768	2,223	0	0	2,223	2,223
Cash and cash equivalents	82,782	0	82,782	0	0	82,782	82,782
Total	**126,688**	**4,768**	**88,802**	**644**	**32,474**	**121,920**	**121,920**

	Carrying amount	Non-financial liabilities	Financial liabilities			
Liabilities as per balance sheet (EUR k) as of Dec. 31, 2013			Other liabilities	Derivatives for hedging	Total	Fair value
Long-term loans	822,486	0	822,486	0	822,486	831,661
Derivatives	25,963	0	0	25,963	25,963	25,963
Short-term loans	73,886	0	73,886	0	73,886	73,886
Trade payables	3,474	0	3,474	0	3,474	3,474
Other liabilities	10,030	1,544	8,486	0	8,486	8,486
Total	**935,839**	**1,544**	**908,332**	**25,963**	**934,295**	**943,470**

Assets as per balance sheet (EUR k) as of Dec. 31, 2012	Carrying amount	Non-financial assets	Financial assets: Loans and receivables	Financial assets: Assets at fair value through profit and loss	Financial assets: Derivatives for hedging	Financial assets: Total	Financial assets: Fair value
Trade receivables	3,656	0	3,656	0	0	3,656	3,656
Accounts receivable from joint ventures	89	0	89	0	0	89	89
Derivatives	806	0	0	403	403	806	806
Receivables and other assets	6,812	2,998	3,814	0	0	3,814	3,814
Cash and cash equivalents	118,548	0	118,548	0	0	118,548	118,548
Total	**129,911**	**2,998**	**126,107**	**403**	**403**	**126,913**	**126,913**

Liabilities as per balance sheet (EUR k) as of Dec. 31, 2012	Carrying amount	Non-financial liabilities	Financial liabilities: Other liabilities	Financial liabilities: Derivatives for hedging	Financial liabilities: Total	Financial liabilities: Fair value
Long-term loans	882,105	0	882,105	0	882,105	889,484
Derivatives	35,080	0	0	35,080	35,080	35,080
Short-term loans	9,986	0	9,986	0	9,986	9,986
Trade payables	3,735	0	3,735	0	3,735	3,735
Other liabilities	21,164	3,949	17,215	0	17,215	17,215
Total	**952,070**	**3,949**	**913,041**	**35,080**	**948,121**	**955,501**

An independent expert determined the fair value of the derivative financial instruments by discounting the expected future cash flows at prevailing market interest rates.

Net gains and losses from financial instruments are as follows:

EUR k	2013	2012
Financial instruments at fair value through profit or loss	−7,554	−1,380
Loans and receivables	−40	−64
Total	−7,594	−1,444

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

20.3 Determination of 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 on entity-specific estimates as little as possible. If all significant inputs required to ascertain the fair value of an instrument are observable, the instrument is included in level 2.

An independent expert determined the fair value of the derivative financial instruments by discounting the expected future cash flows at prevailing market interest rates. Future cash flows are estimated at the end of the reporting period based on forward interest rates from observable yield curves as well as contractually agreed interest rates. These are discounted at a rate that reflects the credit risk of various counterparties.

All of the Group's financial instruments, which are measured at fair value in the balance sheet are valued applying 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.

21 Significant events after the end of the reporting period

No events that must be reported pursuant to IAS 10 (Events after the Reporting Period) occurred after the end of the reporting period December 31, 2013.

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 Englische Planke GmbH & Co. KG, Hamburg
- alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg
- alstria office Halberstädter Str. GmbH & Co. KG, Hamburg
- alstria office Hamburger Str. 43 GmbH & Co. KG, Hamburg
- alstria office Insterburger Straße 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

23 Disclosures pursuant to Wertpapierhandelsgesetz (German Securities Trading Act)

23.1 Ad-hoc announcement

The following table summarizes the announcements pursuant to Sec. 15 para. 1 German Securities Trading Act (WpHG) as published by the Company in the reporting year:

Date	Topic
Jun. 7, 2013	Launch convertible bond offering
Aug. 5, 2013	Half-year results
Sept. 10, 2013	Successful refinancing of syndicated loan

23.2 Directors' dealings

The following table summarizes the transactions reported to the Company pursuant to Sec. 15a para. 1 WpHG during the reporting period:

Name of person subject to the disclosure requirement	Olivier Elamine	Alexander Stuhlmann
Function	Member of the Management Board	Member of the Supervisory Board
Classification of the financial instrument	Share	Share
ISIN	DE000A0LD2U1	DE000A0LD2U1
Transaction	Buy	Buy
Place	XETRA	XETRA
Transaction date	Jun. 10, 2013	Dec. 12, 2013
Price per share (EUR)	9.087	8.803
Number of shares	3,000	3,000
Deal volume (EUR)	27,263.28	26,410.08

23.3 Voting right notifications

Information according to Section 160 para. 1 No. 8 German Stock Corporation Act (AktG): The following table shows share holdings in the Company that were in place on the balance sheet date 2013, that were communicated to us pursuant to Section 21 para. 1 WpHG and have been published pursuant to Section 26 para. 1 WpHG. Moreover, share holdings were considered that were in place until the date of the preparation of the financial statements, that were communicated to

No.	Shareholders, registered office	Voting rights (new) (%)	Strike threshold (%)
1	Stichting Pensioenfonds ABP, Heerlen, Netherlands	3.45	3
2	APG Groep N.V., Heerlen, Netherlands	3.45	3
3	APG Algemene Pensioen Groep N.V., Heerlen, Netherlands	3.45	3
4	CNP Assurances, Paris, France	5.14	5
5	RECM S.à r.l., Luxembourg, Luxembourg	0	3
6	Natixis S.A., Paris, France	0	3
7	Natixis Alternative Assets S.A., Luxembourg, Luxembourg	0	3
8	BPCE S.A., Paris, France	0	3
9	Ministry of Finance of the state of Norway (on behalf of the state of Norway), Oslo, Norway	3.01	3
10	Norges Bank (Central Bank of Norway) Oslo, Norway	3.01	3
11	Morgan Stanley Investment Management Limited, London, United Kingdom	2.80	3
12	Morgan Stanley Investments (UK), London, United Kingdom	2.80	3
13	Morgan Stanley Group (Europe), London, United Kingdom	2.80	3
14	Morgan Stanley International Limited, London, United Kingdom	2.80	3
15	Morgan Stanley International Holdings Inc, Wilmington, Delaware, USA	2.80	3
16	Henderson Global Investors (Holdings) plc, London, United Kingdom	2.90	3
17	Henderson Global Investors Limited, London, United Kingdom	2.90	3
18	Henderson Group plc, London, United Kingdom	2.90	3
19	Société Fédérale de Participations et d'Investissement/Federale Participatieen Investeringsmaatschappij SA/NV ('SFPI/FPIM'), Brussels, Belgium	2.97	3
20	Belgian Ministry of Finance (on behalf of the Kingdom of Belgium), Brussels, Belgium	2.97	3
21	Shamrock Cedobar Limited, Dublin, Ireland	0	3,5
22	Cypress Grove International DL.P., New York, USA	0	3,5
23	CG Delaware Apellas Limited, Valletta, Malta	0	3,5
24	CGI Partners L.P., Delaware, USA	0	3,5
25	Cypress Grove International Associates LLC, Delaware, USA	0	3,5
26	Grove International Partners LLP, Delaware, USA	0	3,5
27	Coronation Fund Managers Ltd, Cape Town, South Africa	2.90	3
28	Coronation Investment Management (Pty) Ltd, Cape Town, South Africa	2.90	3
29	Coronation Asset Management (Pty) Ltd, Cape Town, South Africa	2.90	3
30	Morgan Stanley, Wilmington, Delaware, USA	2.99	3
31	BNP Paribas Investment Partners S.A., Paris, France	5.02	5
32	BNP Paribas Investment Partners UK Ltd, London, United Kingdom	3.001	3

[1] Attribution pursuant to Section 22 para. 1 Sentence 1 No. 1 WpHG.
[2] Attribution pursuant to Section 22 para. 1 Sentence 1 No. 6 WpHG.

us pursuant to Section 21 para. 1 WpHG and have been published pursuant to Section 26 para. 1 WpHG. The Company did not receive any notifications pursuant to Section 20 para. 1 and 4 AktG or pursuant to Section 21 para. 1a WpHG during the reporting period.

