alstria
First German REIT

ANNUAL REPORT 2014

KEY FIGURES

Five-year overview according to IFRS

EUR k	2014	2013	2012	2011	2010
Revenues and Earnings					
Revenues	101,782	104,224	101,286	90,798	89,094
Net rental income	88,960	93,249	90,110	80,868	81,759
Consolidated profit for the period	36,953	38,945	39,911	27,448	206
FFO	47,626	45,328	43,571	34,685	27,541
Earnings per share (EUR)	0.47	0.49	0.51	0.40	0.00
FFO per share (EUR)	0.60	0.57	0.55	0.48	0.45

EUR k	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Balance sheet					
Investment property	1,645,840	1,632,362	1,622,988	1,528,589	1,348,400
Total assets	1,769,304	1,785,679	1,786,893	1,686,637	1,542,336
Equity	846,593	844,114	829,287	768,195	692,408
Liabilities	922,711	941,565	957,606	918,442	849,928
NAV per share (EUR)	10.71	10.69	10.51	10.71	11.24
Diluted NAV per share (EUR) [1]	10.67	10.60			
Net LTV (%)	50.4	50.7	47.8	50.1	49.8

[1] Dilution based on potential conversion of convertible bond.

G-REIT figures	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
G-REIT equity ratio (%)	50.2	50.9	50.0	48.7	49.8
Revenues incl. other income from investment properties (%)	100	100	100	100	100

EPRA[1] key figures	2014	2013	2012	2011	2010
EPRA earnings per share (EUR)	0.59	0.57	0.55	0.50	0.44
EPRA cost ratio A (%)[2]	23.3	21.7	21.6	n/a	n/a
EPRA cost ratio B (%)[3]	20.1	18.6	18.5	n/a	n/a

	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
EPRA NAV per share (EUR)[4]	11.22	10.97	10.98	11.32	11.68
EPRA NNNAV per share (EUR)	10.58	10.55	10.50	10.71	11.24
EPRA net initial yield (%)	4.8	5.6	5.7	5.8	5.5
EPRA ‘topped-up‘ net initial yield (%)	5.0	5.8	5.7	5.8	5.7
EPRA vacancy rate (%)	11.0	6.8	8.0	6.5	5.1

[1] For further information, please refer to EPRA Best Practices Recommendations, www.epra.com.
[2] Including vacancy costs.
[3] Excluding vacancy costs.
[4] Based on cumulated fair value adjustments on financial derivatives as at December 31, 2014 and December 31, 2013; based on fair values of financial derivatives as at December 31, 2012 and before.

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ECONOMIC CONDITIONS

The German economy again proved to be solid in 2014. Germany's GDP increased by 1.5%, which is 0.8 percentage points more than its growth in 2013 (0.7%) and above the average growth of the last 10 years (+1.2%).* This development was also reflected in the German labour market, resulting the unemployment rate decreasing by 0.5 percentage points to 6.4% in comparison to 2013. The employment level reached a peak of 42.7 million or 0.9% more than last year.**

The German real estate market developed in a positive manner in 2014. The total investment volume on the commercial real estate market rose to approx. EUR 39.8 bn and was therefore 30% higher than in the previous year and the highest since 2007. Domestic and international investors prefered the stable German real estate market to others, 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 2014, prime rents for office space developed positively at the most important commercial real estate sites, namely Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich und Stuttgart – the so called 'Big-7'. On average, prime rents increased by around 0.6%. An increase was achieved in Munich at 4.8% (EUR 33.00 per sqm) and Stuttgart at 2.7% (EUR 19.00 per sqm). In Hamburg the prime office rents increased by 2.1% (EUR 24.50 per sqm). In Berlin (EUR 22.00 per sqm), Frankfurt (EUR 35.00 per sqm) and Cologne (EUR 22.00 per sqm) prime rents remained at previous year level. Rents only decreased in Düsseldorf, respectively by -5.5% (EUR 26.00 per sqm).

Take-up in major German cities

The vacancy rate of office properties in German cities decreased from 8.3% in 2013 to 7.6% in 2014, which represents a total vacancy of 6.81 million sqm (decrease by 0.51 million sqm). Comparing the Big-7, the highest vacancy rate was noted in Düsseldorf (10.9%), followed by Frankfurt (10.4%), Berlin (7.7%), Hamburg (6.8%), Munich (6.6%), Cologne (6.5%) and Stuttgart (5.2%).

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

New lease-up

In 2014, new lease contracts were signed in the seven major German cities for more than 3.02 million sqm of office space. This reflects a slight increase by 0.09 million sqm or 3.0% as compared to the previous year. The highest increases were registered in Berlin (35.6%), Hamburg (19.3%), Stuttgart (8.1%) and Munich (2.6%). Some decreases were noted in Düsseldorf (-22.1%), Frankfurt (-14.2%) and Cologne (-13.2%).

New office supply

In 2014, the delivery of new office and commercial spaces increased by approx. 988,000 sqm. Compared to last year this is an increase of 11.0%, which is mainly due to the completions of developments in Düsseldorf (56.0%), Frankfurt (31.2%) and Berlin (16.3%). For 2015, a slight increase of the completion volume (approx. 1,000,000 sqm) is forecasted.

Investment markets

The positive trend on the investment markets continued in the fiscal year 2014. Total investment volume approx. amounted to 30% (EUR 39.8 bn for commercial assets) higher than previous year results. The transaction volume in 2014 thus represents the highest volume since 2007. The Big-7 cities recorded a transaction volume of around EUR 23.0 bn. The highest transaction volumes were recorded in Frankfurt (EUR 5.5 bn), Munich (EUR 5.0 bn) and Berlin (EUR 4.4 bn).

The investment market has continued to focus on core assets, which are characterized by their good condition, good location and a long-term, attractive letting status. The average prime yield for commercial office real estate was 4.45%. With regard to the deal structure, approx. 70% of the commercial investment turnover in fiscal year 2014 related to single deals, whereas the share of portfolio transactions amounted to 30%.

STRATEGY AND STRUCTURE

alstria office REIT-AG (hereafter referred to as 'company') is a real estate company listed on the Frankfurter stock exchange. The alstria group consists of the parent company alstria office REIT-AG and 19 subsidiaries (nine general partners, nine limited partnerships holding assets and one REIT service company) hereafter referred to as 'alstria' or 'group'). Operational decisions are made at parent company level. Although the major part of the assets is allocated to the alstria office REIT-AG, 15 properties were respectively held by eight subsidiaries as at December 31, 2014.

alstria follows a long term investment strategy for its portfolio. alstria's strategy is essentially based on the following assumptions:

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

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

- The focus is on the tenant. Only those who know the needs of their tenants, will be successful with their letting activities in the long-run.
- Continous investments secure the quality of the assets. Increase in value can only be realised by a constant level of modernisation measures and the reduction of vacancy.
- Realizing the potential of value enhancements through comprehensive repositioning and development of assets.
- The best value for money secures the lettability of the assets. Many tenants are price-sensitive and only the lessor, who offers better conditions than the competition is successful.

The aim of this strategy is the steady development of revenues and operating profit (FFO).

Due to its active Asset-Management-approach and its high discipline regarding prices, alstria had the ability to achieve above-average returns throughout the past years. The pre-conditions that this will be also true for the future are supported by the following facts:

- alstria has a long-term leased-portfolio (around 6.8 years weighted average unexpired lease term (WAULT)). 66% of the rental income derives from a small number of high-quality tenants. Around 40% of rental income is generated from public authorities or institutionals, which are not immediately affected by economic developments.
- alstria pursues a non-trading strategy and focuses on long-term value creation through conducting work on and with the building, i.e. classic Asset- and Property-Management. At alstria these activities are handled internally, which positively differentiates the company from its competitors.
- A key element of alstria's strategy is supporting tenants in optimising their real estate operating costs. From the tenants' point of view low real estate operating expenses are crucial in the decision process for or against a rental agreement. alstria believes that an active Asset and Property Management in terms of optimising costs offers new potential for future successful letting activities.

PORTFOLIO OVERVIEW

Key metrics of the portfolio

Key metrics[1)]	Dec. 31, 2014	Dec. 31, 2013
Number of properties	74	76
Number of joint venture properties	1	1
Market value (EUR bn)[1)]	1.7	1.6
Annual contractual rent (EUR m)	99.7	106.7
Valuation yield (contractual rent/market value)	6.0	6.5
Lettable area (sqm)	875,100	894,400
Vacancy (% of lettable area)[2)]	12.6	9.1
WAULT (years)	6.8	6.8
Average rent/sqm (EUR/month)	10.9	10.9

1) Incl. fair value of owner-occupied properties.
2) Contractual vacancy rate includes vacancies in assets of the Company's development pipeline.

Real Estate Operations

Letting metrics	2014	2013	Change
New leases (in sqm)[1)]	55,300	35,600	19,700
Renewals of leases (in sqm)	32,600	49,000	-16,400

1) New leases refer to letting vacant space. It does not account for any lease renewals, prolongations or a tenant's exercise of its renewal option.

Vacancy metrics	Dec. 31, 2014	Dec. 31, 2013	Change
Vacancy rate (%)	12.6	9.1	3.5 pp
EPRA vacancy rate (%)	11.0	6.8	4.2 pp
Vacancy (sqm)	110,400	81,300	29,100
thereof vacancy in development projects (sqm)	*19,600*	*24,100*	*-4,500*

In fiscal year 2014 letting activities (as measured by new leases and lease extensions) remained at a high level.

A substantial letting success was the initial lease with a new tenant in Essen, Bamlerstrasse. The tenant signed a 7-year-lease for around 9,700 sqm of office and ancillary space. The new lease will start in the third quarter of 2015 and will replace an expiring contract.

Another letting success was the signing of a new lease for an asset in Jagenbergstrasse, Neuss. The new tenant, a subsidiary of a leading automotive company, signed a 10-year-lease for 7,300 sqm of office and ancillary space. The lease started in January 2015 and replaced the rental agreement with the previous tenant Rheinmetall.

In addition alstria continued its leasing activities in the development segment. alstria and Hagebau have agreed on the construction and long-term lease of a 10,000 sqm Do-It-Yourself store, making use of to date unused land in Siemensstrasse, Ditzingen. The lease contract will have a maturity of 20 years and is planned to start in early 2016.

Nonetheless, the negative development of the vacancy rate mainly results from the lease expiry of the Deutsche Rentenversicherung Bund (approx. 21,000 sqm) in the property in Darwinstrasse, Berlin as well as the expiry of Siemens AG's (approx. 22,000 sqm) lease in the property in Hofmannstrasse, Munich. The reduction of vacancy is in the operational focus. Consequently alstria already succeeded in singing an initial contract for approx. 3,500 sqm for the property Hofmannstrasse in Munich in December 2014.

Portfolio Valuation and Regions

As at December 31, 2014 alstria's portfolio was valued by Colliers International pursuant to IFRS 13 and in accordance with the RICS* Red Book guidance. The valuation resulted in a total market value of investment properties of EUR 1,652 m. Of this total market value approx. EUR 690 m is located in Hamburg. Herewith the investment focus on selected locations becomes obvious:

Total portfolio by regions **% of market value**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Change (pp)**
Hamburg	42	43	-1
Rhine-Ruhr	18	16	2
Stuttgart	17	18	-1
Rhine-Main	7	7	0
Munich	4	4	0
Hanover	3	2	1
Berlin	2	3	-1
Saxony	2	2	0
Others	5	5	0

For further information on the valuation of alstria's portfolio please refer to the valuation certificate of Colliers International, which is published on pages 70 to 85 in the Company Report 2014. The Company Report is published on the alstria website www.alstria.com/en/investors/.

* Royal Institution of Chartered Surveyors.

Tenants

Another main characteristic of alstria's portfolio is the focus on a small number of major tenants.

alstria's main tenants **% of annual rent**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Change (pp)**
City of Hamburg	29	30	-1
Daimler AG	16	15	1
Bilfinger SE	6	5	1
Barmer GEK	3	3	0
Württembergische Lebensversicherungs AG	3	3	0
State of Baden-Württemberg	2	2	0
L'Oreal Deutschland GmbH	2	2	0
Rheinmetall	2	2	0
Siemens AG	2	4	-2
HUK Coburg	1	1	0
Deutsche Rentenversicherung Bund	-	3	-3
Others	34	30	4

Furthermore the focus is cleary on one asset class: Of the total lettable area approx. 95% accounts to office space.*

Lease expiry profile **% of annual rent**	**Dec. 31, 2014**	**Dec. 31, 2013**	**Change (pp)**
2015	4.4	3.5	0.9
2016	17.3	16.9	0.4
2017	6.1	5.0	1.1

Transactions

Investment decisions at alstria are based on the analysis of the local markets and on the adequacy of a building within its submarket in terms of location, size and quality as well as its potential for value enhancement. alstria's strategy is to build a critical mass through long-term secured assets in the respective locations. In the light of this approach, alstria added two properties and approx. 17,100 sqm of lettable space to its portfolio in 2014, helping to reinforce its position in the core market Düsseldorf, where alstria established an office in 2012. To realise value enhancements and/or exits of B-markets, five assets were sold in 2014.

* Office and storage.

In 2014 alstria was involved in the following transactions:

Asset	City	Sales price (EUR k)[1]	Annual rent (EUR k)	Avg. Lease length (years)[2]	Signing SPA	Transfer of benefits and burdens
Disposals						
Max-Brauer-Allee 41-43	Hamburg	6,150	366	10.0	02/25/2014	03/31/2014
Ernsthaldenstr. 16	Stuttgart	3,300	261	4.6	03/07/2014	05/31/2014
Spitzweidenweg 107	Jena	1,415	155	1.6	09/02/2014	10/31/2014
Hamburger Str. 43-49	Hamburg	41,662	2,553	9.1	10/02/2014	11/30/2014
Englische Planke 2	Hamburg	15,530	839	1.4	10/10/2014	12/31/2014
Total		**68,057**	**4,174**			
Acquisitions						
Elisabethstr. 5-11	Düsseldorf	30,475	1,577	8.2	09/26/2014	11/01/2014
Hansaallee 247	Düsseldorf	9,700	491	5.9	09/26/2014	11/01/2014
Total		**40,175**	**2,068**			

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

Refurbishment projects

alstria has achieved significant progress with respect to its development projects, which could in part be completed:

- 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 the acquisition, the listed Art Nouveau building, built in 1900/01, was in need of renovation. alstria decided to completely revitalize 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. The building offers efficient office space with high-quality equipment and modern retail space on the ground floor. Furthermore, the building has been certified as a ’major refurbishment`- building by the BREEAM International Green Building Standard. The poject was completed in 2014. More than 75% of the building was let as at December 31, 2014.

- Schaartor 1, Hamburg

The building at Schaartor was acquired by alstria in 2011. The property is directly located between the city centre and the HafenCity, which is one of Hamburg’s most important urban axis. The revitalisation of the asset took place in 2013 and 2014. It included the complete reinstallation of the building’s technical facilities, a new construction of the 6th floor and further tenant-specific developments. The revitalisation was completed in the summer of 2014. On the reporting date alstria had already signed lease agreements for approx. 90% of the lettable area.

〉 Arndtstrasse 1, Hanover

The office building, which holds retail space on the ground floor, was erected in 1970. The technical installations date back to 1970 and did hence not fulfil today's technical requirements. The revitalization adapts the building to today's state of the art technology and any tenant's expectations. Besides the modernisation of the façade, the refurbishment measures include the complete refurbishment of all floors, the replacement of technical installations and an improvement of the flexibility of the floor plan. The main refurbishment measures were completed at 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. In total, approx. 95% of the asset was let as at December 31, 2014.

〉 Grosse Bleichen 23-27, Hamburg (Kaisergalerie)

In January 2010, alstria agreed to 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 city centre of Hamburg. The refurbishment of this asset started after the previous tenant 'Ohnsorg-Theatre' moved to its new location at Bieberhaus in 2011, which was also renovated by alstria. After completion of the modernisation, the building will offer attractive retail and office space. Parts of this redevelopment project include the addition of a new pedestrian bridge at the waterside of the Kaisergalerie and a passage through the building to connect the streets Grosse Bleichen and Bleichenfleet. The opening took place in summer of 2014 and more than 92% was let as at December 31, 2014.

〉 Mundsburg Center, Hamburg

The Mundsburg Center in Hamburg was built in 1969. The property is located directly adjacent to the mall "hamburger mile" in the Barmbek/Uhlenhorst district. The Center, comprising 28 rental units, was fundamentally restructured by alstria. The measures taken have increased the attractiveness of the retail space significantly by means of redesigning the public mall. As part of the modernisation the central building equipment and safety devices have also been extensively renovated and brought up to reflect the modern state of the art. During the project, several units, as well as the restaurant areas were already let. The occupancy rate amounts to approx. 86%. The completion for the refurbishment is expected in 2015.

In 2014, alstria invested around EUR 33.2 m in ongoing refurbishment projects.* Around EUR 23.8 m referred to development projects, while the remainder was invested in value increasing tenant improvement measures. The main part of the capex investment in 2014 was linked to the refurbishment of the Hamburg building Holstenhof (Kaiser-Wilhelm-Strasse 79-87), the property at Arndtstrasse 1 in Hanover as well as the Hamburg sited properties Schaartor (Schaartor 1) and Mundsburg Center (Hamburger Strasse 1–15). Within the next two years, alstria is planning to invest around EUR 45 m in its portfolio. Major projects are related to the properties in Siemensstrasse in Ditzingen, the Wehrhahn-Center in Dusseldorf, the Mundsburg Center and Harburger Ring in Hamburg. This investment plan is part of alstria's ongoing asset value enhancement program. The volume of these investments, however, also depend on ongoing lease negotiations with existing and potential tenants.

FINANCIAL ANALYSIS

alstria developed according to plan in the reporting period. Revenues (approx. EUR 102 m) matched the forecast and funds from operations (FFO) (approx. EUR 47.6 m) were slightly higher than forecast for financial year 2014 (EUR 47.0 m).

EARNINGS POSITION

Revenues

As expected, revenues decreased by 2.3% compared to the revenues in the last year due to disposals in 2013 and expired leases. Revenues totalled EUR 101,782 k (2013: EUR 104,224 k). Net rental income amounted to EUR 88,960 k (2013: EUR 93,249 k).

Real estate operating expenses

Real estate operating expenses amounted to EUR 12,190 k or 12.0% of total revenues for the reporting period (2013: EUR 10,462 k or 10.0% of revenues). The increase mainly results from scheduled fire protection measures.

Administrative and personnel expenses

Administrative expenses decreased by EUR 570 k to EUR 4,755 k, which is basically due to lower legal- and other administrative expenses (2013: EUR 5,325 k). Personnel expenses remained stable at EUR 7,807 k (2013: EUR 7,790 k). The sum of the administrative and personnel expenditures correspond roughly to 12.3% of total revenues. Compared to 2013, the rate decreased slightly by 0.3 percentage points.

* Without Joint Venture Kaisergalerie.

Other operating result

alstria's other operating result amounted to EUR 5,176 k during the reporting period (2013: EUR 3,821 k). Operating income was mainly driven by one-time compensation payments in conjunction with lease expiries.

Net result on disposals of investment property

alstria was able to achieve a positive result of EUR 4,566 k from the disposals of properties in 2014. The realized disposal gains mainly result from the sale of the asset Englische Planke in Hamburg.

Net operating result

alstria closed its financial year 2014 with a net operating result before financing costs and taxes of EUR 86,964 k, which compares to EUR 85,380 k for the previous year. Lower net rental income could be compensated by gains achieved from disposals.

The following table shows the main figures of the income statements for financial years 2014 and 2013:

EUR k	2014	2013
Revenues	101,782	104,224
Net rental income	88,960	93,249
Administrative and personnel expenses	-12,562	-13,115
Other operating result	5,176	3,821
Operating income	**81,574**	**83,955**
Net result from fair value adjustments on investment property	824	27
Net result on disposals of investment property	4,566	1,398
Net operating result	**86,964**	**85,380**

Net financial result

EUR k	2014	2013	Change (%)
Interest expense syndicated loan	-9,950	-13,471	-26.1
Interest expense other loans	-9,172	-9,036	1.5
Interest result derivatives	-10,838	-13,406	-19.2
Interest expenses convertible bond	-4,871	-2,697	80.6
Other interest expenses	0	-119	-100.0
Financial expenses	**-34,831**	**-38,729**	**-10.1**
Financial income	113	317	-64.4
Other financial expenses	-611	-704	-13.2
Net financial result	**-35,329**	**-39,116**	**-9.7**

Net financing costs decreased by EUR 3,787 k to EUR 35,329 k in comparison to the financial year 2013. This development is mainly due to a lower year on year average loan interest rate. Additionally the average amount of the outstanding loans was lower in 2014 as compared to 2013.

For details on the new loans, we refer to the section 'financial and asset position' on page 16.

Share of the result of joint venture companies

The increase of the share of earnings from joint venture companies from EUR 273 k in 2013 to EUR 12,798 k in 2014 is mainly attributable to the upvaluation of the asset Kaisergalerie, Hamburg. By the completion of extensive renovation measures and the moving in of the first tenants a corresponding increase in value could be realized.

Valuation result of financial derivatives

The change in value of the financial derivatives was driven by the development of the yield curve in 2014. 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.

In line with the group-wide financing strategy for floating interest hedging the Company entered into new derivative financial instruments in 2014.

At the end of the reporting period alstria's entire floating interest rate debt exposure was hedged by financial derivatives. The current overall cost of debt due to these hedging activities amounted to around 3.4% for the existing portfolio on the reporting date.

The valuation result concerning financial derivatives amounted to EUR –27,461 k in the period from January 1 to December 31, 2014 (please refer to section 10.7 of the notes for further details).

Consolidated net result

The consolidated net result amounted to EUR 36,953 k (2013: EUR 38,945 k) in the reporting period, hence decreasing by EUR 1,992 k.

Overall, lower net rental income could be overcompensated by an improved level of other income as well as lower financing costs. The valuation loss in financial derivatives could not completely be compensated by gains on the disposal of investment property and increased earnings from joint venture companies. Undiluted earnings per share amounted to EUR 0.47 for the reporting period (2013: EUR 0.49).

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 obligations of EUR 19 k arose on group level in 2014 (2013: EUR 38 k) due to a subsidiary that serves as a REIT Service Company.

Funds from operations (FFO)

Funds from operations amounted to EUR 47,626 k in 2014 as compared to EUR 45,328 k in 2013. The FFO ratio could be increased to 46.8%, i. e. by 3.3 percentage points. As a result, FFO per share* was EUR 0.60 in financial year 2014 (2013: EUR 0.57).

The increase as compared to the prior year amounted to EUR 3,787 k and mainly resulted from an improved financial result as well as net other income. Administrative and personnel expenses decreased by EUR 553 k. Net rental income decreased by EUR 4,289 k, having an adverse effect.

EUR k	**2014**	**2013**
Pre-tax income (EBT)	**36,972**	**38,983**
Net profit/loss from fair value adjustments on investment property	-824	-27
Net profit/loss from fair value adjustments on financial derivatives	27,461	7,554
Profit/loss from the disposal of investment property	-4,566	-1,398
Other adjustments[1)]	762	545
Fair value and other adjustments in joint venture	-12,179	-329
Funds from operations (FFO)[2)]	**47,626**	**45,328**
Maintenance and re-letting	-9,452	-7,963
Adjusted funds from operations (AFFO)[3)]	**38,174**	**37,365**
Number of shares (k)	79,018	78,933
FFO per share (EUR k)	0.60	0.57

[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, there is no standard definition 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 and expenses for lease-ups.

* Divided by the number of shares at the end of the reporting period (December 31, 2014 79,018,487; December 31, 2013: 78,933,487).

FINANCIAL AND ASSET POSITION

Investment properties

The total value of investment property amounted to EUR 1,645,840 k at year-end, in comparison to EUR 1,632,362 k at the beginning of the year. The slight increase results from the acquisition of two properties as well as the capitalisation of modernisation measures on the one hand and the disposal of five assets on the other hand. The valuation result amounted to EUR 824 k as compared to EUR 27 k in 2013.

EUR k	
Investment properties as at Dec. 31, 2013	**1,632,362**
Investments	33,234
Acquisitions	42,390
Disposals	-62,970
Reclassifications	-
Net loss/gain from fair value adjustments on investment property	824
Investment properties as at Dec. 31, 2014	**1,645,840**
Carrying amount of owner occupied properties	4,536
Fair value of properties held for sale	-
Interests in joint ventures	34,534
Carrying amount of immovable assets	**1,684,910**
Adjustments to fair value of owner occupied properties	1,199
Fair value of immovable assets	**1,686,109**

For a detailed description of the investment properties, please refer to pages 26 to 33 of the Company Report 2014.

Financial management

alstria’s financial management is carried out at corporate level. Individual loans and corporate bonds are taken out at both property level and portfolio level. alstria’s main financial goal is to establish a sustainable long-term finance structure. An integral part of this structure is for example the coverage of long-term floating loans by corresponding hedging instruments, more precisely swaps and caps. Depending on the individual situation, fixed interest rate loans are used. The aim of this strategy is to largely eliminate short-term interest rate volatility from the profit and loss account while providing the group with operational flexibility.

In February 2014, alstria signed a credit agreement amounting to EUR 61 m. The loan was taken out to replace an existing loan facility, which was due to mature on December 31, 2014 as well as to finance a further property in Hamburg. The new loan facility was drawn on March 19, 2014, amortising the existing loan by an amount of EUR 43 m at the same time. The new loan has a maturity of seven years.

Furthermore, alstria signed a credit agreement amounting to EUR 60 m in order to replace an existing loan facility, which was due to mature on October 19, 2015 as well to finance two properties in Stuttgart and Düsseldorf, which were acquired in 2013. The new loan was drawn on March 31, 2014, amortising the old loan facility by an amount of EUR 48 m at the same time. The new loan has a maturity of ten years.

On June 30, 2014, a fixed-interest loan of EUR 28.2 m was repaid according to the terms of the loan contract. The refinancing of EUR 27.5 m was made at the same day by increasing the nonotional of an existing loan facility.

Further, the syndicated loan was amortized by EUR 37.9 m, thereof EUR 2.9 m resulting from the sale of assets. Triggered by a property disposal, alstria fully amortized another loan amounting to roughly EUR 13 m as per December 31, 2014. The loan was initially due to mature at the end of December 2015.

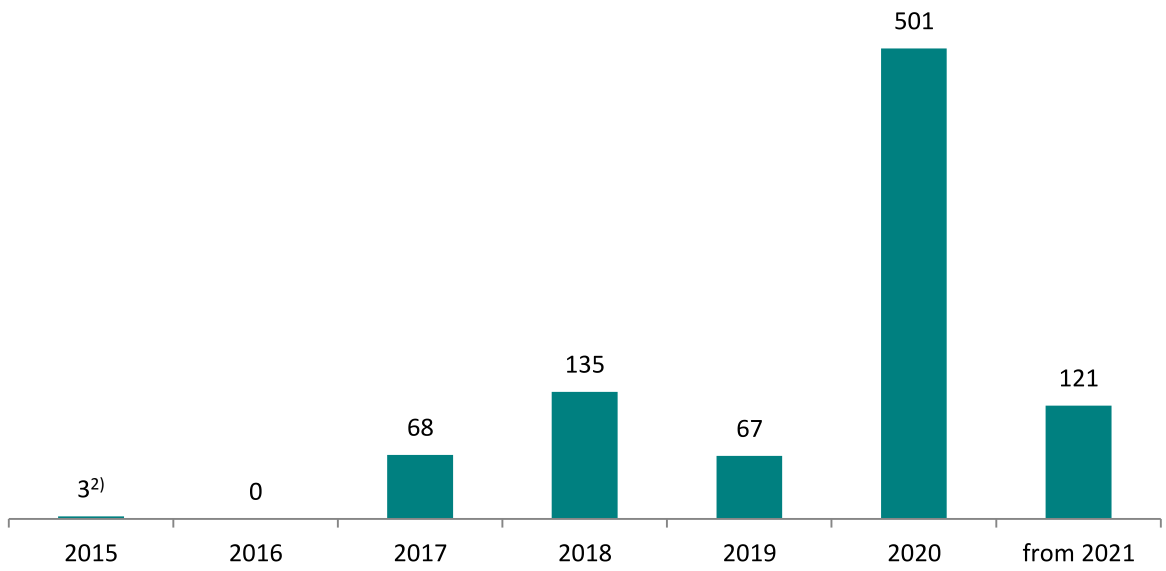
The loan facilities in place as at December 31, 2014 are as follows:

Liabilities	**Maturity**	**Principal amount drawn as at Dec. 31, 2014 EUR k**	**LTV as at Dec. 31, 2014 %**	**LTV covenant %**	**Principal amount drawn as at Dec. 31, 2013 EUR k**
Syndicated loan	Sept. 30, 2020	501,070	49.1	70.0	538,963
Non-recourse loan #1	Jan. 31, 2017	68,260	59.0	75.0	69,626
Loan #2[1)]	Dec. 31, 2014	2,617	17.0	75.0	11,328
Loan #3	Dec. 17, 2018	56,000	45.6	60.0	56,000
Loan #4	Sept. 30, 2019	67,000	43.8	65.0	39,500
Loan #5	Apr. 30, 2021	60,739	55.0	67.0	–
Loan #6	Mar. 28, 2024	60,000	52.4	75.0	–
Non-recourse loan #7	Dec. 31, 2014[2)]	–	–	–	42,670
Non-recourse loan #8	June 30, 2014[3)]	–	–	–	28,503
Non-recourse loan #9	Oct. 20, 2015[2)]	–	–	–	47,902
Total loans		**815,686**	**49.3**	**–**	**834,492**
Convertible bond	June 14, 2018	79,400	–	–	79,400
Total		**895,086**	**54.2**	**–**	**913,892**

[1)] Loan agreement terminated taking effect on December 31, 2014, withdrawal occurred on January 02, 2015.
[2)] Refinanced in Q1 2014.
[3)] Refinanced in Q2 2014.

	Dec. 31, 2014	**Dec. 31, 2013**
Average term to maturity of loans/convertible bond (years)	5.3	5.3

Maturity profile of financial debt as at December 31, 2014[1] in EUR m



[1)] Excluding regular amortisation.
[2)] Loan agreement terminated taking effect on December 31, 2014, withdrawal occurred on January 02, 2015.

	2014	2013
Average cost of debt (% p.a.)	3.4	3.6

As of December 31, 2014 no covenants have been breached.

Cash position

Cash and cash equivalents declined from EUR 82,782 k to EUR 63,145 k in the reporting period. This was mainly a result of cash used to pay the dividends of an amount of EUR 39,467 k, other net repayments of loans, in addition to capital expenditure investments in the property portfolio. The former was partly compensated by the positive cash flow resulting from current operating activities of an amount of EUR 52,889 k.

Equity Metrics

Equity metrics	Dec. 31, 2014	Dec. 31, 2013	Change
Equity (EUR k)	846,593	844,114	0.3%
NAV per share (EUR)	10.71	10.69	0.2%
Equity ratio (%)	47.8	47.3	0.5 pp
G-REIT equity ratio (%)[1)]	50.2	50.9	-0.7 pp

[1)] Is defined as total equity divided by carrying amount of immovable assets. Minimum requirement according to G-REIT regulations: 45%.

Compared to fiscal year 2013, total equity increased by EUR 2,479 k as at December 31, 2014. The consolidated net profit for the period of EUR 36,953 k contributed to an increase in equity. Due to reclassification amounts regarding financial derivatives, the provision for cash flow hedging increased by EUR 4,234 k. This was contrasted by the dividend payment of EUR 39,467 k. Overall, the developments led to an increase in equity from EUR 844,114 k to EUR 846,593 k.*

Increase in long-term loans

Long-term loans increased by 6.3% from EUR 822,486 k as at December 31, 2013 to a total of EUR 874,025 k as at December 31, 2014. The increase resulted from new loans amounting to EUR 173,823 k. This was contrasted by repayments of EUR 84,975 k as well as reclassifications of loans from long-term to short-term debt (EUR 40,399 k). Furthermore the new loans led to a positive change of ancillary loan-related expenses (effective interests) in the amount of EUR 3,090 k.

Decrease in short-term loans

The short-term loan obligations amounted to EUR 7,702 k on the reporting date (previous year: EUR 73,886 k). Beside amounts for scheduled repayments in 2015, the position also includes an early repayment resulting from the sale of the property Englische Planke. The increase compared to the previous year results from the reclassification of long-term loans as described above. Again this is contrasted by repayments of EUR 107,653 k. The changes of the effective interest resulted in a decrease in short-term loans by EUR 1,071 k.

Decrease in current liabilities

The current liabilities amounted to EUR 29,534 k and mainly consist of the above mentioned short-term loan obligations of EUR 7,702 k, a EUR 6,198 k liability with regards to a SWAP maturing July 2015, trade payables (EUR 4,389 k) and other current liabilities (EUR 10,360 k). Other current liabilities mainly consist of provisions for outstanding invoices (EUR 4,798 k), liabilities from other accruals and deferrals (EUR 2,013 k), prepayment of rents (EUR 1,468 k) as well as received deposits (EUR 1,064 k).

* See also the consolidated statement of changes in equity

CORPORATE MANAGEMENT

alstria proactively focuses on the following key financial performance indicators: revenues and funds from operations (FFO). Revenues are mainly comprised of rental income, which derives from the leasing activities of the Company. FFO is the operating result deriving from real estate management, excluding valuation effects and other adjustments such as non-cash expenses/income and non-recurring effects.*

For financial year 2014 the Company forecasted revenues of around EUR 102 m, which have been achieved as planned. In 2014 FFO totalled EUR 47.6 m. Hence the forecast has been exceeded by EUR 0.6 m. Higher property operating expenses were slightly overcompensated by higher other operating income.