Date of change	Attribution of voting rights	Contains 3 % or more of voting rights from
Apr. 1, 2011	Yes[1)]	APG Groep N.V., APG Algemene Pensioen Groep N.V.
Apr. 1, 2011	Yes[1)]	APG Algemene Pensioen Groep N.V.
Apr. 1, 2011	No	–
Dec. 7, 2012	No	–
Mar. 12, 2013	No	–
Mar. 12, 2013	No	–
Mar. 12, 2013	No	–
Mar. 12, 2013	No	–
Apr. 29, 2013	Yes[1)]	Norges Bank (Central Bank of Norway)
Apr. 29, 2013	No	–
May 24, 2013	Yes[2)]	–
May 24, 2013	Yes[2), 3)]	–
May 24, 2013	Yes[2), 3)]	–
May 24, 2013	Yes[2), 3)]	–
May 24, 2013	Yes[2), 3)]	–
Sept. 16, 2013	Yes[2), 3)]	–
Sept. 16, 2013	Yes[2)]	–
Sept. 16, 2013	Yes[2), 3)]	–
Nov. 5, 2013	Yes[1), 2), 3)]	–
Nov. 5, 2013	Yes[1), 2), 3)]	–
Nov. 11, 2013	No	–
Nov. 11, 2013	No	–
Nov. 11, 2013	No	–
Nov. 11, 2013	No	–
Nov. 11, 2013	No	–
Nov. 11, 2013	No	–
Dec. 10, 2013	Yes[2), 3)]	–
Dec. 10, 2013	Yes[2), 3)]	–
Dec. 10, 2013	Yes[2)]	–
Dec. 20, 2013	Yes[2), 3)]	–
Jan. 02, 2014	Yes[1), 2), 3)]	–
Jan. 03, 2014	Yes[1)]	–

[3)] Attribution in connection with Section 22 para. 1 Sentence 2 WpHG.
[4)] Attribution in connection with Section 22 para. 1 Sentence 3 WpHG.

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 public 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

On May 29, 2013, the general meeting elected Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Dammtorstrasse 12, Hamburg, to audit the separate and consolidated financial statements for the financial year 2013. The fees for auditing services amounted to EUR 260 k in 2013. Other consulting services accumulated to EUR 75 k.

26. Management Board

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

Olivier Elamine,
Chief Executive Officer (CEO)

Alexander Dexne,
Chief Financial Officer (CFO)

The attached remuneration report contains details of the principles for the definition of the Management Board 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, who are elected by the general meeting of shareholders. The expiration of the term of office is identical for all members, and ends with the closing of the annual general meeting of shareholders in the year 2016.

During the financial year 2013, the members of the Supervisory Board were:

Alexander Stuhlmann, (Chairman)
Hamburg, Germany
Management consultant,
Managing Director,
Alexander Stuhlmann GmbH

- 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
- HASPA Finanzholding
  Member of the Board of Trustees
- HCI Capital AG
  Chairman of the Supervisory Board
- LBS Bausparkasse Schleswig-Holstein-Hamburg AG
  Member of the Supervisory Board
- Ludwig Görtz GmbH
  Member of the Administrative Board
- Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG
  Chairman of the Advisory Board
- Studio Hamburg Berlin Brandenburg GmbH
  Member of the Advisory Board

Dr. Johannes Conradi,
(Vice-Chairman)
Hamburg, Germany
Lawyer and Partner, Freshfields Bruckhaus Deringer LLP

- Freshfields Bruckhaus Deringer LLP
  Global Head of Real Estate
  Member of the German Management Group
- EBS Universität für Wirtschaft und Recht – Real Estate Management Institute
  Member of the Board of Trustees
- Elbphilharmonie Hamburg-Bau GmbH & Co. KG
  Member of the Supervisory Board

Benoît Hérault
Uzès, France
Managing Director,
Chambres de l'Artémise S.à r.l.

- Belvédère SA
  Non-Executive Board Member

Roger Lee
Paris, France
Real Estate Investment Manager, Captiva Capital Management SAS

› Captiva Capital Management Ltd
Director
› Caposition SARL
Director
› Captiva Capital Management GmbH
Director
› Captiva International Partners LLP
Partner

Richard Mully
Cobham (Surrey), United Kingdom
Private Investor, Starr Street Limited

› Starr Street Limited
Director
› Aberdeen Asset Management PLC
Director
› Hansteen Holdings PLC
Director
› ISG plc
Director
› from September 1, 2013 onwards
St Modwen Properties PLC
Director

Marianne Voigt
Berlin, Germany
Businesswoman, Managing Director, bettermarks GmbH

Hamburg, February 14, 2014
The Management Board

Olivier Elamine
CEO

Alexander Dexne
CFO

Responsibility statement

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

Hamburg, February 14, 2014.

alstria office REIT-AG

The Management Board

Olivier Elamine
CEO

Alexander Dexne
CFO

Independent auditors' report

We have audited the consolidated financial statements prepared by alstria office REIT-AG, Hamburg/Germany - comprising the income statement and statement of comprehensive income, consolidated statement of financial position, statement of cash flows, statement of changes in equity and the notes to the consolidated financial statements - and the group management report for the business year from January 1 until December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a (1) HGB ('German Commercial Code') are the responsibility of the Parent Company's Management Board. 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. 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 entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, 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 of alstria office REIT-AG, Hamburg/Germany, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (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.

Hamburg/Germany, February 14, 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

Reiher	**ppa. Deutsch**
Wirtschaftsprüfer	Wirtschaftsprüferin

Corporate governance

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In this report we give an overview on the supervision and advising of the Company's management by the Supervisory Board, the main topics discussed by the plenary Supervisory Board and the work of its committees, the audit of the annual and consolidated financial statements as well as the Company's corporate governance during the reporting period.

Supervision and advising of the Company's management

During the reporting period 2013, we performed the duties required by the statutory provisions and the Company's articles of association. We advised and supervised the Management Board of the Company and the conduct of business and were 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, on planning, important business events and on current risks, on risk management and on the Company's compliance. The Management Board and Supervisory Board cooperated to set the strategic direction of the Company. Between meetings, the Management Board further informed the Supervisory Board of important events orally and in writing. The Chairman of the Supervisory Board regularly met with the Management Board to exchange information and advice on matters of the strategy, the planning, the business development, the current risks, the risk management and the compliance of the Company.