The company also monitores the progress of its LTV, the G-REIT equity ratio and its liquidity. alstrias's LTV of the loan financing improved from 50.9% as at December 31, 2013 to 49.3% as at the end of financial year 2014. The G-REIT equity ratio accounted for 50.2% as compared to 50.9% in the previous year and the statutory rate of 45%.

RISK AND OPPORTUNITY REPORT

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 risk management strategy is to minimise or, where possible, completely avoid the risks associated with entrepreneurial activity in order to safeguard the company 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. 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

* For further details, please refer to page 15

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 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:

alstria‘s areas of risk and risk categories

Risk categorie	**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 m.

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 alstria.

Classification according to likelihood

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

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

Classification according to degree of impact

Expected impact in EUR m	**Degree of impact**
Greater than 0.0 to 0.3	minor
Greater than 0.3 to 0.75	low
Greater than 0.75 to 3.0	moderate
Greater than 3.0 to 7.5	high
Greater than 7.5	critical

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

Risk classification

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

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

alstria office REIT-AG's risk management system was not exposed to any significant changes as 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 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 guidelines. Only then can it provide true and reliable information to the recipients of the annual financial statements. To this end alstria has implemented an internal control and risk management system that combines all relevant principles, processes and measures.

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

The monitoring measures consist of elements 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 departments such as controlling, legal and treasury perform monitoring and control functions as part of the various processes.

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

The 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 statements and the balance sheets of the consolidated companies as well as the consolidated income statements and the consolidated statement of financial position are reviewed regularly for accuracy and plausibility. This is conducted both for the consolidated financial statements and for the individual financial statement of alstria. 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 alstria 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 alstria Group's position and performance are described in this chapter. The individual risks described relate to the planning period from 2015 to 2017.

Corporate risks

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

Strategic risks

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

Market environment risks

For alstria Group, market environment risks are derived from macro-economic developments and their impact on respective real estate markets. An economic downturn in the German market could result in a decreasing number of employees and in turn be reflected in lower demand for office properties. For alstria this would lead to a higher risk of vacant space or lower rental income. The demand for goods and services may also be affected by what happens next in the financial markets and the sovereign debt in individual countries. The development of the euro and sovereign debt crisis in these countries, rising unemployment and the resulting uncertainty amongst customers might also affect the German markets by a decrease in demand for goods and services from these markets. To date, however, the German market has proven to be unimpressed and stable in spite of such circumstances.

As opposed to last year, no direct impact on the overall strategic risk situation that can be linked to the 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 at a stable low (L).

Risks in relation to changes of the legal environment

Risks related to the Company's legal environment result from changes to regulations and laws. These may, in turn, have an impact on 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 other regulations concerning publicly listed companies. New laws and regulations may 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).

Risk of inefficient organisational structures

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 creditworthiness 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. alstria 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.

Vacancy risk

In the case of lease terminations, non-extended leases or existing vacancy there is a risk that the rental area cannot be re-let as planned. Consequentially this results lower than anticipated revenues.

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

Shortfall of rental payments

An operational risk, which could still 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).

Maintenance risk

In order to plan for the requirements for maintenance measures, the Company makes assumptions about the condition and the intended standard of the property. Undetected defects, repair requirements resulting from external damage, new legal requirements as to the condition of the building or an incorrect assessment of the maintenance requirement, could result in higher than planned maintenance costs. Due to alstria's high maintenance budgets the maintenance risk is categorized as medium (M) as in the previous year.

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 company'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 company in good time. Both cases could result in a shortfall of suitable experts and key personnel, which could endanger alstria's competitive advantages in its markets as well as its further growth opportunities. alstria mitigates these risks through the following measures: selective, needs-oriented 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 and as in the prior year, their possible consequences are considered to be low (L). Last year, they were still classified as medium risk (M), as some significant adjustments on the IT systems were still being implemented by an external IT service.

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

alstria manages its capital structure and makes adjustments in response to changes in economic conditions. In order to maintain or adjust the capital structure, the company can issue new shares or make a capital repayment to its shareholders.

According to Section15 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 50.2% 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, 2017, 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) unchanged to the previous year.

Litigation

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

Financial risks

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

Refinancing risks

The Group's main financial instruments such 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. The alstria Group's current debt ratio is approx. 52.2%. 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 loan LTV at 49.3% 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 2020. Thus, the risk of refinancing on unfavourable terms is limited for the time being (L).

Breach of Covenants

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

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. 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. In this way all existing floating rate loans were secured over a period of at least three years as at balance sheet date. Interest rate risk is currently considered to be low (L). A year earlier because part of the loan was not secured by interest rate derivative financial instruments, last years' risk classification was classified at a medium (M) level.

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 company 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.

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

Tax risks

REITs are completely exempt from corporate income tax and trade tax. As a result tax risks can only arise in the case of loss of the REIT status or at subsidiary-level. Additionally the Group as a whole faces risks from value added tax, real estate transfer tax and property tax. Furthermore, it is possible that changes in tax laws or their interpretations can result in a higher tax liability also for prior tax periods that have not yet been finally approved. Due to the income tax exemption as a REIT and a consistent monitoring of tax relevant issues by internal and external tax experts, the probability of a tax loss is considered to be limited. Since certain tax-related issues, such as real estate transactions or valuations of assets and liabilities as well as a re-entry into the tax liability could result in high tax obligations over the three-year risk period, the risk impact is considered to be significant. This fact results in an overall tax risk level, which is unchanged from the previous year’s average (M) control risk.

Overall risk assessment by the Management Board

alstria office REIT-AG consolidates and aggregates all risks reported by the different business units and functions adhering to its risk management policy. Compared to the previous year, the overall risk situation of alstria remained stable. In financial year 2014 only minor or immaterial changes were noted in alstria’s risk level matrix for risks categorised as high (H) or medium (M). At the end of the year, risks categorised as ‘high’ accounted for 0.0% (2013: 1.1%) of all identified risks while risks categorised as ‘medium’ accounted for 44.4% (2013: 46.3%) 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 uncertainties concerning the Euro currency. On the other hand, the company’s stable funding position, conservative level of debt and its solid-REIT equity ratio support this assessment.
Sufficient precautionary measures have been undertaken to counteract identifiable risks.
In addition to assessing the potential impact of the realization of risks on the value of the Group’s net assets the potential liquidity requirements for selected key risks are identified to cover a period of three years. The assessed amount of liquidity amounted to EUR 12.7 m as at the balance sheet date.

In our view, the risks described in our aggregated risk report neither threaten our ability to continue as a going concern individually nor cumulatively in terms of their likelihood of occurrence and level of impact. This applies both to the single Group companies and the Group.

REPORT ON OPPORTUNITIES

Management of opportunities

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

Growth and earnings opportunities of alstria 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 company. 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.

The Management Board of alstria office REIT-AG 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. The Company 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, which 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 alstria'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), which is currently at 49.3%, representing a comfortable base for future funding and growth.

Overall Summary of the Opportunities Report

The current refinancing position of the alstria safeguards a stable financial position at favourable interest rates until mid-2020. 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 company 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 are 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 2014, alstria published its fifth sustainability report. This report shows a continuous improvement of alstria's reporting framework and its scope of coverage since the first publication of a 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, which are expressed for each and every stakeholder group, are alstria's main drivers when considering a sustainable approach for every decision made at every level of the organisation.

For further information on our sustainability engagement and targets, please refer to alstria´s annual sustainability report 2014

http://www.alstria.com/sustainability/sustainability-reports/date/2014/

or to the Company Report.

DISCLOSURES REQUIRED BY TAKEOVER LAW

Disclosures and the explanatory report pursuant to Section 315 para. 4 of the German Commercial Code *(Handelsgesetzbuch, HGB*).

COMPOSITION OF SUBSCRIBED CAPITAL

On the balance sheet date of December 31, 2014, the share capital of alstria amounted to EUR 79,018,487.00, divided into 79,018,487 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 profit of the Company. The individual rights and duties of the shareholders result from the provisions of the German Stock Corporation Act (*Aktiengesetz*, AktG), in particular Sections 12, 53a *et seq*., 118 *et seq.* and 186.

RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES

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

SHAREHOLDINGS EXCEEDING 10% OF THE VOTING RIGHTS

As per the balance sheet date of December 31, 2014, alstria was not aware of any shareholders directly or indirectly holding more than 10% of the voting rights.

SHARES WITH SPECIAL RIGHTS

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

SYSTEM OF CONTROL OF ANY EMPLOYEE SHARE SCHEME WHERE THE CONTROL RIGHTS ARE NOT EXERCISED DIRECTLY BY THE EMPLOYEES

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

APPOINTMENT AND DISMISSAL OF MANAGEMENT BOARD AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

alstria's Management Board consists of one or more members who may be appointed or dismissed 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 may be made pursuant to Sections 179 and 133 AktG. Pursuant to Section 12 para. 2 of the articles of association the Supervisory Board is furthermore authorised to make changes in, and amendments to, the articles of association that merely affect the wording without passing a resolution of the shareholders in the general meeting. The Supervisory Board has, in addition, been authorized to adapt the wording of the articles of association to the utilization of the Conditional Capital 2013 and the Authorized Capital 2014 and after expiration of the applicable authorization periods by resolution of the Annual General Meetings on May 29, 2013 and May 14, 2014.

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

The articles of association were last amended by resolutions passed by the Supervisory Board on September 2 and December 1, 2014: Section 5 para. 1, 2 and 8 of the articles of association were formally adapted to a capital increase executed under the Company's employee participation programme and the provisions regarding Conditional Capital II in Section 5 para. 6 of the articles of association were deleted without substitution, as the Conditional Capital II became irrelevant due to the expiry of the stock option programme for the management board.

AUTHORITY OF MANAGEMENT BOARD REGARDING THE ISSUE AND BUYBACK OF SHARES

1. Authorised Capital

The articles of association authorise the Management Board, with the approval of the Supervisory Board, to increase the share capital until May 13, 2016 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. Further details are governed by Section 5 para. 3, 4 and 4a of the articles of association.

2. Conditional Capital

alstria holds three conditional capitals (pursuant to Sections 192 *et seq.* AktG), which are regulated in Sections 5 para. 5, 7 and 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 issuing 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 were issued based on the authorisation resolved by the shareholders in the general meeting on May 29, 2013, utilise their option rights or conversion rights or, insofar as such holders have conversion obligations, such holders fulfil their conversion obligations, unless a cash settlement is granted or treasury shares are used to fulfil the option rights or conversion rights.

b) Conditional Capital III

The share capital is conditionally increased by an amount of up to EUR 336,874.00 by the issueing up to 336,874 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 up 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 as a result of the conversion of certificates.

c) ***Conditional Capital III 2012***

Furthermore, the share capital is conditionally increased by an amount of up to EUR 415,000.00 by issueing up to 415,000 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 up 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 shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence as a result of the conversion of certificates.

3. Purchase of treasury shares

In the general meeting held on June 8, 2011 the shareholders authorised the Management Board to acquire shares of up to a total of 10% of the Company's share capital in place at the time of the issuance of the authorisation until June 7, 2016. The acquired shares and other treasury shares that are in the possession of, or to be attributed to, alstria pursuant to Sections 71a *et seq.* AktG may at no point in time amount to more than 10% of the share capital. Shares may be purchased through a stock exchange, by means of a public offer to all shareholders or by making use of financial derivatives (put or call options or a combination of both).

SIGNIFICANT AGREEMENTS WHICH TAKE EFFECT UPON A CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID

Significant financing agreements of alstria contain the usual clauses common to such contracts regarding a change of control. In particular, the agreements entitle the lenders to require repayment of the loans or an obligation of alstria to repay the loans in the case any person, company or a group of persons should acquire - directly or indirectly – 50% of the voting rights or a controlling influence in alstria.

The terms and conditions of the convertible bond issued by the Company also provide for termination rights or an adaption of the conversion price in the case of a change of control. Such change of control occurs, in particular, if a person or persons acting in concert acquire - directly or indirectly – more than 50% of the voting rights in the Company.

The total volume of obligations under financing instruments with corresponding change of control clauses amounted to approx. EUR 701.2 m at the balance sheet date.

COMPENSATION AGREEMENTS WITH MANAGEMENT BOARD MEMBERS AND EMPLOYEES IN CASE OF A TAKEOVER BID

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

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

ADDITIONAL GROUP DISCLOSURE

EMPLOYEES

As at December 31, 2014, alstria had 63 employees (December 31, 2013: 63). The annual average number of employees was 62 (previous year: 61). 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 receive share-based remuneration as a long-term incentive component of remuneration.

Members of the Supervisory Board receive a fixed remuneration.

The remuneration report (see pages 144 to 151), which contains 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 asset position of 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 control. Statements about expected developments are based on current assessments and are hence, by their very nature, exposed to risks and uncertainty. The actual development of the alstria Group may differ positively or negatively from the predicted development presented in the statements of this report.

Expected economic development

The German economy is still in good condition. This is reflected by the employment rate, which remains at record level in 2014. Despite the temporarily cool down of the economic growth in the middle of 2014, the German government expect, driven by strong consumption of private households and the positive development on the german labor market, a recovery of the macroeconomic situation. This development loomed already at the end of 2014. Following that, the German government forecasts a growth rate of the German economy of 1.5% for 2015.* This development is expected to positively impact the labour market, especially the number of employees in the service sector.

Development of the real estate market: Outlook for 2015

The relevance of real estate as an investment will persist at a high level in 2015, due to the continuing very low interest rates. 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-adding properties could accelerate, although the biggest transactions should still take place in the core markets. Considering the continuing request for first-class office space in central locations, top rents are likely to rise slightly in 2015.

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 in terms of interest rates, further property acquisitions or property disposals or other changes in the assumptions for the financial year 2015 could have an impact on the projections.

Based on the transactions undertaken in financial year 2014 and in light of the already contracted rents for 2015, alstria is expecting revenues to decrease by approx. EUR 4 m to EUR 98 m as compared to revenues in 2014.

* Please refer to annual economic report 2015 (Bundesministerium für Wirtschaft und Energie)

For fiscal year 2015, the Company is expecting an FFO of around EUR 49 m. The increase in FFO as compared to the FFO of EUR 47.6 m as achieved in 2014 is mainly due to the Company's finance/hedging structure, which results 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 13, 2015

DETAIL INDEX CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2014

EUR k	Notes	2014	2013
Revenues	9.1	101,782	104,224
Income less expenses from passed on operating expenses	9.2	-632	-513
Real estate operating expenses	9.3	-12,190	-10,462
Net rental income		**88,960**	**93,249**
Administrative expenses	9.4	-4,755	-5,325
Personnel expenses	9.5	-7,807	-7,790
Other operating income	9.6	6,141	3,932
Other operating expenses	9.7	-965	-111
Net result from fair value adjustments on investment property	10.1	824	27
Gain on disposal of investment property	9.9	4,566	1,398
Net operating result		**86,964**	**85,380**
Net financial result	9.8	-35,329	-39,116
Share of the result of joint venture companies accounted for at equity	4	12,798	273
Net loss from fair value adjustments on financial derivatives	9.8	-27,461	-7,554
Pre-tax income		**36,972**	**38,983**
Income tax expenses	9.10	-19	-38
Consolidated profit		**36,953**	**38,945**
Attributable to:			
Shareholders		**36,953**	**38,945**
Earnings per share in EUR			
Basic earnings per share	14	0.47	0.49
Diluted earnings per share	14	0.45	0.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2014

EUR k	Notes	2014	2013
Consolidated profit for the period		**36,953**	**38,945**
Items which might be classified to the income statement in a future period:			
Valuation cash flow hedges	10.7	99	11,820
Reclassification from cash flow hedging reserve	10.7	4,135	2,988
Other comprehensive income for the period:		**4,234**	**14,808**
Total comprehensive income for the period:		**41,187**	**53,753**

Total comprehensive income attributable to:		
Shareholders	**41,187**	**53,753**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2014

ASSETS

EUR k	**Notes**	**2014**	**2013**
Non-current assets			
Investment property	10.1	1,645,840	1,632,362
Equity-accounted investments	10.2	34,534	21,001
Property, plant and equipment	10.3	5,085	5,156
Intangible assets	10.4	344	472
Derivatives	10.7	6,643	32,474
Total non-current assets		**1,692,446**	**1,691,465**
Current assets			
Trade receivables	10.6	3,498	3,708
Accounts receivable from joint ventures	10.6	88	89
Derivatives	10.7	0	644
Other receivables	10.6	10,127	6,991
Cash and cash equivalents	10.8	63,145	82,782
thereof restricted		*0*	*252*
Total current assets		**76,858**	**94,214**
Total assets		**1,769,304**	**1,785,679**

EQUITY AND LIABILITIES

EUR k	Notes	2014	2013
Equity	11.1		
Share capital		79,018	78,933
Capital surplus		691,693	730,486
Hedging reserve		-3,095	-7,329
Retained earnings		78,977	42,024
Total equity		**846,593**	**844,114**
Non-current liabilities			
Long-term loans, net of current portion	11.2	874,025	822,486
Derivatives	10.7	13,488	25,963
Other Provisions	11.3	3,628	3,244
Other liabilities	11.4	2,036	1,052
Total non-current liabilities		**893,177**	**852,745**
Current liabilities			
Short-term loans	11.2	7,702	73,886
Trade payables	11.4	4,389	3,474
Profit participation rights	19	424	468
Derivatives	10.7	6,198	0
Other Provisions	11.3	461	2,015
Other current liabilities	11.4	10,360	8,977
Total current liabilities		**29,534**	**88,820**
Total liabilities		**922,711**	**941,565**
Total equity and liabilities		**1,769,304**	**1,785,679**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ending December 31, 2014

EUR k	Notes	2014	2013
1. Cash flows from operating activities			
Consolidated profit or loss for the period		36,953	38,945
Unrealised valuation movements		13,937	7,254
Interest income	9.8	-113	-317
Interest expense	9.8	35,442	39,432
Result from income taxes	9.10	19	38
Other non-cash income (–)/expenses (+)		-731	708
Gain (–)/loss (+) on disposal of investment properties	9.9	-4,566	-1,398
Depreciation and impairment of fixed assets (+)	10.3; 10.4	179	549
Increase (–)/Decrease (+) in trade receivables and other assets that are not attributed to investing or financing activities		844	-270
Increase (+)/Decrease (–) in trade payables and other liabilities that are not attributed to investing or financing activities		1,435	-1,652
Cash generated from operations		**83,399**	**83,289**
Interest received		113	317
Interest paid		-30,604	-33,454
Income taxes paid		-19	-38
Net cash generated from operating activities		**52,889**	**50,114**

2. Cash flows from investing activities			
Acquisition of investment properties		-75,264	-58,506
Proceeds from the sale of financial assets		65,467	51,040
Payment of transaction cost in relation to the sale of investment properties		-291	-272
Acquisition of other property, plant and equipment		22	-376
Proceeds from the equity release of interests in joint ventures		1,470	826
Payments for capital contribution in joint ventures		-2,205	-3,370
Net cash used in investing activities	12.3	**-10,801**	**-10,658**

EUR k	Notes	2014	2013
3. Cash flows from financing activities			
Cash received from equity contributions		170	0
Proceeds from issuing of bonds and taking on loans		173,823	544,100
Proceeds from the issue of a convertible bond	11.2	0	79,400
Payments of dividends	15	-39,467	-39,467
Payments for the acquisition and termination of financial derivatives		-2,882	-46,512
Payments due to the redemption of bonds and borrowings		-192,629	-606,592
Payments of transaction costs		-740	-6,151
Net cash used in financing activities		**-61,725**	**-75,222**
4. Cash and cash equivalents at the end of the period			
Change in cash and cash equivalents (subtotal of 1 to 3)		-19,637	-35,766
Cash and cash equivalents at the beginning of the period		82,782	118,548
Cash and cash equivalents at the end of the period *thereof restricted: EUR 0 k; previous year: EUR 252 k*		**63,145**	**82,782**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2014

EUR k	Notes	Share capital	Capital surplus	Hedging reserve	Retained earnings	Total equity
As at Jan. 1, 2014		**78,933**	**730,486**	**-7,329**	**42,024**	**844,114**
Changes in the financial year 2014						
Consolidated profit		0	0	0	36,953	36,953
Other comprehensive income		0	0	4,234	0	4,234
Total comprehensive income		**0**	**0**	**4,234**	**36,953**	**41,187**
Payments of dividends	15	0	-39,467	0	0	-39,467
Share-based remuneration	19	0	589	0	0	589
Conversion of convertible participation rights		85	85	0	0	170
As at Dec. 31, 2014	11.1	**79,018**	**691,693**	**-3,095**	**78,977**	**846,593**

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 at Dec. 31, 2013	11.1	**78,933**	**730,486**	**-7,329**	**42,024**	**844,114**

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 and rules 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, 2014. It passed resolution on their publication and submission to the Supervisory Board on February 13, 2015.

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.

Apart from investment property (land and buildings) and certain financial instruments that are measured at fair values at the end of each reporting period and as explained in the accounting policies below, the consolidated financial statements have been prepared based on historical cost.

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, 2014.

Single 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 IFRS as endorsed for use in the European Union (EU) and the additional requirements of Section 315a para. 1 of the German Commercial Code (HGB). 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 that have been 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.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on January 1, 2014:

EU-Endorsement until Dec. 31, 2014	Standard/ interpretation	Content	Applicable for f/y beginning on/after	Effects
Dec. 11, 2012	IFRS 10	Consolidated financial statements	Jan. 1, 2014	None
Dec. 11, 2012	IFRS 11	Joint arrangements	Jan. 1, 2014	None
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
Dec. 13, 2012	Amendments to IAS 32	Offsetting financial assets and financial liabilities	Jan. 1, 2014	None
Dec. 19, 2013	Amendment to IAS 36	Impairment of assets – clarification of disclosures required	Jan. 1, 2014	None
Dec. 19, 2013	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
Nov. 20, 2013	Investment Entities	Amendments to IFRS 10, IFRS 12 and IAS 27	Jan. 1, 2014	None

Effects resulting from new and amended IFRS and interpretations to be applied the first time in the reporting period

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. IFRS 10 replaces the part of IAS 27 'Consolidated and Separate Financial Statements' that deals with consolidated financial statements and SIC-12 'Consolidation – Special Purpose Entities'. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. The definition of control under IFRS 10 includes the following three elements:

  - Power over an investee.
  - Exposure, or rights, to variable returns from its involvement with the investee.
  - Ability to use its power over the investee to affect the amount of the investor's returns.

  For an investor to have control over an investee all three elements must be met.

  The first time application of the new standard did not result in a change in the companies included in the consolidated Group.

- **IFRS 11 'Joint arrangements'**
  New standard issued on May 12, 2011. IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers'. The standard deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. The application of the new standard did not result in changes in accounting for joint ventures of the Group. The Group holds interests in two joint ventures, which are still to be recognized as such and are accounted for using the equity method.

- **IFRS 12 'Disclosures on interests in other entities'**
  New standard issued on May 12, 2011. IFRS 12 sets out what entities need to disclose in their annual financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured

entities. Basically, the standard generally led to more extensive disclosures in the consolidated financial statements.

- **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'. Since none of alstria's Group companies prepare single entity financial statements in accordance with IFRS, no impact on accounting procedures resulted from 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'. The application of the new standard did not lead to a change in accounting for joint ventures.

- **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.

- **Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities**
  The amendments to IFRS 10 define an investment entity. They moreover prohibit a reporting entity that meets the definition of an investment entity from consolidating its subsidiaries. Instead it requires it to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

  To qualify as an investment entity, a reporting entity is required to:

  - obtain funds from one or more investors for the purpose of providing them with investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. As the Company is not an investment entity in the sense of IFRS 10 the application of the amendments has no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

- **Amendments to IAS 32 'Financial instruments: presentation: 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 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 with retrospective application required. The Group has assessed whether any of its financial assets and financial liabilities qualify to be offset based on the criteria set out in the amendments and has concluded that the application of the amendments has no impact on the amounts recognised in the Group's consolidated financial statements.
- **Amendment to IAS 36 'Impairment of assets'**
  IAS 36 was amended by recoverable amount disclosures for non-financial assets. The amendments represent a correction of disclosure requirements that have been modified in the context of IFRS 13 more comprehensively than intended. This involves impaired assets for which the recoverable amount is defined as fair value less costs to sell. Currently, the recoverable amount is disclosed irrespective of whether there is impairment or not. The correction now limits the disclosure requirements to cases where actual impairments are present. However the required disclosure in these cases was extended. The application of these amendments has had no impact on the disclosures in the Group's consolidated financial statements.

- **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 changes had no impact on the consolidated financial statements as existing derivatives of the Group are not subject to statutory or regulatory requirements for the installation of a central counterparty.

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

In its 2014 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 2014.

EU-Endorsement	Standard/ interpretation	Content	Applicable for f/y beginning on/after	Effects
not yet endorsed	IFRS 9	New Standard 'Financial instruments: classification and measurement'	Jan. 1, 2018	No material effects
not yet endorsed	IFRS 14	New Standard 'Regulatory deferral accounts'	Jan. 1, 2016	None
not yet endorsed	IFRS 15	New Standard 'Revenue from contracts with customers'	Jan. 1, 2017	Notes disclosure
not yet endorsed	Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	Jan. 1, 2016	None
not yet endorsed	Amendments to IFRS 7 and IFRS 9	Mandatory effective date and transition disclosure	Jan. 1, 2018	None
not yet endorsed	Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Jan. 1, 2016	Under review
not yet endorsed	Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception	Jan. 1, 2016	None
not yet endorsed	Amendments to IAS 1	Disclosure initiative	Jan. 1, 2016	Notes disclosure
not yet endorsed	Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation	Jan. 1, 2016	None
not yet endorsed	Amendments to IAS 16 and IAS 41	Agriculture: bearer plants	Jan. 1, 2016	None
Dec. 17, 2014	Amendments to IAS 19	Defined benefit plans: employee contributions (Amendments to IAS 19 'Employee Benefits')	Feb. 1, 2015	None
not yet endorsed	Amendments to IAS 27	Equity method in separate financial statements	Jan. 1, 2016	None
June 13, 2014	IFRIC 21	New interpretation 'taxes	June 17, 2014	None
Dec. 17, 2014	Annual Improvements to IFRSs	Improvements to IFRSs 2010-2012	Feb. 1, 2015	None
Dec. 18, 2014	Annual Improvements to IFRSs	Improvements to IFRSs 2011-2013	Jan. 1, 2015	None
not yet endorsed	Annual Improvements to IFRSs	Improvements to IFRSs 2012-2014	Jan. 1, 2016	Under review

- **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, 2018 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.

- **IFRS 14 'Regulatory deferral accounts'**

  New standard issued on January 30, 2014. The standard permits an entity, which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required. IFRS 14 applies to an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2016. Since alstria is not a first-time adopter of IFRS the standard has no impact on the financial reporting of the Group.

- **IFRS 15 'Revenues from contracts with customers'**

  IFRS 15 is a new standard and was issued on May 28, 2014. It applies to an annual reporting period beginning on or after January 1, 2017. IFRS 15 specifies how and when an entity reporting in accordance with IFRS shall recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Apart from the additional disclosures, no impact on the net assets, financial and earnings position of the Group is expected.

- **Amendments to IFRS 11 'Joint Arrangements'**

  The amendments to IFRS 11 relate to the accounting for acquisitions of interests in joint operations. It clarifies the accounting treatment in the event that these shares constitute a business. The amendments were published on May 6, 2014. They are effective for annual periods beginning on or after January 1, 2016. The Group does not expect an impact on its reporting resulting from the amendments.

- **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 January 1, 2018 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 January 1, 2018 (or such other date as when an entity applies IFRS 9).

- **Amendments to IAS 28 and IAS 10 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'**
  The amendments were proposed due to the conflict between the requirements of IAS 28 'Investments in Associates and Joint Ventures' and IFRS 10 'Consolidated Financial Statements'. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, whether it is housed in a subsidiary or not. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment entities: applying the consolidation exception'**
  The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. They are effective for annual periods beginning on or after January 1, 2016. Since alstria office REIT-AG does not constitute as investment entity and the group does not include investment entities, the amendments will not have an effect on the Group's financial statements.

- **Amendments to IAS 1 'Disclosure initiative'**
  The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. They are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. Minor changes in the presentation of financial statements are expected.

- **Amendments to IAS 16 and IAS 38 'Clarification of acceptable methods of depreciation and amortisation'**
  The amendments were issued on May 12, 2014 and relate to the clarification of acceptable methods of depreciation and amortisation. The revenue based depreciation method is not an acceptable depreciation method under IAS 16. Impacts on the Group's financial position and results of operations are not expected.

- **Amendments to IAS 16 and IAS 41 'Agriculture: bearer plants'**
  The amendments were issued on June 30, 2014 and add bearer plants, which are used solely to grow produce, to the scope of IAS 16. There will be no impact on the Group's financial accounting.

- **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 February 1, 2015, with earlier application being permitted. The amendments are not affecting the presentation of the Group's financial reporting.

- **Amendments to IAS 27 'Equity method in separate financial statements'**
  The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted.

- **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 June 17, 2014 and is not assumed to have 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 and IAS 38) are affected by the amendments. The improvements apply to annual periods beginning on or after February 1, 2015 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 Improvements 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 and IAS 40) are affected by the amendments. The improvements apply to annual periods beginning on or after January 1, 2015 and will be of only minor, if any, relevance for the Group.
- **Annual improvement process IFRS 2012-2014**
  The International Accounting Standards Board (IASB) issued 'Annual Improvements 2012–2014', a collection of amendments to IFRSs, in response to issues addressed during the 2012–2014 cycle. Four standards (IFRS 5, IFRS 7, IAS 19 and IAS 34) are affected by the amendments. The improvements apply to annual periods beginning on or after July 1, 2016 and will be of only minor, if any, relevance for the Group.

The Group did not adopt any new or amended standard or interpretation early in 2014.

4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of alstria office REIT-AG and its subsidiaries as at December 31, 2014. 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 receivables, liabilities, gains and losses, income and expenses are eliminated 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.

4.1 Fully consolidated subsidiaries

The Group of consolidated companies includes 20 companies as well as two joint venture companies accounted for applying the equity method. No business combinations took place in either financial year 2013 or 2014.

The following subsidiaries are included in the consolidated financial statements:

Group entity (subsidiaries of alstria office REIT-AG)	Share in capital (%)
alstria Bamlerstrasse GP GmbH, Hamburg	100
alstria Portfolio 1 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 Englische Planke 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 solutions GmbH, Hamburg	100
alstria Steinstrasse 5 GP GmbH, Hamburg	100

In comparison to the consolidated financial statements as at December 31, 2013 there have been no changes to the consolidated Group in financial year 2014. All Group companies are property management companies or their general partners.

4.2 Interests in joint ventures

The Group holds interests in two joint ventures that had a carrying amount of EUR 34,534 k at the end of the reporting period.

Details of the Group’s joint ventures at the end of the reporting period are as follows:

			Proportion of ownership, interest and voting rights held by the Group	
Name of joint venture	Principal activity	Place of incorpora-tion and business	Dec. 31, 2014 (%)	Dec. 31, 2013 (%)
Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG	Hold and manage of real property	Hamburg, Germany	49.0	49.0
Alstria VII. Hamburgische Grundbesitz GmbH & Co. KG	Hold and manage of real property	Oststeinbek, Germany	49.0	49.0

The above-mentioned joint ventures are accounted for applying the equity method in these consolidated financial statements.

Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG is classified as a material joint venture.

Summarized financial information with respect to the Group's material joint venture is set out below. The summarized information below represents amounts shown in the joint venture's financial statements as prepared in accordance with IFRS.

Joint venture Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG

EUR k	Dec. 31, 2014	Dec. 31, 2013
Current assets	4,847	2,168
Non-current assets	105,025	74,525
Current liabilities	2,542	3,708
Non-current liabilities	40,500	37,238

The amounts of assets and liabilities stated above include the following:

EUR k	Dec. 31, 2014	Dec. 31, 2013
Cash and cash equivalents	3,721	1,074
Current financial liabilities (excluding trade and other payables and provisions)	151	147
Non-Current financial liabilities (excluding trade and other payables and provisions)	39,421	35,046

EUR k	2014	2013
Revenue	3,210	2,152
Profit or loss from continuing operations	25,480	-108
Post-tax profit (loss) for the year	25,480	-108
Other comprehensive income for the year	1,111	732
Total comprehensive income for the year	26,591	623
Dividends received from the joint venture during the year	-	-

The above profit (loss) for the year includes the following:

EUR k	2014	2013
Depreciation and amortisation	0	-1
Interest income	1	3
Interest expense	-1,552	-1,606
Income tax expenses (income)	0	-952

The profit on continuing operations in 2014 relates to an increase in fair value of an investment property as a result of refurbishment measures.

The reconciliation of the above-summarised financial information to the carrying amount of the interests in the joint venture as recognised in the consolidated financial statements is as follows:

EUR k	Dec. 31, 2014	Dec. 31, 2013
Net assets of the joint venture	66,830	35,747
Proportion of the Group's ownership interest in the joint venture	49.0%	49.0%
Cumulativ disproportionate profit allocation	804	1,337
Carrying amount of the Group's interest in the joint venture	**33,551**	**18,853**

Aggregate information of joint ventures that are not individually material:

EUR k	2014	2013
The Group's share of profit (loss) from continuing operations	-156	-145
The Group's share of other comprehensive income	0	0
The Group's share of total comprehensive income	**-156**	**-145**

EUR k	Dec. 31, 2014	Dec. 31, 2013
Aggregate carrying amount of the Group's interests in these joint ventures	983	2,148

There were neither unrecognised shares of losses of a joint venture nor any significant restrictions as to the ability of joint ventures to transfer cash funds to the Group.