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

In financial year 2013, the Supervisory Board had four ordinary meetings and one extraordinary meeting. All members of the Supervisory Board attended every ordinary meeting of the Supervisory Board. Moreover, one written resolution was adopted based on detailed information provided to the board members for assessment. In 2014 there was one additional meeting of the Supervisory Board prior to the finalisation of this report.

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

Focal points of discussion

In financial year 2013, the Company issued a convertible bond of an amount of EUR 79.4 m and replaced and refinanced the Company's syndicated loan with an amount of EUR 544 m. In addition to the real estate transactions executed in financial year 2013 and to the regularly recurring topics, the Supervisory Board and its committees particularly focused on these successfully executed projects in the reporting period.

During its financials meeting in February 2013, the Supervisory Board dealt with the consolidated financial statements, the financial statements as at December 31, 2012 and the management reports and discussed them with the auditors. The Supervisory Board approved the financial statements of alstria office REIT-AG as well as the consolidated financial statements as at December 31, 2012, and joined the proposal of the Management Board regarding the appropriation of the profit. The Supervisory Board decided on its resolution proposals and its report to the annual general meeting for financial year 2012 and on the corporate governance statement, which includes the declaration of compliance with the recommendations of the German Corporate Governance Code. Based on the nomination and remuneration committee's recommendation, the Supervisory Board discussed and passed resolution on the amount of the short-term variable remuneration of the members of the Management Board for financial year 2012. It hereby considered their individual performance and also discussed the variable remuneration of the members of the Management Board for financial year 2013. Finally, Supervisory Board and Management Board discussed possible real estate transactions.

In its extraordinary meeting in May 2013, Management Board and Supervisory Board discussed the refinancing of the Company's syndicated loan and granted its approval.

Topics of the ordinary meeting following the annual general meeting in May 2013 were the establishment of a special committee that was authorised to issue all necessary approvals and declarations for issuing a convertible bond. Further topics were a report from the Management Board regarding a completed acquisition and certain disposals of properties - transactions that were all not subject to the approval of the Supervisory Board.

In its meeting in September 2013, the Supervisory Board approved the conclusion of an interest hedge agreement for the new syndicated loan agreement. Management Board and Supervisory Board discussed real estate transactions, which had been carried out to date in 2013 and those planned for the future. They approved the Company's budget for financial year 2013, which was adapted during the year regarding acquisitions and disposals. The Supervisory Board dealt with the current amendments of the German Corporate Governance Code and amended the rules of procedure for the nomination and remuneration committee. 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 by means of a questionnaire. Finally, first management level employees and the departments they manage were introduced to the Supervisory Board.

After intensive discussion with the Management Board the Supervisory Board passed resolution on the business and budget planning for financial year 2014 in its meeting in November 2013. Based on a corresponding recommendation from the nomination and remuneration committee, the Supervisory Board amended the rules of procedure for the Management Board. The Supervisory Board dealt with the new recommendations of the German Corporate Governance Code and with the objectives regarding the composition of the Supervisory Board as last determined in November 2011 (Diversity Statement). Furthermore, Management Board and Supervisory Board discussed acquisition and financing possibilities.

The resolution passed by written circulation procedure in April 2013 concerned the proposals of the Supervisory Board to the shareholders to be addressed the ordinary annual general meeting for financial year 2012.

In its financials meeting in February 2014, the Supervisory Board dealt with the consolidated financial statements and the financial statements for the year ending December 31, 2013 and with the Management Board's recommendation for the profit appropriation. We passed resolution on our report to the annual general meeting for financial year 2013 and the Corporate Governance Report, which includes the declaration of compliance with the recommendations of the German Corporate Governance Code. The Supervisory Board also dealt with the variable remuneration for the members of the Management Board.

Committees of the Supervisory Board

The Supervisory Board has six members. It has formed three permanent committees to support the Supervisory Board in its work, each of them composed of three members. The composition of the committees is described in the Company's Corporate Governance Statement on pages: » 104 to 110 of the annual report.

To the extent permitted by law, the committees have been given decision-making powers in some cases. In other cases they prepare the resolutions of the Supervisory Board by making proposals. During the Supervisory Board's meetings, the committee's chairmen report on the result of their committees' work. In financial year 2013, the Supervisory Board's committees focused on the following topics:

The audit committee had three meetings in financial year 2013, all of which were attended by the Chief Financial Officer. In the course of auditing the accounts of the Company, the audit committee dealt with the consolidated financial statements and the financial statements as at December 31, 2012 and the management reports. It discussed the documents with the independent auditors and carried out a respective preliminary examination of the annual and consolidated financial statements and the Management Board's recommendation for the appropriation of profit and submitted corresponding proposals for resolution. Further topics were the recommendation to the Supervisory Board regarding the proposed resolution to the annual general meeting for the choice of the auditors and the auditor's independence as well as the additional services performed by them. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch has been appointed as auditors and the audit committee resolved upon the engagement agreement, setting the key audit areas. In addition, the Company's accounting process, the risk management system and the included main risks, the effectiveness of the internal controlling and audit system and the compliance system were discussed. Finally, the audit committee dealt with the results of the Company's internal audit and examined the efficiency of its own work. The evaluation revealed a consistently high efficiency.

The nomination and remuneration committee, which also carries out the tasks of a nomination committee, met three times during the financial year. The committee discussed the amount of the short-term variable remuneration of the members of the Management Board for financial year 2012, considering their individual performance, as well as the parameters for the variable remuneration of the Management Board members for financial year 2013. It provided the Supervisory Board with corresponding resolution proposals. The nomination and remuneration committee, furthermore, examined the efficiency of its own work and prepared the resolution of the Supervisory Board regarding the amendments to the rules of procedure for the Management Board. It also dealt with the new recommendations of the German Corporate Governance Code and prepared proposals regarding the handling of these recommendations for the Supervisory Board.

In financial year 2013, the investment committee had four meetings and made one decision in writing after circulation of detailed documents to the members. It gave its approval for advisory services by the law firm Freshfields Bruckhaus Deringer LLP, of which the member of the Supervisory Board, Dr Johannes Conradi, is a partner. Furthermore, the investment committee examined the efficiency of its own work. The members of the investment committee discussed the real estate transactions executed in financial year 2013 with the other Supervisory Board members in the meetings of the entire Supervisory Board. Due to their size, the transactions were not subject to the approval of the Supervisory Board or its committee.

In financial year 2013, the Supervisory Board additionally established a four-member special committee that was authorised to issue all necessary approvals and declarations in the course of issuing of a convertible bond with underlying shares of an amount of up to 10 % of the Company's share capital, excluding of the shareholder's subscription rights.

The special committee held four telephone conferences in June 2013 to discuss matters concerning the issue of the convertible bond and approved it accordingly. The composition of the special committee is described in the Company's Corporate Governance Statement on pages: » 104 to 110 of the annual report.

No member of the committees participated in less than half of its respective committee's meetings.

Audit of the annual financial statements and consolidated financial statements

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch, audited the financial statements and the management report of alstria office REIT-AG and its consolidated financial statements, including the management report of the Group for the financial year running from January 1 until December 31, 2013. All reports were prepared by the Management Board, and issued with unqualified audit certificates.