5 KEY JUDGMENTS AND ESTIMATES

To a certain degree, estimates, assessments and assumptions have to be made in the course of preparing the Group's consolidated financial statements. These can affect the reported amounts and recognition of assets and liabilities, contingent assets and liabilities on the balance sheet date and the amounts of income and expenses reported for the period overall. The major items affected by such estimates, assessments and assumptions are described hereinafter. Actual amounts may differ from the estimates. Changes in the estimates, assessments and assumptions can have a material impact on the consolidated financial statements.

5.1 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.

5.2 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 other provisions and
- determine the fair value of convertible profit participation certificates.

Fair value of investment property

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.

Fair value of derivative financial instruments

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.

Fair value of virtual shares

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 749 k (December 31, 2013: EUR 1,046 k) and a provision of an amount of EUR 1,490 k as reported in the consolidated financial statements as at December 31, 2014.

Other provisions

Furthermore provisions include provisions for rental guarantees of an amount of EUR 2,325 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.

Fair value of convertible profit participation certificates

The Group's employees were granted convertible profit participation certificates. The fair value of which was estimated at the respective granting dates applying of a binary barrier option model based on the Black-Scholes model; assumptions include an automatic conversion once the barrier is reached. The model takes the terms and conditions upon which the instruments were granted into account. This valuation requires the Company to make estimates concerning these parameters, which are hence 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, 2014	Dec. 31, 2013
Investment property	1,645,840	1,632,362
Positive fair values of derivatives	6,643	33,118
Negative fair values of derivatives	19,686	25,963
Other provisions	4,089	5,259
Valuation of convertible profit participation rights and virtual shares	-1,410	-1,711

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.

Fair value measurement

The Group measures financial instruments, such as derivatives, and non-financial assets, such as investment property, at their fair value at each reporting date.

Fair value is defined as the price that would be received upon selling or paid upon purchasing an asset in an orderly transaction at arms' length between willing market participants on the measurement date in question; regardless of whether that price is directly observable or estimated applying another valuation technique. In estimating the fair value of an asset or a liability, the Group takes the characteristics of the asset or liability into account, if market participants were also to take them into account when pricing the asset or liability on the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis. Hereby excluded are the following:

- share-based payment transactions tha are within the scope of IFRS 2 'Share-based payments',
- leasing transactions that are within the scope of IAS 17 'Leases' and
- measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 'Inventories' or value in IAS 36 'Impairment of assets'.

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.

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.

In the context of the fair value hierarchy as described above, 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. These inputs can hardly be observed at markets and they are considered to be significant inputs. 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, 2014.

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 6 and 18 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.
- 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.
- 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.

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 instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The instruments reported as at December 31, 2014 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 and expense recognition

Revenues and other operating expenses are basically recognised when it is probable that the economic benefits will flow to the Group and only when the amount becomes reliably measureable.

This is usually the case when services are rendered or goods or products have been delivered and the risk has thus been transferred.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties. Revenues are recorded excluding VAT. In addition, the following specific recognition criteria must be met before revenues are recognised:

Rental income from operating leases on investment properties is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

Operating expenses Operating expenses are recognized at the time of the service, or when they are incurred.

Interest expenses and interest income are recognised when it is probable that the economic benefits will flow out from the Group or to the Group and the amount of expenses or income can be measured reliably. Interest expenses and income are allocated to the period to which they apply, taking the principal amount outstanding into account and measured at the applicable effective interest rate. The latter is defined as the rate that is - on initial recognition - used to discount all estimated future cash outflows or receipts from the financial liability or asset over its expected term. .

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.

Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the shareholders of the parent company by the weighted-average number of shares outstanding during the business year. Diluted earnings per share are calculated based on the assumption that all potentially dilutive securities and share-based payments are converted or exercised.

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 101,782 k (2013: EUR 104,224 k), of which EUR 30,986 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 2014 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	2014	2013
Revenues from investment property	101,782	104,224

Revenues from investment property are mainly comprised of rental income from investment property. The rental income includes effects totalling EUR 1,770 k (2013: EUR 1,770 k) that are attributable to rent-free periods.

9.2 Income less expenses from passed on operating expenses

EUR k	2014	2013
Income from passed on operating expenses	15,586	16,361
Income from passed on operating expenses related to the prior years	836	193
	16,422	**16,554**
Expenses from passed on operating expenses	-15,695	-16,361
Expenses from passed on operating expenses related to the prior years	-1,359	-706
	-17,054	**-17,067**
Income less expenses from passed on operating expenses	**-632**	**-513**

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

9.3 Real estate operating expenses

EUR k	2014	2013
Maintenance and refurbishment	5,156	5,218
Vacancy costs	3,210	3,190
On-going repairs	1,656	1,253
Legal and advisory fees	524	204
Taxes on land and building	101	170
Property management	57	26
Other Expenses	1,486	401
	12,190	**10,462**

Other expenses include operating costs, which could not be passed on to the tenants.

9.4 Administrative expenses

EUR k	2014	2013
Legal and consulting fees	1,383	1,320
Communication and marketing	550	532
Depreciation	420	549
IT maintenance	433	420
Audit fee (audit and audit related services)	335	335
Travel expenses	319	397
Supervisory Board compensation	305	305
Leasing costs	181	190
Office area costs	144	143
Insurances	100	41
Training & workshops	85	136
Recruitment	60	62
Other	440	895
	4,755	**5,325**

9.5 Personnel expenses

EUR k	2014	2013
Salaries and wages	4,150	3,919
Social insurance contribution	623	580
Bonuses	1,260	1,256
Expenses for share-based compensation	1,410	1,711
thereof relating virtual shares	*749*	*1,046*
thereof relating to the convertible profit participation certificates	*661*	*665*
Amounts for retirement provisions and disability Management Board	209	202
Other	155	122
	7,807	**7,790**

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 must be accounted for in equity (for the conversion right) as well as in liabilities (for the dividend entitlement). Of the total expense related to the profit participation rights, which amounted to EUR 661 k, EUR 589 k were recognised in equity (2013: EUR 541 k), while EUR 72 k were recorded as an item in liabilities (2013: EUR 124 k).

On average the Group employed 62 employees in 2014 (2013: 61).

9.6 Other operating income

EUR k	2014	2013
Compensation payments and other recharges	3,622	1,926
Income from the reversal of provisions in relation to rental guarantees	570	946
Capital funding fee	491	0
Income from the reversal of accrued liabilities	459	88
Property management services	179	186
Car use	95	64
Reimbursement of property taxes	0	429
Other	725	293
	6,141	**3,932**

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.

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

The capital funding fee resulted from the funding of additional equity intended for a joint venture company.

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

9.7 Other operating expenses

EUR k	2014	2013
Legal and advisory fees	577	0
Impairment on trade receivables	114	40
Donations	12	68
Other	263	3
	965	**111**

Legal and consulting fees of an amount of EUR 303 k were incurred as a result of a non-recurring strategic projects related to the further development of the Group. A further EUR 274 k have been added to litigation provisions.

9.8 Financial and valuation result

The financial result breaks down as follows:

EUR k	2014	2013
Income from financial instruments	**113**	**317**
Interest expenses syndicated loan	-9,950	-13,471
Interest expenses other loans	-9,172	-9,036
Interest result derivatives	-10,838	-13,406
Interest expenses convertible bond	-4,871	-2,697
Other interest expenses	0	-119
Financial expenses	**-34,831**	**-38,729**
Agency fees	-300	0
Commitment fees	-22	-20
Net present value adjustments due to the discount of leasing liabilities	0	-413
Other	-289	-271
Other financial expenses	**-611**	**-704**
Net financial result	**-35,329**	**-39,116**

Total interest income and expenses for financial assets and liabilities other than financial derivatives amounted to an interest income of EUR 113 k (2013: EUR 317 k) and EUR 21,654 k of interest expenses; (2013: EUR 24,011 k), respectively.

Total interest expenses calculated applying the effective interest method for financial liabilities, i. e. not recognised at fair value through profit or loss, amounted to EUR 1,548 k (interest expenses; 2013: EUR 4,280 k).

In neither of the two former financial years did the Group hold any 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	2014	2013
Transfer of cumulated loss from cash flow hedge reserve to income statement	-4,135	-2,988
Ineffective change of the fair value of cash flow hedges	-18,146	-7,798
Change in fair value of financial derivatives not qualifying as a cash flow hedge	-5,180	3,232
Net loss from fair value adjustments on financial derivatives	**-27,461**	**-7,554**

In 2014, a loss amounting to EUR 4,135 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 explanations on derivatives are presented in Note 10.7.

9.9 Net result on the disposal of investment property

EUR k	2014	2013
Proceeds from the disposal of investment property	71,650	54,418
Carrying amount of investment property disposed of	-67,084	-53,020
	4,566	**1,398**

The total loss from the disposal of objects and portfolios sold below their carrying value amounted to EUR 4 k in 2014 and EUR 523 k in 2013.

9.10 Income tax expenses

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 effectively since then.

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

Deferred income tax Due to its REIT-status and resulting tax exemption, there were no impacts on the Company’s financial statements, its equity or profit and loss in 2013 and 2014, which resulted from deferred income taxes.

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:

Fair Values in EUR k	2014	2013
As of Jan. 1	**1,632,362**	**1,622,988**
Property acquisition	42,390	36,865
Capital expenditure	33,234	14,483
Disposals	-62,970	-42,000
Net result from the adjustment of the fair value of investment property	824	27
As of December 31	**1,645,840**	**1,632,362**

alstria office REIT-AG applies 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 42,077 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, 2014:

	Level 1 EUR k	Level 2 EUR k	Level 3 EUR k	Fair value at Dec. 31, 2014 EUR k
Investment property	-	-	**1,645,840**	**1,645,840**

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 unexpired lease term (**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

Portfolio	Fair Value at Dec. 31, 2014	Valuation technique	Unobservable inputs	Range Min.	Range Max.	Weighted average
Offices Germany	1,645,840	hard-core and top slice	Estimated rental value (EUR/sqm/month)	5.7	19.2	10.8
Number of buildings: 74			Adjusted yield	4.16%	9.57%	5.92%
			Void period of office leases expiring within next 5 years [months]	6	18	12
0 ≤ WAULT ≤ 5 Years						
Offices Germany	930,155	hard-core and top slice	Estimated rental value (EUR/sqm/month)	6.2	19.2	10.7
Number of buildings: 49			Adjusted yield	4.78%	9.57%	6.30%
			Void period of office leases expiring within next 5 years [months]	6	18	16
5 < WAULT ≤ 10 Years						
Offices Germany	190,570	hard-core and top slice	Estimated rental value (EUR/sqm/month)	8.4	17.0	12.3
Number of buildings: 10			Adjusted yield	4.84%	7.99%	6.33%
			Void period of office leases expiring within next 5 years [months]	12	18	15
WAULT > 10 Years						
Offices Germany	525,115	hard-core and top slice	Estimated rental value (EUR/sqm/month)	5.7	17.0	10.2
Number of buildings: 15			Adjusted yield	4.16%	6.98%	4.84%
			Void period of office leases expiring within next 5 years [months]	12	12	12

Sensitivity of measurement to variance of significant unobservable input

A 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 his fair value assessments, which show the effect of changes in capitalisation rates (adjusted yield) on fair market values.

Fair Value of investment properties (EUR m)

Capitalisation rates	Dec. 31, 2014	Dec. 31, 2013
–0.25 %	1,723	1,713
0.00 %	1,646	1,632
0.25 %	1,577	1,560

In financial year 2014 benefits and obligations were transferred for five properties to the buyers, none of which classified as 'assets held for sale' as at December 31, 2013. The transaction volume amounted to EUR 67,057 k.

Capital expenditure (EUR 33,234 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 42,390 k including incidental acquisition costs.

For more information on changes to the immovable property, please refer to the 'Transactions' section in the Group management report for the business year 2014 (see page 10).

Borrowing costs that would have had to be capitalised as construction costs were not incurred during the reporting period (2013: EUR 0 k).

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

> EUR 101,782 k (2013: EUR 104,224 k) rental income from investment property;

> EUR 8,980 k (2013: EUR 7,272 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 3,210 k (2013: EUR 3,190 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 1,645,840 k (2013: EUR 1,632,362 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 49.0% 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 34,534 k (December 31, 2013: EUR 21,001 k). For further information please refer to Note 4.

10.3 Property, plant and equipment

EUR k	Plant	Furniture and fixtures	Owner occupied property	Total 2014
Acquisition and production cost				
As at January 1, 2014	**1,169**	**930**	**5,019**	**7,118**
Additions	121	45	16	182
Disposals	-242	0	-33	-275
As at December 31, 2014	**1,048**	**975**	**5,002**	**7,025**
Accumulated amortization, depreciation and write-downs				
As at January 1, 2014	**1,153**	**431**	**378**	**1,962**
Additions	22	109	89	220
Disposals	-242	0	0	-242
As at December 31, 2014	**933**	**540**	**467**	**1,940**
Net book values as at December 31, 2014	**115**	**435**	**4,535**	**5,085**

EUR k	Plant	Furniture and fixtures	Owner occupied property	Total 2013
Acquisition and production cost				
As at January 1, 2013	**1,169**	**883**	**5,019**	**7,071**
Additions	0	47	0	47
As at December 31, 2013	**1,169**	**930**	**5,019**	**7,118**
Accumulated amortization, depreciation and write-downs				
As at January 1, 2013	**1,134**	**318**	**285**	**1,737**
Additions	19	113	93	225
As at December 31, 2013	**1,153**	**431**	**378**	**1,962**
Net book values as at December 31, 2013	**16**	**499**	**4,641**	**5,156**

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 categorised as ‘property, plant and equipment’ according to IAS 16.

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

10.4 Intangible assets

	Licences	
EUR k	**2014**	**2013**
Acquisition and production cost		
As of Jan. 1	**1,812**	**1,480**
Additions	71	332
As of Dec. 31	**1,883**	**1,812**
Accumulated amortisation, depreciation and write-downs		
As of Jan. 1	**1,340**	**1,013**
Additions	199	327
As of Dec. 31	**1,539**	**1,340**
Net book values as at Dec. 31	**344**	**472**

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 of an amount of EUR 262 k and EUR 82 k, respectively.

10.5 Assets held for sale

The Group neither disclosed any assets held for sale at this year's balance sheet date nor at the previous year's balance sheet date. The level of fair value hierarchy within which the fair value measurements are in principle categorised is level 3. The valuation of the properties held for sale is regularly 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 contractual disposal price corresponds to 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 in up to one year to be current. The following table presents an overview on the receivables of the Group:

EUR k	Dec. 31, 2014	Dec. 31, 2013
Trade receivables		
Rent receivables	**3,498**	**3,708**
Accounts receivable from joint ventures	**88**	**89**
Other receivables		
Accrued receivables for 'Rent free periods'	6,538	4,768
Deposit account	1,653	1,639
Purchase price retention	1,000	0
Prepayments	99	130
Receivables and other assets	837	454
Other receivables	**10,127**	**6,991**

Except for EUR 1,653 k of receivables (December 31, 2013: EUR 1,639 k) due 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 114 k (December 31, 2013: EUR 40 k) due to rent payments in arrears. Apart from trade receivables no other receivables, were impaired.

As at December 31, 2014, trade receivables of an amount of EUR 1,010 k (December 31, 2013: EUR 991 k) were past due but not yet impaired. These relate to a number of independent tenants for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

EUR k	Dec. 31, 2014	Dec. 31, 2013
Trade receivables		
Up to 3 months	608	662
3 to 6 months	95	87
Over 6 months	307	242
	1,010	**991**

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 6,538 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 (rental smoothing).

Purchase price retentions in an amount of EUR 1,000 k relate to the sale of one investment property

10.7 Derivative financial instruments

The following derivative financial instruments were in place at the end of reporting period:

			Dec. 31, 2014		Dec. 31, 2013	
Product	**Strike p.a. (%)**	**Maturity date**	**Notional (EUR k)**	**Fair value (EUR k)**	**Notional (EUR k)**	**Fair value (EUR k)**
Cap	0.2500	Dec. 31, 2017	340,000	402	0	0
Cap	3.0000	Sept. 30, 2019	50,250	49	42,500	641
Cap	4.6000	Oct. 20, 2015	47,902	0	47,902	3
Swap	2.9900	July 20, 2015	380,870	-6,198	380,870	-15,769
Financial derivatives - held for trading			**819,022**	**-5,747**	**471,272**	**-15,125**
Forward-Cap[1)]	0.0000	Sept. 30, 2020	380,870	5,874	380,870	31,932
Cap	3.0000	Apr. 30, 2021	48,591	147	0	0
Cap	3.0000	Mar. 29, 2024	10,900	140	0	0
Cap	3.0000	Dec. 17, 2018	56,000	31	56,000	541
Cap	3.2500	Dec. 31, 2015	11,155	0	11,327	2
Swap	2.1940	Dec. 31, 2014	0	0	37,283	-858
Financial derivatives - cash flow hedges			**126,646[2)]**	**6,192**	**104,610[2)]**	**31,617**
Total interest rate derivatives			**945,668**	**445**	**575,882**	**16,492**
Embedded derivative	n/a	June 14, 2018	8,092[3)]	-13,488	7,884[3)]	-9,336
Total				**-13,043**		**7,156**

1) Not effective prior to July 20, 2015.
2) Notional value excluding an amount of EUR 380,870 k not effective prior to July 20, 2015
3) Underlying number of shares subject to conversion in thousand.

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 new 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.

To hedge the interest rate risk of variable interest rate loans a cap agreement of a notional amount of EUR 340,000 k, a cap rate of 0.2500% and a term of the hedging relationship until December 31, 2017, was signed taking effect on December 31, 2014. The financial derivative constitutes an economic hedge since the cap agreement does not meet the conditions for a cash flow hedge.

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, 2013:

EUR k	Cash flow hedge reserve	Financial assets		Financial liabilities		Total
		Non-current	Current	Non-current	Current	
Hedging instruments as at January 1, 2014	**-7,329**	**32,474**	**644**	**-25,963**	**0**	**7,155**
Effective change in fair values cash flow hedges	99	0	0	99	0	**99**
Ineffective change in fair values cash flow hedges	0	-27,718	0	9,573	0	**-18,145**
Net result from fair value changes in financial derivatives not qualifying for cash flow hedging	0	0	-1,069	-4,112	0	**-5,181**
Reclassification of cumulated loss from equity to income statement	4,135	0	0	0	0	**0**
Changes in accrued interests concerning financial derivatives	0	0	0	145	0	**145**
Acquisitions	0	1,436	876	0	0	**2,312**
Disposals	0	0	0	572	0	**572**
Reclassification due to change of residual term	0	451	-451	6,198	-6,198	**0**
Hedging instruments as at December 31, 2014	**-3,095**	**6,643**	**0**	**-13,488**	**-6,198**	**-13,043**

The notional amount of the financial derivatives effective at the end of the reporting period is EUR 945,668 k (December 31, 2013: EUR 575,882 k). This includes cash flow hedges and derivatives not qualifying for cash flow hedging.

Derivatives of a notional amount of EUR 819,022 k (December 31, 2013: EUR 471,272 k) are not designated as a cash flow hedge.

An increase in the fair values of derivatives of an amount of EUR 99 k that are effective in a cash flow hedge was recognised in the equity in the hedging reserve in 2014 (2013: increase of EUR 11,820 k).

The ineffective portion that arises from cash flow hedges amounted to a fair value loss of EUR 18,145 k (2013: loss of EUR 7,798 k) and is recognised in profit or loss.

Further losses totalling EUR 5,181 k (2013: gain of EUR 3,232 k), which were due to the market value of the derivatives not included in hedge accounting, were recorded in the income statement 2014.

A loss of EUR 4,135 k (2013: loss of EUR 2,988 k) relates to cumulative losses from cash flow hedges for which the forecast transaction is no longer expected to occur, as the respective loans were repaid prematurely.

Overall, this results in a total loss of EUR 27,461 k (2013: loss of EUR 7,554 k), which is presented as the 'net loss from fair value adjustments on financial derivatives'.

10.8 Cash and cash equivalents

EUR k	Dec. 31, 2014	Dec. 31, 2013
Bank balances	**63,145**	**82,782**

Cash and cash equivalents in an amount of EUR 63,145 k refer to cash at banks. The cash amount is not subject to any restrictions (December 31, 2013: EUR 252 k).

11 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

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

11.1 Equity

Share capital

Thousand	Dec. 31, 2014	Dec. 31, 2013
Ordinary shares of EUR 1 each	**79,018**	**78,933**

The conversion of profit participation rights (Note 12) in the second quarter of 2014 resulted in the issue of 85,000 new shares by utilising the conditionally increased capital provided for such purposes (Conditional Capital III 2012).

On December 31, 2014 alstria office REIT-AG's share capital amounted to EUR 79,018,487, represented by 79,018,487 non-par value bearer shares.

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

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

Number of shares	2014	2013
Shares outstanding on Jan. 1	**78,933,487**	**78,933,487**
Conversion of convertible participation rights	85,000	0
As of Dec. 31	**79,018,487**	**78,933,487**

Capital reserve

The capital reserve changed as follows during the financial year:

EUR k	2014	2013
As at Jan. 1	**730,486**	**769,412**
Payment of dividends	-39,467	-39,467
Share-based payments	589	541
Conversion of convertible participation rights	85	0
As at Dec. 31	**691,693**	**730,486**

An increase of EUR 589 k (2013: EUR 541 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 39,467 k (EUR 0.50 per outstanding share) in 2014.

Hedging reserve

EUR k	Dec. 31, 2014	Dec. 31, 2013
Hedging reserve	**–3,095**	**–7,329**

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

Treasury shares

As at December 31, 2014, the Company held no treasury shares.

By resolution of the Annual General Meeting held on June 8, 2011, the Company's authorisation to acquire treasury shares was renewed. According to the resolution, alstria office REIT-AG is authorised to acquire up to 10% of the capital stock until June 8, 2016. There is no intention to make use of this authorisation at present.

Retained earnings

Retained earnings as at December 31, 2014 totalled an amount of EUR 78,977 k. The payment of the dividend could not be generated from alstria office REIT-AG's stand alone positive retained earnings according to German GAAP [HGB] at the time the dividend had to be paid. This is why the amount of the dividend payouts was released from the capital reserve in 2014.

11.2 Financial liabilities

EUR k	Non-current	Current			Total
		Loan	Accrued interest	Total current	Dec. 31, 2014
Loans					
Syndicated loan	497,516	0	0	0	**497,516**
Other loans	307,114	5,923	1,779	7,702	**314,816**
Convertible bond	69,395	0	0	0	**69,395**
Total	**874,025**	**5,923**	**1,779**	**7,702**	**881,727**

EUR k	Non-current	Current			Total
		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**

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

As at December 31, 2014, the total repayable amount of the loans drawn by alstria office REIT-AG was EUR 895,086 k (December 31, 2013: EUR 913,892 k). The lower carrying amount of EUR 881,727 k (EUR 847,025 k non-current and EUR 7,702 k current) takes interest liabilities and transaction costs to be allocated under the effective interest method upon raising liabilities into account. Financial liabilities with a maturity of up to one year are recognised as current loans.

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'). Of this nominal amount, EUR 501,070 k had been drawn as at December 31, 2014 (December 31, 2013: EUR 538,963 k under the former, replaced credit facility agreement). The carrying amount was EUR 497,516 k as at December 31, 2014 (December 31, 2013: EUR 534,794 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 for applying the effective interest rate method.

To secure the liabilities of the loans, receivables from rental and property purchase agreements as well as insurance receivables and derivative financial instruments were assigned to the lenders. In addition, liens were granted on bank accounts and the registration of land charges was agreed (Note 10.6).

More information on terms and conditions of the syndicated loan and the other loans can be found in the table on page 110 in Section 20 of the notes.

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. In line with the terms and conditions of the convertible bond the conversion price was adjusted to EUR 9.8123 during financial year 2014.

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 69,395 k and a fair market value of EUR 87,253 k.

The current portion of the loans 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 105,360 k (December 31, 2013: EUR 98,130 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 114,060 k (December 31, 2013: EUR 100,574 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, 2014, the loans and the convertible bond were reduced by transaction costs of EUR 6,336 k (December 31, 2013: EUR 7,087 k).

The average debt maturity as at the end of the reporting period remained unchanged with and was 5.3 years as at December 31, 2014 and at December 31, 2013.

The average interest rate of the Group's loans was 3.4% at the end of the reporting period.

The carrying amounts of the loans are all reported in euros. With the exception of the fixed rate loans and the convertible bond described above, the fair values of the Group's financial liabilities approximate their carrying values at the end of the reporting period. This does not apply to their accrued transaction costs.

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

EUR k	Dec. 31, 2014	Dec. 31, 2013
Up to 1 year	3,539	42,843
More than 1 year	706,787	693,520
Total	**710,326**	**736,363**

The following loans are secured by land charges:

EUR k	Dec. 31, 2014	Dec. 31, 2013
Financial liabilities secured by land charges	812,332	829,567
thereof on investment property	807,796	*824,926*

11.3 Other Provisions

	Due			Due		
EUR k	**up to 1 year**	**in more than1 year**	**Total Dec. 31, 2014**	**up to 1 year**	**in more than 1 year**	**Total Dec. 31, 2013**
Provisions						
Rental guarantee	48	2,277	**2,325**	490	2.372	**2.862**
Provision virtual share liabilities	139	1,351	**1,490**	1.525	872	**2.397**
Other	274	0	**274**	0	0	**0**
	461	**3,628**	**4,089**	**2,015**	**3,244**	**5,259**

In connection with property sales, the Group has committed itself to compensate buyers for possible shortfalls in rental income for rental agreements that are in place with certain tenants and are not extended at the disposal date. A provision amounting to EUR 2.325 k was calculated as the net present value of possible cash outflows from this rental guarantee, for which a realisation is more likely than not. The commitment relates to a six-year rental period starting in 2014. As at December 31, 2013, the provision for the rental guarantees amounted to EUR 2,862 k reflecting a decrease of EUR 537 k. The decrease in this provision by EUR 571 k is based on the modified expectation of the tenants making use of their possible break option, taking new information on the tenants' situation into account. A further amount of EUR 48 k of the provision was used. An increase in value by EUR 82 k resulted from the change in the net present value due to expiries and discount rate changes.

In addition EUR 1,490 k (December 31, 2013: EUR 2,397 k) were recognised as a provision for awarding the Long and Short Term Incentive Plan (Note 18).

Other provisions were made for potential costs of litigation. At the balance sheet date, there were no significant legal proceedings in which alstria office REIT-AG or its affiliates could be subject to be claimed for payments. The main part of the provision was therefore made for the litigation costs for lawyers and court fees for cases in which alstria office REIT-AG or its subsidiaries act as plaintiff.

11.4 Trade payables and other liabilities

	Due			Due		
EUR k	**up to 1 year**	**in more than 1 year**	**Total Dec. 31, 2014**	**up to 1 year**	**in more than 1 year**	**Total Dec. 31, 2013**
Trade payables						
Other trade payables	4,389	0	4,389	3,474	0	3,474
	4,389	**0**	**4,389**	**3,474**	**0**	**3,474**
Other current liabilities						
Accruals for outstanding invoices	4,798	0	4,798	3,435	0	3,435
Security deposits	1,064	2,036	3,100	996	1,052	2,048
Advance rent payments received	1,468	0	1,468	1,544	0	1,544
Accrued bonuses	1,238	0	1,238	1,238	0	1,238
Value added tax liabilities	157	0	157	485	0	485
Customers with credit balances	415	0	415	425	0	425
Supervisory Board compensation	305	0	305	305	0	305
Auditing costs	271	0	271	266	0	266
Miscellaneous other liabilities	644	0	644	283	0	283
	10,360	**2,036**	**12,396**	**8,977**	**1,052**	**10,029**

The disclosed carrying amounts approximate their fair values.

Trade payables relate to operating costs not yet invoiced of EUR 1,588 k (December 31, 2013: EUR 1,489 k), liabilities from project development, rental activities and third-party real estate management services of EUR 2,801 k (December 31, 2013: EUR 1,985 k).

11.5 Trust assets and liabilities

At the end of the reporting period, alstria office REIT-AG held trust assets worth EUR 1,653 k (December 31, 2013: EUR 1,639 k) and liabilities worth EUR 3,100 k (December 31, 2013: EUR 2,048 k), in particular from rent deposits.

11.6 Deferred taxes

Due to its REIT status, alstria office REIT-AG has been fully tax exempt regarding income taxes from January 1, 2007 onwards. Therefore, deferred taxes are neither reported at the end of this year's 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 The following total remuneration were granted to the members of the Management Board according to IAS 24.17 and Section 314 para. 1 no. 6 HGB:

EUR k	2014	2013
Short-term benefits	1,275	1,343
Share based payments	1,656	121
Total	**2,931**	**1,464**

On the reporting date, liabilities for the compensation of the members of the Management Board amounted to EUR 378 k (2013: EUR 378 k). As at December 31, 2014 the members of the Management Board no longer held any stock options from the meanwhile terminated stock option programme initiated in 2007. As at December 31, 2013 non-transferable stock options for 375,000 shares of alstria office REIT-AG were in place. Since the conversion conditions were not met for the share options during their term, all 375,000 shares options expired in fiscal year 2014. Details of the stock option programme are also included in Note 17.

As at December 31, 2014 363,347 virtual shares were granted to the members of the Management Board, resulting from a subsequent cash-settled share-based 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 (2013: EUR 305 k).

Further information on disclosures according to Section 314 para. 1 no. 6a HGB (German Commercial Code) and IAS 24.17 is provided in the remuneration report (see pages 144 to 151) that is an integral part of these Notes and at the same time presented in the corporate governance chapter.

12.2 Other financial commitments and contingencies

Other financial obligations from refurbishment projects and on-going maintenance amounted to EUR 10,645 k (2013: EUR 16,345 k).

With respect to property sales, 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 at the disposal date. Contingencies resulting from this commitment amounted to EUR 0 k (December 31, 2013: EUR 456 k). The commitment related to a six-year rental period that started 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 456 k to EUR 0 k is based on the extension of the lease term for a part of the rental areas in question, resulting in the termination of the rental guarantee originally granted for these areas.

As at December 31, 2014, there were no rental agreements for the administrative premises that were subject to a minimum lease term. An amount of EUR 146 k of future financial obligations arose from other leasing agreements. EUR 94 k of them have a residual maturity of up to one year and the remainder, EUR 52 k, has a remaining maturity of one to five years.

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 21 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, 2014	Dec. 31, 2013
Within 1 year	95,768	96,965
After 1 year but not longer than 5 years	274,190	281,798
More than 5 years	305,032	323,480
	674,990	**702,243**

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 based on 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 financial year 2014 amounted to EUR 52,889 k. The increase as compared to the reporting period 2013 (EUR 50,114 k) resulted mainly from lower payments for interest expenses and higher cash inflows from other operating results.

Cash flow from investing activities was impacted by the cash outflows due to the acquisitions of two investment properties and investments in existing properties (cash outflow EUR 72,264 k). Cash inflows of EUR 65,467 k related to payments received for the sale of investment properties and of an amount of EUR 1,470 k to equity releases of interests in joint ventures. Payments for capital contributions in joint ventures generated cash outflows of an amount of EUR 2,205 k.

Cash flows from financing activities mainly reflect refinancing activities with payments for the redemption of borrowings of an amount of EUR 192,629 k and cash proceeds from taking out loans (EUR 173,823 k). Dividend payments resulted in cash outflows of EUR 39,467 k. Furthermore, cash outflows occurred due to the acquisition and termination of financial derivatives (EUR 2,882 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 2014 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 144 to 151 of the Corporate Governance Section).

13.3 Related party transactions

At the end of the reporting period, the Group recorded receivables of an amount of EUR 88 k (December 31, 2013: EUR 89 k) from joint ventures. Furthermore, alstria office REIT-AG received EUR 610 k (2013: EUR 142 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	**2014**	**2013**
Profit attributable to the shareholders (EUR k)	36,953	38,945
Average number of shares outstanding (thousands)	78,980	78,933
Basic earnings per share (EUR per share)	0.47	0.49

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

Diluted earnings per share	**2014**	**2013**
Diluted profit attributable to the shareholders (EUR k)	39,137	39,896
Average diluted number of shares (thousands)	87,072	86,818
Diluted earnings per share (EUR)	0.45	0.46

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 38,751 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	2014	2013
Dividends on ordinary shares[1] not recognised as a liability as at Dec. 31	39,467	39,467
Dividend per share	0.50	0.50

[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 14, 2014, resolved to distribute dividends totalling EUR 39,467 k (EUR 0.50 per outstanding share). The dividend was distributed on May 15, 2014. The dividends paid out in 2013 totalled EUR 39,467 k (EUR 0.50 per share outstanding).

16 EMPLOYEES

During the period from January 1 to December 31, 2014, the Company on average employed 62 employees (January 1 to December 31, 2013: on average 61 employees). The average was calculated based the total number of employees at the end of each quarter. On December 31, 2014, 63 people (December 31, 2013: 63 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:

The members of the Management Board could be granted up to 2,000,000 options, entitling the holder to a subscription of a maximum of 2,000,000 Company shares with a total nominal value of EUR 2,000 k. The stock options had to 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 was EUR 16. In 2010 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 were unaffected.