The members of the Supervisory Board were immediately after their preparation presented with the financial statements and the management report of alstria office REIT-AG, the consolidated financial statements including the management report of the Group, along with the auditors' report, as well as with the Management Board's recommendation for the appropriation of the annual net profit. The Supervisory Board examined the documents provided by the Management Board in detail, both in its audit committee and at a plenary meeting. In the meeting of the audit committee, the auditors presented the material findings of their audit (including the audit of the internal control and risk management system) and were available for questions. The audit committee prepared the Supervisory Board' review and reported to the plenary in the presence of the auditors of the financial statements of alstria office REIT-AG and the consolidated financial statements. The attendees of the plenary meeting examined and discussed both the annual financial statements of the Company and the consolidated financial statements prepared by Management Board and the findings of the auditors. There were no objections to the final results of the review by the Supervisory Board. The Supervisory Board approved the financial statements of alstria office REIT-AG and its consolidated financial statements. The financial statements are thus confirmed. The Supervisory Board also shared the Management Board's recommendation for the appropriation of the profit.

Corporate Governance

In the reporting period the Supervisory Board also dealt with whether alstria office REIT-AG fulfils 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 February 2014, in accordance with Section 161 AktG; it was subsequently made permanently available to shareholders on the Company's website. In their 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, in addition to which recommendations were, or will not be, followed, and the reasons for this decision.

For its own composition the Supervisory Board decides on specific objectives ('Diversity Statement'), which are published in the Company's Corporate Governance Report, together with the status of their implementation. Based on a self-assessment of the members of the Supervisory Board in Autumn 2013, we were able to conclude that the composition of the Supervisory Board as at December 31, 2013 meets these objectives. No conflicts of interest arose during the financial year 2013, neither concerning members of the Supervisory Board nor the Management Board.

The Supervisory Board would like to thank the Management Board and all employees for their dedication and their successful work in financial year 2013.

Hamburg, February 2014

For the Supervisory Board

Alexander Stuhlmann
Chairman of the Supervisory Board

CORPORATE GOVERNANCE STATEMENT

The Management Board and Supervisory Board of alstria office REIT-AG ('alstria') are aware 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, amongst others, in a 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's corporate governance according to Section 3.10 of the German Corporate Governance Code ('Code') and Section 289a para. 1 of the German Commercial Code (HGB). This statement includes the declaration of compliance according to Section 161 of the German Stock Corporation Act, the relevant information on corporate governance practices, a description of the operating principles and the composition of the Management Board and Supervisory Board as well as corporate governance structures.

German Corporate Governance Code and declaration of compliance

alstria's value-oriented corporate management has already implemented many of the principles of the most recent version of the German Corporate Governance Code (dated May 13, 2013) to an extent beyond what is legally required. 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 the Company's website (www.alstria.com). After careful consideration, alstria has chosen not to follow some of the recommendations of the Code. These items and the reasons for the Company's nonconformity are detailed in the declaration of compliance issued by the Management Board and the Supervisory Board on February 27, 2014:

Declaration of compliance dated February 27, 2014

'Apart from the exceptions stated below, the Company has complied with the recommendations of the 'Government Commission German Corporate Governance Code as amended on May 15, 2012 since the prior declaration of compliance dated February 28, 2013. The Company intends to continue to comply with the recommendations of the Code as amended on May 13, 2013 with the following exceptions:

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 comprise a deductible. The Management Board and Supervisory Board believe that the members of the Supervisory Board will carry out their duties responsibly irrespective of any such deductible.

Change of performance targets for elements of variable remuneration, Section 4.2.3

The short-term incentive of the Management Board is mainly based on the achievement of a funds from operations ('FFO') target. In the event that the FFO achieved in a financial year is positively and materially impacted by new acquisitions, the Supervisory Board adjusts the FFO target accordingly. In doing so, the Supervisory Board makes sure that the Management Board is not incentivised to enter into acquisitions for short-term personal benefit. The impact of any acquisition on the management remuneration is solely linked to multi-year remuneration elements, therefore, aligning the interest of the Management Board with those of the Company and its shareholders. Vice versa, the Supervisory Board intends to also adapt the FFO target to disposals.

Determination of a level of benefits for the private pension plan, Section 4.2.3 (newly introduced with code amendment on May 13, 2013)

As the Company has opted for a defined contribution model for the private pension plan of the Management Board members for reasons of transparency and risk management, the Supervisory Board has not fixed a level of benefits for the private pension plan of the Management Board members. The Supervisory Board believes that it is in the best interest of the company to have a defined contribution model rather than a defined benefit model, as the defined contribution does not create any unforeseen future liability for the Company.

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 are made available to the Supervisory Board. Furthermore, the financial reports are discussed with the Supervisory Board in detail 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 is given the opportunity to discuss the figures with the Management Board before they are published. The Management Board and Supervisory Board consider this approach to be appropriate and adequate.'

All other recommendations of the German Corporate Governance Code dated May 13, 2013 are fully implemented. alstria has appointed a corporate governance 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 measures undertaken to lay the foundation for fair and efficient corporate management. They will 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 and faithful in the interest of the Company. The chairman of the Supervisory Board has regular contact with the Management Board.

The Management Board has two members: Olivier Elamine as Chief Executive Officer and Alexander Dexne as 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 goals and – in conjunction with the Supervisory Board – the strategic direction of the Company. The tasks 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 memberships 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 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 customary 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 at December 31, 2013, 44.44 % 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, the acquisition or disposal of real estate property for a consideration of more than EUR 30 m, entering into financing agreements with a volume of more than EUR 30 m, entering or prematurely terminating lease 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, if such investments have not already been included in the budget approved by the Supervisory Board. In its report to the annual general meeting the Supervisory Board reports on its activities in the financial year 2013. The report is presented on pages » 100 to 103 of the annual report.

Composition of the Supervisory Board

In accordance with the articles of association, the Supervisory Board is composed of six members. The Supervisory Board currently is comprised of the following members:

Member	Profession
Alexander Stuhlmann (Chairman)	Management consultant, Manager, Alexander Stuhlmann GmbH
Dr. Johannes Conradi (Vice-Chairman)	Lawyer and Partner, Freshfields Bruckhaus Deringer LLP
Benoît Hérault	Managing Director, Chambres de l'Artemise SARL
Roger Lee	Director and Real Estate Investment Manager, Captiva Capital Management SAS
Richard Mully	Director, Investment Advisor and Manager, Starr Street Limited
Marianne Voigt	Businesswoman, Managing Director, bettermarks GmbH

The periods of office of all supervisory members expire at the end of the annual general meeting in which the shareholders resolve to discharge them with respect to their activities for financial year 2015. No changes took place in the composition of the Supervisory Board in 2013.

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. The Supervisory Board of alstria office REIT-AG first specified the goals for its composition in November 2010. In November 2012, the Supervisory Board reviewed and revised the goals for its composition, especially with regard to the amendments of the German Corporate Governance Code issued in the year 2012.

With due consideration of the specific situation of the Company, the Supervisory Board of alstria specified the following goals for the composition of the Supervisory Board in November 2012, which are to be considered in its nominations to the shareholders in the general meeting:

1. Diversity
   The members of the Supervisory Board shall have the knowledge, skills and expert experience required to successfully complete their tasks, especially in the capital market and the German real estate market.

2. Women
   At least one member of the Supervisory Board shall be female.

3. Experience abroad
   At least two members of the Supervisory Board shall have acquired reasonable international experience.

4. Independence
   At least three members of the Supervisory Board shall have no business or personal relations, which could cause a substantial and not temporary conflict of interest, with the Company, its executive bodies,

a controlling shareholder or an enterprise associated with the latter.