At the beginning of the reporting period, 515,625 stock options outstanding were in place. The number decreased to zero by December 31, 2014, since the term of the stock options ended in the business year 2014. Due to the termination of the stock option plan, no new stock options were issued. Since the conversion terms for the stock options were not met within their term, all stock options expired within the business year 2014, without the options having been exercised. The personnel expenses resulting from the allocation of the fair values of the stock options on the date of their granting over the vesting period amounted to EUR 0 k in 2014 and 2013, respectively.

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

The expected volatility was based on the historical volatility of comparative listed companies and was calculated as their average.

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 (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 remuneration 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 table below summarizes the number of virtual shares granted under the existing STI and LTI program and outstanding as at December 31, 2014.

				Olivier Elamine	**Alexander Dexne**
	Start of deferral period	**Reference share price in EUR**	**End of Deferral period**	**Number of virtual shares**	**Number of virtual shares**
STI 2012	2013	9.45	2015	7,193	5,885
STI 2013	2014	9.57	2016	5,914	4,839
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
LTI 2014	2014	9.44	2018	46,610	38,136

The development of the virtual shares until December 31, 2014 is shown in the following table:

Number of virtual shares	**2014**		**2013**	
	LTI	**STI**	**LTI**	**STI**
January 1	**353,779**	**25,989**	**267,665**	**24,629**
Granted in the reporting period	84,746	10,753	86,114	13,078
Converted into cash in the reporting period	-99,009	-12,911	0	-11,718
December 31	**339,516**	**23,831**	**353,779**	**25,989**

The 12,911 virtual shares converted into cash under the STIP resulted in payments to the management board in an amount of EUR 136 k within the business year 2014. The conversion amount is the weighted average price of the first 20 trading days in the calendar year 2014 plus the dividend paid during the vesting period. It amounted to EUR 10.51, of which EUR 9.57 relate to the share price and EUR 0.94 to the dividend paid. Under the LTIP 99,009 virtual shares were converted, resulting in a payout of EUR 1,520 k.

In 2014, the LTI and the STI generated remuneration expenses amounting to EUR 749 k (2013: remuneration expenses of EUR 1,046 k) and provisions amounting to EUR 1,490 k (December 31, 2013: EUR 2,397 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 non-transferable rights and are neither sellable nor pledgeable or otherwise chargeable.

The maximum term of each certificate is five years.

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

Each certificate shall be converted into one non-par-value bearer share of the Company on the second, third, fourth or fifth anniversary date of the issue date if the then current stock exchange price of the Company's shares has exceeded the stock exchange price of the Company's shares on the issue date by 5% or more on at least seven non-subsequent trading days (market condition). For 96,800 certificates issued on June 7, 2013 and 107,250 certificates issued on May 22, 2014, this market condition was fulfilled until the end of the financial year 2014.

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	**June 9, 2011**	**June 18, 2012**	**June 7, 2013**	**May 22, 2014**	**Total**
January 1, 2014	**72,500**	**85,500**	**111,800**	**0**	**269,800**
Expired due to termination of employment	-13,000	-500	-15,000	0	-28,500
Converted	0	-85,000	0		-85,000
Granted	0	0	0	107,250	107,250
December 31, 2014	**59,500**	**0**	**96,800**	**107,250**	**263,550**

The relevant amount for the conversion of 85,000 convertible profit participation rights was the XETRA closing price on the conversion date of EUR 9.65 per share. Total expenses relating to convertible profit participation rights amounted to EUR 661 k in

2014 (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	June 9, 2011	June 18, 2012	June 7, 2013	May 22, 2014
Dividend yield (%)	4.23	5.76	5.68	5.18
Risk-free interest rate (%)	1.67	0.04	0.04	0.06
Expected volatility (%)	47.00	38.00	25.00	21.50
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)	10.40	7.64	8.80	9.65
Estimated fair value of one option for conversion at the granting date	8.25	5.45	6.18	6.77

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 short-term 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 default of payment by a major tenant. Due to the fact that all of the Company's main tenants are public institutions or still highly rated, the risk of default of payments is currently limited.

alstria office REIT-AG's syndicated loan facility agreement allows for a loan to value (LTV) ratio of up to 70%. The Company managed to keep the LTV ratio for the syndicated loan on the relevant test date at 49.0%. 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 agreements as per December 31, 2014

Liabilities	Maturity	Principal amount drawn as at Dec. 31, 2014 EUR k	LTV as at Dec. 31, 2014 %	LTV covenant %	Principal amount drawn as at Dec. 31, 2013 EUR k
Syndicated loan	Sept. 30, 2020	501,070	49.1	70.0	538,963
Non-recourse loan #1	Jan. 31, 2017	68,260	59.0	75.0	69,626
Loan #2[1)]	Dec. 31, 2014	2,617	17.0	75.0	11,328
Loan #3	Dec. 17, 2018	56,000	45.6	60.0	56,000
Loan #4	Sept. 30, 2019	67,000	43.8	65.0	39,500
Loan #5	Apr. 30, 2021	60,739	55.0	67.0	–
Loan #6	Mar. 28, 2024	60,000	52.4	75.0	–
Non-recourse loan #7	Dec. 31, 2014[2)]	–	–	–	42,670
Non-recourse loan #8	June 30, 2014[3)]	–	–	–	28,503
Non-recourse loan #9	Oct. 20, 2015[2)]	–	–	–	47,902
Total loans		**815,686**	**49.3**	**–**	**834,492**
Convertible bond	June 14, 2018	79,400	–	–	79,400
Total		**895,086**	**54.2**	**–**	**913,892**

1) Loan agreement terminated taking effect on Dec. 31, 2014, withdrawal occurred on Jan. 02, 2015.
2) Refinanced in Q1 2014.
3) Refinanced in Q2 2014.

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, 2014						
Variable interest						
Syndicated loan	0	0	0	15,000	486,070	501,070
Other loans	3,538	921	921	56,921	146,953	209,254
Total	**3,538**	**921**	**921**	**71,921**	**633,023**	**710,324**

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**

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 as at December 31, 2014 are presented on page 92.

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	2014	2013
+ 100 bps	7,103	8,490
– 50 bps	-3,552	-3,865

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 derivatives qualifying for cash flow hedge accounting

EUR k	2014	2013
+ 100 bps	21,157	17,879
– 50 bps	-6,473	-9,556

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

Financial derivatives not qualifying for cash flow hedge accounting

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

EUR k	2014	2013
+ 100 bps	11,643	5,638
– 50 bps	-1,309	-1,840

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

EUR k	2014	2013
Share price compared to year end price 2014 (EUR 9.15)		
+ 10 per cent	-6,774	-4,262
– 10 per cent	5,417	3,602

b) Credit risk

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

The department responsible for the operating business property management manages and analyses credit risks in relation to each re-letting 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, 2014 plus the weighted average margin of 155 basis points for the Group’s loans).

The following chart shows the related future undiscounted cash flows of financial liabilities.

EUR k	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years	Total
Financial year as at Dec. 31, 2014							
Interest	18,138	18,090	16,064	15,164	13,694	16,141	97,291
Loans	5,923	2,930	64,789	71,921	77,921	592,202	815,686
Convertible Bond	0	0	0	79,400	0	0	79,400
Financial derivatives	6,106	-281	-704	-1,268	-1,896	-1,954	3
Trade payables	4,389	0	0	0	0	0	4,389
Other liabilities	10,360	0	0	0	0	0	10,360
	44,916	**20,739**	**80,149**	**165,217**	**89,719**	**606,389**	**1,007,129**

EUR k	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years	Total
Financial year as at Dec. 31, 2013							
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**

The most significant liability is a syndicated loan provided by four banks totalling EUR 501,070 k (December 31, 2013: EUR 538,963 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 314,616 k (December 31, 2013: EUR 295,529 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 1,645,840 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, 2014, and as at December 31, 2013.

The Company monitors its capital structure by making use of the performance indicators relevant for a classification as a REIT. The REIT equity ratio, which is the ratio of equity to immovable assets, is the most important of these indicators. According to the Group's strategy, the REIT equity ratio is aimed to 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 is not below 45% at the end of the business year for three consecutive business years.

The following ratios are also used to manage capital:

Ratios according to G-REIT law

%	2014	2013	G-REIT covenant
Equity ratio acc. to G-REIT law	50.25	50.87	> 45
Immovable assets	95.23	92.93	> 75
Revenues gained from immovable assets	100.00	100.00	> 75
Income gained from disposal of immovable assets	18.67	23.66	< 50[1]

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

The following table shows the carrying amount 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 at Dec. 31, 2014			Loans and receivables	Assets at fair value through profit and loss	Derivatives for hedging	Total	Fair value
Trade receivables	3,498	0	3,498	0	0	3,498	3,498
Accounts receivable from joint ventures	88	0	88	0	0	88	88
Derivatives	6,643	0	0	451	6,192	6,643	6,643
Receivables and other assets	10,140	6,538	3,602	0	0	3,602	3,602
Cash and cash equivalents	63,145	0	63,145	0	0	63,145	63,145
Total	**83,514**	**6,538**	**70,333**	**451**	**6,192**	**76,976**	**76,976**

	Carrying amount	Non-financial liabilities	Financial liabilities			
Liabilities as per balance sheet (EUR k) as at Dec. 31, 2014			Other liabilities	Derivatives for hedging	Total	Fair value
Long-term loans	874,025	0	874,025	0	874,025	882,725
Derivatives	19,686	0	0	19,686	19,686	19,686
Short-term loans	7,702	0	7,702	0	7,702	7,702
Trade payables	4,389	0	4,389	0	4,389	4,389
Other liabilities	12,396	1,305	11,091	0	11,091	11,091
Total	**918,198**	**1,305**	**897,207**	**19,686**	**916,893**	**925,593**

Assets as per balance sheet (EUR k) as at Dec. 31, 2013	Carrying amount	Non-financial assets	Financial assets				
			Loans and receiva-bles	Assets at fair value through profit and loss	Deriva-tives 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**

Liabilities as per balance sheet (EUR k) as at Dec. 31, 2013	Carrying amount	Non-financial liabili-ties	Financial liabilities			
			Other liabilities	Deriva-tives 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**

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	2014	2013
Financial instruments at fair value through profit or loss	-27,461	-7,554
Loans and receivables	-114	-40
Total	**-27,575**	**-7,594**

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 end of the reporting period) occurred after the end of the reporting period December 31, 2014.

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 THE WERTPAPIERHANDELSGESETZ [GERMAN SECURITIES TRADING ACT]

23.1 Ad-hoc announcement

During the reporting period there were no facts or events the Company was obliged to publish pursuant to Section 15 para. 1 German Securities Trading Act (WpHG).

23.2 Directors' dealings

During the reporting period no transactions were made that should have been reported to the Company pursuant to Section 15a para. 1 WpHG.

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 of 2014, and 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 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.

No.	Shareholders, registered office	Voting rights (new) (in %)	Strike threshold (in %)	Date of change	Attribu-tion of voting rights	Contains 3 % or more of voting rights from
1	CNP Assurances, Paris, France	5.14	5	Dec. 07, 2012	No	-
2	APG Algemene Pensioen Groep N.V., Amsterdam, Netherlands	0.00	3	Jan. 03, 2014	No	-
3	BNP Paribas Investment Partners Belgium S.A., Brussels, Belgium	3.001	3	Jan. 03, 2014	No	-
4	BNP Paribas Investment Partners UK Ltd, London,United Kingdom	3.001	3	Jan. 03, 2014	Yes[1,3]	BNP Investment Partners Belgium S.A.
5	APG Asset Management N.V., Amsterdam, Netherlands	2.961	3	May 08, 2014	No	-
6	Stichting Pensioenfonds ABP, Heerlen, Netherlands	2.961	3	May 08, 2014	Yes[3]	-
7	APG Groep N.V., Heerlen, Netherlands	2.961	3	May 08, 2014	Yes[3]	-
8	BlackRock, Inc., New York, NY, USA	4.53	3	Sept. 25, 2014	Yes[1, 2, 3]	-
9	BlackRock Holdco 2, Inc., Wilmington, Delaware, USA	4.26	3	Sept. 25, 2014	Yes[1, 2, 3]	-
10	BlackRock Financial Management, Inc., New York, USA	4.25	3	Sept. 25, 2014	Yes[1, 2, 3]	-
11	BNP Paribas Investment Partners S.A., Paris, France	5.08	5	Oct . 08, 2014	Yes[1, 2, 3]	BNP Paribas In-vestment Part-ners Belgium SA.
12	Ministry of Finance of Norway, Oslo, Norway	2.97	3	Oct. 21, 2014	Yes[3]	Norges Bank
13	Norges Bank, Oslo, Norway	2.97	3	Oct. 21, 2014	No	-
14	Cohen & Steers, Inc., New York, USA	2.88	3	Nov. 04, 2014	Yes[1, 2]	-
15	JPMorgan Asset Management (UK) Limited, London, United Kingdom	3.19	3	Nov. 06, 2014	Yes[1, 4]	-
16	JPMOrgan Chase Bank, National Association, Columbus, USA	3.19	3	Nov. 06, 2014	Yes[1, 4]	-
17	J.P. Morgan Investment Management INc., New York, USA	3.19	3	Nov. 06, 2014	Yes[1, 4]	-
18	BlackRock Advisors Holdings, Inc., New York, NY, USA	2.81	3	Dec. 18, 2014	Yes[1, 2, 3]	-
19	BlackRock International Holdings, Inc., New York, NY, USA	2.81	3	Dec. 18, 2014	Yes[1, 2, 3]	-
20	BR Jersey International Holdings L.P., St. Helier, Jersey, Channel Islands	2.81	3	Dec. 18, 2014	Yes[1, 2, 3]	-
21	BlackRock Group Limited, London, United Kingdom	2.72	3	Dec. 18, 2014	Yes[1, 2]	-
22	BlackRock Advisors Holdings, Inc., New York, NY, USA	3.02	3	Feb. 06, 2015	Yes[1, 2, 3]	
23	BlackRock International Holdings, Inc., New York, NY, USA	3.02	3	Feb. 06, 2015	Yes[1, 2, 3]	
24	BR Jersey International Holdings L.P., St. Helier, Jersey, Channel Islands	3.02	3	Feb. 06, 2015	Yes[1, 2, 3]	
25	BlackRock Group Limited, London, United Kingdom	3.05	3	Feb. 06, 2015	Yes[1, 2]	
26	BlackRock Advisors Holdings, Inc., New York, NY, USA	2.95	3	Feb. 10, 2015	Yes[1, 2, 3]	
27	BlackRock International Holdings, Inc., New York, NY, USA	2.95	3	Feb. 10, 2015	Yes[1, 2, 3]	
28	BR Jersey International Holdings L.P., St. Helier, Jersey, Channel Islands	2.95	3	Feb. 10, 2015	Yes[1, 2, 3]	
29	BlackRock Group Limited, London, United Kingdom	2.88	3	Feb. 10, 2015	Yes[1, 2]	

1) Attribution pursuant to Section 22 para. 1 Sentence 1 No. 6 WpHG.
2) Attribution pursuant to Section 22 para. 2 WpHG.
3) Attribution in connection with Section 22 para. 1 Sentence 1 No. 1 WpHG.
4) Attribution in connection with Section 22 para. 2 WpHG.

24 DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 AKTG [AKTIENGESETZ: GERMAN STOCK CORPORATION ACT]

The Management Board and the Supervisory Board have submitted the declaration of compliance that is required by Section 161 AktG with respect to the recommendations of the German Corporate Governance Code as developed by a government commission. It is 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 14, 2014, the general meeting elected Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Dammtorstrasse 12, Hamburg, as auditors of the separate and consolidated financial statements for financial year 2014. The fees for these auditing services amounted to EUR 260 k in 2014. 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, which are elected by the general meeting of the shareholders. The expiration of the term of office is identical for all members, and ends with the closing of the annual general meeting of the shareholders in the year 2016.