5. Independent financial expert
   At least one independent member of the Supervisory Board shall have expertise in accounting or audit of annual statements.

6. Other conflicts of interest
   At least three members of the Supervisory Board shall not have any consulting or representation duties with main tenants, lenders or other business partners of the Company.

7. Age limit
   Members of the Supervisory Board shall generally not be older than 70 years of age.

In November 2013 the Supervisory Board assessed the implementation of the goals again and came to the conclusion that all of these goals are currently 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, internal audit and compliance. The audit committee was comprised of Marianne Voigt, as Chair, and Dr Johannes Conradi and Roger Lee as members.

The investment committee decides on the approval of the Supervisory Board concerning the acquisition or disposal of real estate property or other assets worth between EUR 30 m and EUR 100 m. Transactions of a value greater than this amount are to be presented to the entire Supervisory Board for approval. The investment committee, furthermore, decides on the approval of the Supervisory Board regarding the conclusion, renewal or early termination of lease agreements with third parties with a total annual consideration of more than EUR 2 m as well as regarding contracts with Supervisory Board members according to Section 114 German Stock Corporation Act (Aktiengesetz, AktG). Up until December 31, 2013, the investment committee was comprised of Richard Mully, as Chair, and Benoît Hérault and Alexander Stuhlmann as members.

The nomination and remuneration committee, which also carries out the function of a nomination committee, prepares resolutions of the entire Supervisory Board 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. Furthermore, it deals with the resolution of, or amendments to, the rules of procedure for the Management Board, as well as the approval of certain other activities and primary contracts of members of the Management Board. Apart from the amount of compensation, the nomination and remuneration committee decides on the conclusion, amendment, extension and termination of contracts with Management Board members as well as on the content of such 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 was comprised of Alexander Stuhlmann, as Chair, and Dr Johannes Conradi and Richard Mully as members.

In May 2013, the Supervisory Board additionally formed a special committee bonds in the course of the issue of convertible bonds. Its members were Dr Johannes Conradi, as Chair, and Roger Lee, Benoît Hérault and Richard Mully as further members.

The Supervisory Board reports on the activities of the committees of the Supervisory Board during the financial year 2013 in its report to the annual general meeting on pages » 100 to 103 of the annual report.

Remuneration of the Managment Board and Supervisory Board

The compensation system for the Management Board and the Supervisory Board is laid out in the remuneration report for financial year 2013. The report also entails a breakdown of the remuneration of each member of the Management Board and the Supervisory Board for financial years 2012 and 2013. In the annual general meeting on June 16, 2010, the shareholders passed resolution on the approval of the remuneration system for the members of the Management Board with a large majority.

Stock option programme and similar securities-oriented incentive systems

Stock option programme and long term incentive plan

In March 2007, the Supervisory Board adopted a stock option programme 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 the annual general meeting on March 15, 2007. In March 2010 the stock option programme was replaced by a long-term incentive plan, which entails a new long-term remuneration component. Nonetheless, the programme continues in the scope of the tranche granted in 2007. The term of the stock options granted ends in financial year 2014. 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 in financial year 2010. The stock option programme and long-term incentive plan are described in the remuneration report on pages » 111 to 117 of the annual report.

Employee participation programme

Pursuant to the authorisation granted by the shareholders in the annual general meeting on March 15, 2007, the Management Board was authorised to issue up to a total of 500,000 convertible profit participation certificates with a total nominal value of EUR 500,000 until March 15, 2012. The rights were issuable to alstria's employees and employees of companies directly or indirectly controlled by alstria according to the definition of the employee profit participation programme. Members of the Management Board are not considered employees for the purposes of this plan.

After expiration of the aforementioned authorisation, the annual general meeting on April 24, 2012 further authorised the Management Board to issue up to a total of 500,000 convertible profit participation certificates until April 23, 2017. The certificates are issuable to alstria's employees and employees of companies directly or indirectly controlled by alstria according to the definition of the employee profit participation programme.

Each convertible profit participation certificate issued under the employee participation programmes 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.

A total of 300,100 certificates were issued in the course of this now expired employee profit participation programme 2007. So far, a total of 165,500 convertible profit participation rights resulting from this programme, were converted into shares of the Company. Furthermore, up to now, 197,800 profit participation certificates have been issued in the course of the new employee profit participation programme 2012.

Directors' Dealings – Securities transactions subject to reporting requirement

Pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) the Management Board and Supervisory Board of alstria office REIT-AG, as well as related parties (family members), are required to notify the Company of their own transactions involving Company shares. In addition to the acquisition and sale of alstria 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 must be informed of such transactions within five working days and publish them immediately. However, the former only applies when the total value of the transactions is EUR 5,000 or more within one calendar year. All transactions reported to alstria were duly published in the relevant media throughout Europe and can be found on the Company's website (www.alstria.com).

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 its 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 the participation in our annual general meeting. Shareholders have the option of exercising their voting rights personally or by an authorised representative at the annual general meeting or by sending voting instructions to their proxies. The invitation to the annual general meeting includes an explanation of how voting instructions can be issued. The articles of association do not stipulate an option to vote by mail. Now already shareholders have the possibility to vote before the date of the annual general meeting by authorising a proxy, so that the additional option of voting by mail would not facilitate the exercise of the shareholders' rights.

Upon request it is possible to send invitations and documents for shareholders' general meetings to the shareholders electronically. The invitation and the documents to be made available for viewing prior to the upcoming annual general meetings in accordance with the provisions of law will be published on the Company's website together with additional documents pursuant to Section 124a of the German Stock Corporation Act (Aktiengesetz, AktG) and the agenda. The results of the votes will likewise be published on the website of the Company following the annual 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 annual 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 WpHG. Moreover, alstria's financial reports and website include a financial calendar which indicates all dates of importance to shareholders. All announcements and information are additionally published in English.

Financial reporting and auditing

alstria regularly informs shareholders and third parties by publishing its consolidated, half-year and quarterly financial statements in the course of each financial year. 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 shareholders in 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. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch, was appointed to audit the annual and half-year financial statements of alstria office REIT-AG and of the Group for financial year 2013. The auditors participate in the plenary sessions of the audit committee and the

Supervisory Board 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 Management Board is responsible for ensuring compliance with the legal provisions and Company guidelines throughout all of the Group companies. The good reputation of alstria and the trust of its shareholders, tenants and employees depend crucially on the behaviour of each individual employee.

For this reason, alstria developed a code of conduct, listing guidelines for behaviour and orientation for resolving conflicts (e. g. conflicts of interest), thereby serving as a model for correct behaviour for all employees of the Group. The code of conduct is published on the Company's 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 by offering 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.

Sustainability

alstria's sustainability approach is based on a three-pillar model, taking the impact of business on the following pillars into account: the economy, the environment and social issues.

As a commercial organization, alstria's main objective is to optimize its long-term sustainable value. It strives to generate the best yield possible on its equity over time. alstria's approach to sustainability does not solely focus on environmental matters, but considers economic and social impacts of its actions as well. alstria balances the risk / benefit of the three aspects before making any decisions and adapts its actions to what it feels is the most viable course of action. The result of this approach is that alstria might not always take the decisions that maximize the short-term benefit, but it strives to always take the route that will yield the best long-term prospects.

alstria's sustainability approach and its achievements in the three sustainability fields as well as future targets are described in detail in the Company's yearly sustainability report which is available on the Company's website » www.alstria.com.

Hamburg, February 2014

The Management Board
The Supervisory Board

REMUNERATION REPORT*

Remuneration of the Management Board members

The remuneration system for the members of the Management Board is determined by the Supervisory Board and is reviewed regularly. The Supervisory Board is of the opinion that an adequate remuneration for the members of the Management Board is provided, 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 developed by involving an external, independent remuneration expert. The shareholders approved it in the general meeting for financial year 2009; since then it has been applied without changes. The remuneration structure complies with the German Stock Corporation Act (AktG) and - except for the deviations declared in the Compliance Statement according to Sec. 161 AktG - with the recommendations of the German Corporate Governance Code.

The criteria for determining the appropriateness of the remuneration of the Management Board, which are used as part of the remuneration system, are among others:

› the duties of each individual Management Board member,
› his or her personal performance,
› the financial situation of the Company,
› the success and future prospects of the Company,
› customary practice regarding remuneration relative to its peer companies and
› the remuneration structure of the Company.

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

1 Structure of the Management Board remuneration

The Supervisory Board determines a target remuneration for each board member. The target remuneration 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 target remuneration is made up of variable components which are dependent on achieving annual or multi-year targets as described below. The system also provides for caps for the different variable elements of the remuneration.

Fixed remuneration

The fixed remuneration is a basic salary, which is independent of performance and paid as a salary on a prorated basis each month. The fixed remuneration amounts to approx. 40 % of the total target remuneration excluding ancillary benefits per financial year.

Variable remuneration

The variable remuneration amounts to approximately 60 % of the total target remuneration, and is composed of two parts: a Short Term Incentive and a Long Term Incentive.

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

	Short Term Incentive (STI)	Long Term Incentive (LTI)	
Approx. % of total target remuneration	20 %	20 %	20 %
Performance measured against (targets)	Like for Like budgeted FFO	Total Shareholder Return relative to EPRA NA-REIT Europe Ex-UK	Absolute Total Shareholder Return (according to WACC)
Min/max target achievement	50 %/150 %	50 %/150 %	50 %/150 %
Discretionary factor	0.8 / 1.2	0.8 / 1.2	0.8 / 1.2
Deferred component	25 %	100 %	100 %
Form of the deferred component	Virtual shares	Virtual shares	Virtual shares
Deferral period	2 years	4 years	4 years
Reference share price	Average share price for previous 20 days	Average share price for previous 60 days	Average share price for previous 60 days
Payout cap for the deferred components	250 % of deferred amount	Virtual shares multiplied with 250 % of reference share price on granting date	Virtual shares multiplied with 250 % of reference share price on granting date

Performance target FFO for STI
As the amount of the STI for a financial year is mainly based on the achievement of a funds from operations ('FFO'), the Supervisory Board adapts the FFO target for a financial year if the FFO is impacted by acquisitions and disposals. In doing so the Supervisory Board makes sure that the Management Board is not incentivised to enter into transactions for short-term personal benefit.

Min. / max. target achievement
Reflects the minimum performance that needs to be achieved in order for any payout to occur (threshold), as well as the maximum performance that is considered in the payout calculation (cap).

Discretionary factor
Reflects the discretionary factor that the Supervisory Board can apply to reflect individual performance of each board member.

Deferred component
Reflects the part of the variable remuneration which is deferred.

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

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

Payout amount
- For the STI, the payout amount at the end of the deferral period is equal to the number of virtual shares multiplied by the reference share price, thereby adding back any dividend per alstria share paid by the Company during the deferral period.
- For the LTI, the number of virtual shares is adjusted at the end of the deferral period, reflecting the degree of achievement of the performance target. The pay-out amount is equal to the number of virtual shares (i) multiplied by the reference share price (ii) plus the dividend per alstria share paid during the deferral period and (iii) multiplied by the discretionary factor.

The table below summarizes the number of virtual shares outstanding under the existing STI and LTI program.

	Start of deferral period	Reference share price in EUR	End of deferral period	Olivier Elamine Number of virtual shares	Alexander Dexne Number of virtual shares
STI 2011	2012	8.69	2014	7,101	5,810
STI 2012	2013	9.45	2015	7,193	5,885
LTI 2010	2010	8.08	2014	54,455	44,554
LTI 2011	2011	10.43	2015	42,186	34,516
LTI 2012	2012	8.70	2016	50,575	41,379
LTI 2013	2013	9.29	2017	47,363	38,751

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.

2 Remuneration of the Management Board in the financial year 2013

The total target remuneration for the members of the Management Board in the last financial year amounted to a total of EUR 2,192 k. The total amount paid to the Management Board in the last financial year amounted to a total of EUR 1,464 k (including pay-outs on vested virtual shares from the STI 2010).

The individual Management Board remuneration is presented based on model tables according to the German Corporate Governance Code as amended on May 13, 2013.

Reference is explicitly made to the fact that the hypothetical maximum amounts can only be attained, when all conditions named in the table ‘Conditions to attain maximum amounts’ occur at the same time.

Remuneration for the members of the management board for financial years 2012 and 2013

Benefits granted	Olivier Elamine (CEO)			
in EUR k	2012	2013	2013 (min.)	2013 (max.)[10]
Total amount fixed compensation and ancillary benefits	**452**	**451**	**451**	**451**
Fixed compensation[1]	440	440	440	440
Ancillary benefits[2]	12	11	11	11
Total amount one-year variable compensation	**173**	**173**	**0**	**312**
One-year variable compensation (STI 2012)	173[3]	–	–	–
One-year variable compensation (STI 2013)	–	173[3]	0	312[4]
Total amount multi-year variable compensation	**498**	**498**	**0**	**2,240**
STI 2012 (1 plus 2 years)	58[5]	–	–	–
STI 2013 (1 plus 2 years)	–	58[5]	0	260[6]
LTI 2012 (4 years)	440[7]	–	–	–
LTI 2013 (4 years)	–	440[7]	0	1,980[8]
Total amount fixed and variable compensation	**1,123**	**1,122**	**451**	**3,003**
Service cost[9]	84	84	84	84
Total	**1,207**	**1,206**	**535**	**3,087**

1) annual base salary according to service contracts
2) includes benefits for company car
3) 75 % of the STI target value for the respective financial year
4) maximum attainable pay-out amount for 75 % of the STI after 1 year (target value STI x 0.75 x 1.5 x 1.2)
5) 25 % of the STI target value for the respective financial year
6) maximum attainable pay-out amonut for 25 % of the STI after 1 plus further 2 years (target value STI x 0.25 x 1.5 x 1.2) x 2.5)
7) LTI target value for the respective financial year
8) maximum attainable pay-out amount for the LTI after holding period of 4 years (1.5 x granted virtual shares x (2.5 x share price on grant date) x 1.2)
9) includes benefits for insurances and pension plans
10) hypothetical maximum attainanble pay-out amount under the condition that all assumptions described in the table 'Conditions to attain maximum amounts' are fulfilled

Allocation/benefits paid out	Olivier Elamine (CEO) 2013	Olivier Elamine (CEO) 2012	Alexander Dexne (CFO) 2013	Alexander Dexne (CFO) 2012
Total amount fixed compensation and ancillary benefits	**451**	**452**	**379**	**379**
Fixed compensation[1]	440	440	360	360
Ancillary benefits[2]	11	12	19	19
Total amount one-year variable compensation	**204**	**185**	**167**	**151**
One-year variable compensation (STI 2011)[3]	–	185	–	151
One-year variable compensation (STI 2012)[3]	204	–	167	–
Total amount multi-year variable compensation	**67**	**0**	**54**	**0**
STI 2010 (1 plus 2 years)[4]	67	0	54	0
Other	0	0	0	0
Total amount fixed and variable compensation	**722**	**637**	**600**	**530**
Service cost[5]	84	84	58	58
Total	**806**	**721**	**658**	**588**

1) annual base salary according to service contracts
2) includes benefits for company car
3) pay-out amount for 75% of the STI after 1 year for the respective previous year
4) pay-out amount for 25% of the STI after 1 plus further 2 years
5) includes benefits for insurances and pension plans

Benefits granted	Alexander Dexne (CFO)			
in EUR k	2012	2013	2013 (min.)	2013 (max.)[10]
Total amount fixed compensation and ancillary benefits	**379**	**379**	**379**	**379**
Fixed compensation[1]	360	360	360	360
Ancillary benefits[2]	19	19	19	19
Total amount one-year variable compensation	**142**	**142**	**0**	**255**
One-year variable compensation (STI 2012)	142[3]	–	–	–
One-year variable compensation (STI 2013)	–	142[3]	0	255[4]
Total amount multi-year variable compensation	**407**	**407**	**0**	**1,833**
STI 2012 (1 plus 2 years)	47[5]	–	–	–
STI 2013 (1 plus 2 years)	–	47[5]	0	213[6]
LTI 2012 (4 years)	360[7]	–	–	–
LTI 2013 (4 years)	–	360[7]	0	1,620[8]
Total amount fixed and variable compensation	**928**	**928**	**379**	**2,467**
Service cost[9]	58	58	58	58
Total	**986**	**986**	**437**	**2,525**

Conditions to attain maximum amounts for variable remuneration elements granted in 2013:

One-year variable compensation	1. FFO 2013 = EUR 69.4 m (budgeted FFO of EUR 46.3 m is achieved by 150 %)
	2. SB resolves on discretionary factor of 1.2
Multi-year variable compensation	
LTI (4 years)	1. absolute TSR ≥ 8 %, i.e. total shareholder return for alstria investors over 4 years of 8 % p.a. or more
	2. relative TSR (TSR vs. EPRA) ≥ 25 %, i.e alstria overperforming EPRA/NA-REIT Europe Index Ex UK by 25 %
	3. Company share price increases by 250 % (share price of EUR 9.29 on granting date > share price of EUR 23.225 on payment date after 4 years)
	4. SB resolves on discretionary factor of 1.2
STI (1 plus 2 years)	share price of Company shares increases by 250 % (e.g.: share price of EUR 9 on deferral date > share price of EUR 22.5 on payment date after 2 years)

3 Other mandatory disclosures

Benefits upon premature termination of Management Board duties

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. In the event of an early termination of a Management Board service contract by mutual agreement, the members of the Management Board are still entitled to their remuneration claims during the remaining term of the service contract, however, are capped at a value of two years' remuneration. 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. The Management Board contracts do not include any change of control clauses.

Additional information on share-based remuneration components

The long-term incentive (LTI) was implemented in 2010 and replaced the Company's stock option programme 2007. The members of the Management Board were granted a single tranche of stock options in the course of the stock option programme 2007 in financial year 2007. The term to maturity for these stock options ends in financial year 2014. In financial year 2013 no expenses arose from the stock options granted in financial year 2007.

The details of the stock option programme 2007 are as follows: 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 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. Each exercise period lasts 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. The exercise price for the stock options granted in 2007 is EUR 16.00. The performance target for the 2007 stock options is EUR 19.20.

Remuneration of the Supervisory Board members

1 Structure of the Supervisory Board remuneration

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 receives an additional annual amount of EUR 20 k, the Vice-Chairman receives an additional amount of EUR 10 k. Members who sit on the Supervisory Board for only part of a year receive a remuneration pro rata. Membership in the audit committee entails the member to a separate remuneration of EUR 10 k, whereby the chair of the audit committee receives EUR 15 k. Membership in other committees does not give entitlement to any additional remuneration.

2 Remuneration of the Supervisory Board in financial year 2013

The total remuneration for the Supervisory Board members in 2013 amounted to EUR 305 k. The individual remuneration of the members of the Supervisory Board for financial years 2013 and 2012 is composed as follows:

EUR k

Supervisory Board member	Function on the Supervisory Board	Function on the Audit Committee	Remuneration for 2012	Remuneration for 2013
Alexander Stuhlmann	chairman	n/a	60.00	60.00
Dr.Johannes Conradi	vice-chairman	Chairman (until Dec. 31,2012)	65.00	60.00
Benoît Hérault	member (since Apr. 24, 2012)	n/a	27.54	40.00
Roger Lee	member	member	50.00	50.00
Richard Mully	member	n/a	40.00	40.00
Marianne Voigt	member	Chairman (since Jan. 1, 2013) member (since Apr. 24, 2012)	46.89	55.00
Daniel Quai	member until Mar. 31, 2012	member until Mar. 31, 2012	12.43	n/a
Total			**301.86**	**305.00**

REIT disclosures

REIT DECLARATION

Statement of the management board

In relation with our financial statements according to Section 264 of the German Commercial Code (Handelsgesetzbuch, HGB) and our consolidated financial statements according to Section 315a HGB as per December 31, 2013, the management board issues the following declaration regarding compliance with the requirements of Sections 11 to 15 of the REIT Act (German Real Estate Investment Trust Act) and regarding the calculation of the composition of income subject to and not subject to income tax for the purpose of Section 19 paragraph 3 REIT Act in conjunction with Section 19a REIT Act:

1. As per balance sheet date, 82.17 % of alstria's shares were free float according to Section 11 paragraph 1 REIT Act. This was disclosed 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 1,659,441 k which equals to 92.93 % 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 as per balance sheet date which were included in the consolidated statements amount to a maximum of 20 %, namely EUR 454 k and therefore 0.03 %.

4. In relation to the sum of the entire sales revenue plus the other earnings from immovable assets pursuant to the consolidated financial statements according to Section 12 paragraph 3 and 4 REIT Act
a) for the financial year 2013, the entire sales revenues of the Group plus other earnings from immovable assets amounted to EUR 105.9 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 186 k in the financial year 2013. This equals 0.18 % of total revenue plus other earnings from immovable assets.

5. In the financial year 2013, a dividend payment of EUR 39,467 k for the prior financial year was distributed to the shareholders. The financial year 2012 did not result in a net income according to commercial law pursuant to Section 275 HGB.

6. alstria office REIT-AG's dividend does not derive from already taxed parts of the profit.

7. Since 2009, the Group has realised 23.66 % 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 financial statements according to Section 12 paragraph 1 REIT Act was EUR 844.1 m. This equals to 50.9 % of the value of the immovable assets which are shown in the consolidated financial statements in conformance with Section 12 paragraph 1 REIT Act.

alstria office REIT-AG
Hamburg, February 14, 2014

Olivier Elamine
CEO

Alexander Dexne
CFO

REIT MEMORANDUM

We summarised the result of our audit in an auditor's memorandum according to Section 1 (4) Clause 5 of the Act on German Real Estate Stock Corporations with listed Shares:

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 annual financial statements and the consolidated financial statements of alstria office REIT-AG, Hamburg, for the financial year from January 1 to December 31, 2013, 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 pretaxation of proceeds according to Section 19 (3) and Section 19a REIT Act as of December 31, 2013 (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 judgment 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, 2013 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 19a 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, 2013 and agreed the provided information concerning the requirements of Section 12 to 15 REIT Act with the information disclosed in the annual financial statements 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, 2013 and the information provided concerning the compliance with Section 12 to 15 REIT Act and the composition of the proceeds concerning the pretaxation 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.

Hamburg/Germany, February 14, 2014

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

sgd. Gerald Reiher
Wirtschaftsprüfer
(German Public Auditor)

sgd. p.p. Annika Deutsch
Wirtschaftsprüferin
(German Public Auditor)

Glossary

... do you speak alstria?

The real estate industry has developed its own language with many technical terms. In order to facilitate understanding, we've added a glossary.

A

AFFO (adjusted funds from operations)
The AFFO is equal to the FFO (funds from operations) with adjustments made for capital expenditures used to maintain the quality of the underlying investment portfolio.

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

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

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

C

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

CO_2
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.

Contractual rent
At a given date, the contractual rent reflects the total annualised rent taking into consideration all signed rental contracts.

Contractual vacancy rate
Contractual vacancy rate is the amount of space as a per cent of the total area of the portfolio on which there is no current or future signed lease contract.

CSR (Corporate Social Responsibility)
A form of corporate self-regulation integrated into a business model. The term is used interchangeable with the terms 'sustainability', and 'Environmental, Social and Governance (ESG)'.

D

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.

DGNB (Deutsche Gesellschaft für Nachhaltiges Bauen)
The German Sustainable Building Council establishes a system for the assessment and the certification of sustainable buildings.

E

EPRA (European Public Real Estate Association)
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.

F

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, decreased/increased by the net gain/loss from fair value adjustment on investment property, decreased/increased by the net gain/loss from fair value adjustment on financial derivatives, increased/reduced by the profit/loss on disposal of investment property, decreased/increased by the net gain/loss from fair value adjustments on investment property of joint ventures, decreased/increased by non-recurring items, plus non-cash-expenses and less cash taxes paid.

G

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

I

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

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.

J

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.

L

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

N

NAV (net asset value)
Reflects the economic equity of the Company. It is calculated from the value of assets less debt.

NNNAV (triple net asset value)
The Company computes NNNAV as total equity as reported in the IFRS consolidated statement of financial position, which accounts for the carrying amount and the fair value of financial instruments and financial liabilities, adjusted for hidden reserves and hidden losses in immovable assets and financial liabilities.

O

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

P

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

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.

R

Road shows
Corporate presentations to institutional investors.

S

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.

Stakeholder
An individual, community or organisation that affects or is affected by some aspect of an organisation's products, operations, markets, industries and outcomes.

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.

Sustainability
Alignment of an organisation's products and services with stakeholder expectations, thereby adding economic, environmental and social value.

T

Transparency
A principle that allows those affected by administrative decisions, business transactions or charitable work to know not only the basic facts and figures but also the mechanisms and processes. It is the duty of civil servants, managers and trustees to act visibly, predictably and understandably.

V

Vacant space
Vacant space refers to the sum of all lettable space that at the end of a calendar year is unoccupied or offered for lease.

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.

2014 Events

January

Wk	M	T	W	T	F	S	S
1			1	2	3	4	5
2	6	7	8	9	10	11	12
3	13	14	15	16	17	18	19
4	20	21	22	23	24	25	26
5	27	28	29	30	31		

February

Wk	M	T	W	T	F	S	S
5						1	2
6	3	4	5	6	7	8	9
7	10	11	12	13	14	15	16
8	17	18	19	20	21	22	23
9	24	25	26	27	28		

March

Wk	M	T	W	T	F	S	S
9						1	2
10	3	4	5	6	7	8	9
11	10	11	12	13	14	15	16
12	17	18	19	20	21	22	23
13	24	25	26	27	28	29	30
14	31						

April

Wk	M	T	W	T	F	S	S
14		1	2	3	4	5	6
15	7	8	9	10	11	12	13
16	14	15	16	17	18	19	20
17	21	22	23	24	25	26	27
18	28	29	30				

May

Wk	M	T	W	T	F	S	S
18				1	2	3	4
19	5	6	7	8	9	10	11
20	12	13	14	15	16	17	18
21	19	20	21	22	23	24	25
22	26	27	28	29	30	31	

June

Wk	M	T	W	T	F	S	S
22							1
23	2	3	4	5	6	7	8
24	9	10	11	12	13	14	15
25	16	17	18	19	20	21	22
26	23	24	25	26	27	28	29
27	30						

July

Wk	M	T	W	T	F	S	S
27		1	2	3	4	5	6
28	7	8	9	10	11	12	13
29	14	15	16	17	18	19	20
30	21	22	23	24	25	26	27
31	28	29	30	31			

August

Wk	M	T	W	T	F	S	S
31					1	2	3
32	4	5	6	7	8	9	10
33	11	12	13	14	15	16	17
34	18	19	20	21	22	23	24
35	25	26	27	28	29	30	31

September

Wk	M	T	W	T	F	S	S
36	1	2	3	4	5	6	7
37	8	9	10	11	12	13	14
38	15	16	17	18	19	20	21
39	22	23	24	25	26	27	28
40	29	30					

October

Wk	M	T	W	T	F	S	S
40			1	2	3	4	5
41	6	7	8	9	10	11	12
42	13	14	15	16	17	18	19
43	20	21	22	23	24	25	26
44	27	28	29	30	31		

November

Wk	M	T	W	T	F	S	S
44						1	2
45	3	4	5	6	7	8	9
46	10	11	12	13	14	15	16
47	17	18	19	20	21	22	23
48	24	25	26	27	28	29	30

December

Wk	M	T	W	T	F	S	S
49	1	2	3	4	5	6	7
50	8	9	10	11	12	13	14
51	15	16	17	18	19	20	21
52	22	23	24	25	26	27	28
1	29	30	31				

Conferences / Roadshows

March 28

Publication of the annual report
Financial report (Hamburg)

May 6

Publication of Q1 report
Interim report (Hamburg)

May 14

Annual General Meeting
Hamburg

August 5

Publication of Q2 report
Half-year interim report
(Hamburg)

November 4

Publication of Q3 report
Interim report (Hamburg)
Publication of sustainability
report 2014

Stay updated about our Investor Relations events. Visit our website:
» www.alstria.com/investors

Augmented Reality

This report will offer you Augmented Reality experience. In this report look for the 'Augmented Reality'-logo.

This will indicate that the picture will interact with your phone.

In order to access it you need to: With an iPhone/iPad: Download and install the alstria app from apple's App Store.

Open the app, and tap on the Aurasma tab.

Aim at the desired picture and you should access the augmented reality in a few seconds.

With an Android phone: Download the Aurasma Lite app from Google Play.

Launch the Aurasma Lite app, and search for 'alstria'. Once the alstria channels are found, subscribe to both of them.

Now aim at the desired picture and you should access the augmented reality in a few seconds.

Try it on our logo right now to see how this works.

For more information about Aurasma, please visit: » www.aurasma.com

Imprint

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

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

Forward-looking statements

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

Note

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

Concept, design and realisation

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