During the financial year 2014, the members of the Supervisory Board were:

Alexander Stuhlmann Chairman	**Hamburg, Germany**	**Managmenet 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
since January 1, 2015	GEV AG	Chairman of the Supervisory Board
	HASPA Finanzholding	Member of the Board of Trustees
	HCI Capital AG	Chairman of the Supervisory Board
until August 31, 2014	LBS Bausparkasse Schleswig-Holstein-Hamburg AG	Member of the Supervisory Board
until June 30, 2014	Ludwig Görtz GmbH	Member of the Administrative Board
	Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG	Chairman of the Advisory Board
until December 31, 2014	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**
since September 16, 2014	Belvédère SA	Chairman of the Board
since July 23, 2014	SIIC de Paris	Chairman of the audit committee
since September 1, 2014	Westbrock Partners	Board of directors/senior advisor for France
Roger Lee	**London, United Kingdom**	**Real Estate Investment Manager and Director, Captiva Capital Management SAS**
	Caposition SARL	Director
	Captiva Capital Management Ltd	Director
until June 23, 2014	Captiva Capital Management GmbH	Director
	Captiva International Partners LLP	Partner
Richard Mully	**Cobham (Surrey), United Kingdom**	**Director, Starr Street Limited**
	Aberdeen Asset Management PLC	Director
	Hansteen Holdings PLC	Director
	ISG plc	Director
	St Modwen Properties PLC	Director
Marianne Voigt	**Berlin, Germany**	**Managing Director, bettermarks GmbH**

Hamburg, February 13, 2015

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 13, 2015

alstria office REIT-AG

The Management Board

Olivier Elamine	**Alexander Dexne**
CEO	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, 2014. 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 13, 2015

Deloitte & Touche GmbH

Wirtschaftsprüfungsgesellschaft

[seal]

Signed: Reiher
Wirtschaftsprüfer
[German Public Auditor]

Signed: p.p. Blumhagen
Wirtschaftsprüferin
[German Public Auditor]

CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

In this report we present an overview on the supervision and advising activities of the Supervisory Board in order to monitor the Company's management. Furthermore, the main topics discussed by the plenary Supervisory Board and the work of its committees are presented, in addition to the audit of the annual and consolidated financial statements and the Company's corporate governance during the reporting period.

SUPERVISION AND ADVISING OF THE COMPANY'S MANAGEMENT BOARD

During the reporting period 2014, 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 their conducting 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 provided us with regular, prompt and detailed reports on the development of the business and financial situation of the Company. Furthermore, we were informed on issues concerning the Company's 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 concerning the Company's business strategy, its planning, business development, current risks, risk management and compliance.

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 also extended to the Company's budget planning.

In financial year 2014 the Supervisory Board held four ordinary meetings and two extraordinary meetings. All members attended a minimum of at least half of the meetings of the Supervisory Board. The presence of the members in the meetings of the Supervisory Board was 89% on average. Additionally, we passed written resolutions on two issues based on detailed documents. In 2015, the Supervisory Board met for one additional ordinary and one extraordinary meeting and passed one written resolution prior to the finalisation of this report.

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

MAIN POINTS OF DISCUSSION

During its financial meeting in February 2014, the Supervisory Board dealt with the consolidated financial statements, the financial statements as at December 31, 2013 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, 2013, and confirmed the Management Board's proposal regarding the appropriation of the profit. The Supervisory Board passed resolution on its report to the annual general meeting for financial year 2013 and on the corporate governance statement. The latter of which includes the declaration of compliance with the recommendations of the German Corporate Governance Code. The Supervisory Board further approved an investment proposition into one of the Company's assets for letting purposes as well as the conclusion of a bank loan agreement of an amount of approx. EUR 121 m. Management Board and Supervisory Board discussed the agenda for the ordinary Annual General Meeting of the Company, possible real estate transactions as well as the Company's general strategic orientation. The Supervisory Board appointed a special committee, which has not been given any decision-making power in order to pass resolutions on behalf of the full board. Rather, the committee is responsible for the prior discussion and preparation of decisions with reference to acquisition opportunities. Finally, the Supervisory Board discussed and decided on the amount of the long-term variable remuneration of the members of the Management Board for financial year 2010 and of the short-term variable remuneration for financial year 2013 based on the nomination and remuneration committee's recommendation and after carrying out a vertical remuneration comparison. It thereby considered the board members' individual performance and also discussed the parameters for the variable remuneration for the members of the Management Board for financial year 2014.

In the ordinary meeting in May 2014, Management Board and Supervisory Board discussed the Company's acquisition opportunities and opportunities to dispose of assets of the Company.

The items discussed in the two extraordinary meetings of the Supervisory Board in June 2014 were again the acquisition opportunities of the Company as well as the Company’s strategic development.

In its meeting in September 2014, the Supervisory Board approved the disposal of a property as well as the acquisition of a real estate portfolio. Management Board and Supervisory Board discussed the financing of the acquisition as well as the Company’s further strategic development. Moreover, the Supervisory Board approved the editorial amendment of the Company’s articles of association with respect to a conditional capital increase of an amount of EUR 85,000 k, which has been executed within the framework of the Company’s employees’ participation programme. Finally, employees at first management level 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 2015 in its meeting in December 2014. It also approved the Company’s budget for financial year 2014 which had been adapted due to the acquisitions and disposals executed during the year 2014. The Supervisory Board furthermore approved the amendment of a loan agreement of the Company. The Supervisory Board also decided on an editorial amendment of the articles of association resulting in the deletion of Conditional Capital II which could no longer be used due to the expiry of the stock option programme for the supervisory board. Furthermore, the Supervisory Board dealt with the objectives regarding the composition of the Supervisory Board as last determined in November 2012 (Diversity Statement) and discussed the acquisition and development opportunities of the Company with the Management Board. Finally, the Supervisory Board reviewed the positive result of the efficiency check of its work, which the Supervisory Board members had performed by means of a questionnaire prior to the meeting.

The resolutions passed by means of a written circulation procedure in March and April 2014 concerned the Supervisory Board’s proposals of to the shareholders on issues to be addressed at the ordinary Annual General Meeting for financial year 2013 as well as an issue of staff matter.

In the extraordinary meeting in January 2015, the Supervisory Board discussed the Company’s strategic orientation.

In its financials meeting in February 2015, in particular, the Supervisory Board dealt with the consolidated financial statements and the financial statements for the year ending on December 31, 2014. It further reviewed the Management Board’s recommendation for the profit appropriation. The Supervisory Board passed resolution on its report to the Annual General Meeting for financial year 2014 as well as the Corporate Governance

Report. The latter of 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 it 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 133 to 143 of the annual report.

The committees have been given decision-making powers in some cases to the extent permitted by law. In all other cases they prepare the resolutions the Supervisory Board will pass by making proposals. During the Supervisory Board's meetings, the committee's chairmen report on their committees' work. In financial year 2014, the Supervisory Board's committees focused on the following topics:

The audit committee held four meetings in financial year 2014. All of them were attended by the Chief Financial Officer. The company's current risk position was discussed in all meetings. 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, 2013 as well as 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. As a result the committee submitted corresponding proposals for resolution to the Supervisory Board. Further topics were the recommendation to the Supervisory Board regarding the proposed resolution to the annual general meeting for the choice of the auditors, the auditor's independence and any additional services to be performed by them. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch has been appointed as auditor. The audit committee decided on the engagement agreement and set the key audit areas. In addition, the Company's accounting process, its risk management system and key risks were discussed. Moreover, the effectiveness of the Company's internal controlling, audit system and 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 twice during the financial year 2014. The committee discussed about the amount of the long-term variable remuneration of the members of the Management Board for financial year 2010 and the short-term variable remuneration of the members of the Management Board for financial year 2013. In light of this discussion, each Management Board member's individual performance was discussed. The committee furthermore discussed the parameters of the variable remuneration of the Management Board members for financial year 2014 and prepared the vertical remuneration comparison for the Supervisory Board. It provided the Supervisory Board with corresponding resolution proposals. Furthermore, the committee examined the efficiency of its own work.

In financial year 2014, the investment committee deliberated with the Management Board on an acquisition opportunity in three meetings. It gave its approval for advisory services from the law firm Freshfields Bruckhaus Deringer LLP, of which the member of the Supervisory Board, Dr Johannes Conradi, is a partner. In the meetings of the entire Supervisory Board, the members of the investment committee comprehensively discussed all real estate transactions executed in financial year 2014 with the other Supervisory Board members.

With resolution dated February 27, 2014, the Supervisory Board additionally established in the reporting period a special committee, which was comprised of three-members. It was responsible for the discussion and preparation of decisions regarding possible acquisitions. It has not been equipped with any decision-making competencies. It, held two telephone conferences in May 2014 and discussed acquisition opportunities with the Management Board. The composition of the special committee is described in the Company's Corporate Governance Statement on pages 133 to 143 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 from January 1 to December 31, 2014. All reports were prepared by the Management Board and issued with unqualified audit statements.

Immediately after their preparation, the members of the Supervisory Board were presented with the financial statements and management report of alstria office REIT-AG. Likewise, 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 were presented. The Supervisory Board examined the documents provided by the Management Board in detail, in both its audit committee and at a plenary meeting. In the meeting of the audit committee, the auditors presented the essential results of their audit (including the audit of the internal control and risk management system) and were available for answering questions. The audit committee conducted the Supervisory Board's audit and reported to the plenary in the presence of the auditors of the financial statements of alstria office REIT-AG and its 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 as prepared by the Management Board as well as the auditors' results. There were no objections to the results concluding the review as conducted by the Supervisory Board. The Supervisory Board approved the financial statements of alstria office REIT-AG and its consolidated financial statements. The annual financial statements are thus endorsed. 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 2015, 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, adopted. Furthermore information on the recommendations that have not been, or will not be, followed, is presented together with the reasons for making these decisions.

Concerning 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 Winter 2014, we were able to conclude that the composition of the Supervisory Board met these objectives as at December 31, 2014. No conflicts of interest arose during the financial year 2014, 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 2014.

Hamburg, February 2015

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 concerning the corporate governance of the Company. It is undertaken with due regard to the Company’s shareholders, employees, tenants and business partners. This sense of responsibility is expressed, amongst others, in a transparent corporate governance with the aim of promoting the confidence of alstria’s shareholders’, employees’, tenants’, business partners’ and the public’s trust 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 Company’s operating principles and the composition of its Management Board and Supervisory Board as well as its 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 June 24, 2014) to an extent beyond of what is legally required. The principles and recommendations of the Government Commission as 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 comply with some of the recommendations of the Code. These items and the reasons for the Company’s nonconformity are set out in the declaration of compliance as issued by the Management Board and the Supervisory Board on February 24, 2015:

WORDING OF DECLARATION OF COMPLIANCE DATED FEBRUARY 24, 2015

Since the prior declaration of compliance dated February, 27, 2014, the company has – apart from the exceptions stated below – complied with the recommendations of the ‘Government Commission German Corporate Governance Code’ as amended on May 13, 2013 and as equally set out in the version dated June 24, 2014. The Company intends to continue to comply with the recommendations of the Code as amended on June 24, 2014 to the same extent:

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

The D&O insurance for the Supervisory Board of alstria office REIT-AG does not 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 remuneration element 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 by means of achieving personal short-term benefits. 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 adapts the FFO target to disposals.

Determination of a level of benefits for the private pension plan, Section 4.2.3

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 by the Supervisory Board or its audit committee and the Management Board prior to their 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 as 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 June 24, 2014 have been 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 faithfully 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, 2014, 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 all decisions of fundamental importance to 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 as approved by the Supervisory Board. In its report to the Annual General Meeting the Supervisory Board reports on its activities undertaken in financial year 2014. The report is presented on pages 126 to 132 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; Managing Director, Alexander Stuhlmann GmbH
Dr Johannes Conradi (Vice-Chairman)	Lawyer and Partner, Freshfields Bruckhaus Deringer LLP
Benoît Hérault	Managing Director, Chambres de l'Artémise S.à r.l
Roger Lee	Real Estate Investment Manager and Director, Captiva Capital Management SAS
Richard Mully	Director, Starr Street Limited
Marianne Voigt	Managing Director , bettermarks GmbH

The periods of office of all Supervisory Board members expire at the end of the Annual General Meeting in which the shareholders pass resolution to discharge them with respect to their activities for financial year 2015. No changes took place in the composition of the Supervisory Board in 2014.

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 as issued in 2012.

With due consideration of the specific situation of alstria, the Supervisory Board specified the following goals for its composition in November 2012, which are to be considered in its proposals to the shareholders in the General Meeting regarding new elections to the Supervisory Board:

1. Diversity
   The members of the Supervisory Board shall in its entirety have the knowledge, skills and expert experience required to successfully complete their tasks, especially within 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 relationships with the Company, its executive bodies, a controlling shareholder or an enterprise associated with the latter, which could cause any substantial and not temporary conflict of interest.
5. Independent financial expert
   At least one independent member of the Supervisory Board shall have expertise in accounting or the auditing of annual financial 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 autumn 2014 the Supervisory Board repeatedly assessed the implementation of the targets and came to the conclusion that all of them are currently met.

SUPERVISORY BOARD COMMITTEES

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

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 concerning risk management, internal control, internal audit and compliance. In financial year 2014 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). In financial year 2014 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 for 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 committee prepares the resolutions for the Supervisory Board regarding the proposal of the appointment of suitable Supervisory Board members at Annual General Meetings. In financial year 2014 the nomination and remuneration committee was comprised of Alexander Stuhlmann, as Chair, and Dr Johannes Conradi and Richard Mully as members.

In February 2014, the Supervisory Board additionally formed a special committee, which has no decision-making competence. Its members were Dr Johannes Conradi, as Chair, and Benoît Hérault and Richard Mully as members.

The Supervisory Board reports on the activities of the committees of the Supervisory Board during financial year 2014 in its report to the Annual General Meeting on pages 126 to 132 of the annual report.

REMUNERATION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The compensation system for the Management Board and the Supervisory Board is laid out in the remuneration report for financial year 2014. The report also entails a breakdown of the remuneration of each member of the Management Board and the Supervisory Board for financial years 2013 and 2014, respectively, applying the model tables provided by the German Corporate Governance Code. In the Annual General Meeting on June 16, 2010, the shareholders approved the remuneration system for the members of the Management Board by a large majority.

STOCK OPTION PROGRAMME AND SIMILAR SECURITIES-ORIENTED INCENTIVE SYSTEMS

Stock option programme and long term incentive plan

In 2010 a long-term incentive plan for the Management Board was implemented and thus replaced the stock option programme 2007 for the members of the Management Board as a new long-term variable remuneration element. The term of the first and only tranche of stock option rights for the Management Board expired in financial year 2014 so that the stock option programme 2007 is now terminated. From financial year 2010 onwards, the members of the Management Board are each granted virtual shares with a four-year term within the framework of the long term incentive plan every year. The stock option programme and long-term incentive plan are described in the remuneration report on pages 144 to 151 of the annual report.

Employee participation programme

Pursuant to the authorisation as 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 terms of the employee profit participation programme.

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. Members of the Management Board are not considered employees for the purposes of this plan.

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 the now expired employee profit participation programme 2007. So far, a total of 165,500 convertible profit participation rights resulting from this programme have been converted into shares of the Company. Furthermore, up to now, 304,550 profit participation certificates have been issued in the course of the new employee profit participation programme 2012 and so far, a total of 85,000 convertible profit participation rights resulting from this programme, have been converted into shares of the Company.

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 if the total value of the transactions is EUR 5,000 or more within one calendar year. In financial year 2014 no such transactions were reported to alstria.

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, to have an appropriate level of 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 via an authorised representative present 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 written mail. By means of authorising a proxy, shareholders now already have the possibility to vote prior to the date of the Annual General Meeting. This is why an additional option of being able to vote by written mail would not facilitate the exercise of the shareholders’ rights.

It is possible to send invitations and documents for shareholders’ general meetings to the shareholders electronically upon request. The invitation and the documents to be made available for viewing prior to the upcoming Annual General Meetings pursuant to the legal provisions 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 Company's website 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 a policy of equal treatment of its 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. alstria's website includes information on the Company and its shares, especially its 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 pieces of information are additionally published in English language.

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 as appointed by the shareholders in the Annual General Meeting and by the Supervisory Board. After having examined its independence, the audit committee of the Supervisory Board appoints an external auditing firm, to audit the financial statements and negotiates the respective 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 2014. 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's companies. alstria's outstanding reputation and the trust of its shareholders, tenants, employees and business partners crucially depend on the behaviour of each individual employee.

For this reason, alstria has developed a code of conduct, listing guidelines for behaviour and providing orientation to resolve 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 has set up a compliance organisation to communicate the values laid out 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 by 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's 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 its 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 weighs the risk-benefit-ratio of the three areas before making any decisions and adapts its actions to what it feels is the most viable course of action in each case, respectively. The result of this approach is that alstria might not always take the decisions that maximize its short-term benefit, striving to always take the path that will yield the best long-term prospects for the Company.

alstria's sustainability approach, its achievements in its three defined areas of sustainability, as well as the Company's related future targets are described in detail in the Company's yearly sustainability report. The report is available on the Company's website (www.alstria.com).

February 2015

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 the long-term success of the Company into account. The remuneration system for the members of the Management Board as described below was developed by involving an external and 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, taking into account the level of compensation of the Management Board in comparison to that of the Company's senior management and its staff in general, particularly in terms of its development over time.

1. Structure of the Management Board remuneration

The Supervisory Board determines target remuneration for each board member. The target remuneration of each Management Board member is comprised of a fixed basic salary, a short-term and a long-term variable component and ancillary benefits (benefits in kind). 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 comprises caps for the different variable elements of the remuneration.

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

Fixed remuneration

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

Variable remuneration

The variable element of the 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 programs:

	Short term incentive (STI)	**Long term incentive (LTI)**	
Proportion of total target remuneration	20%	20%	20%
Targets to asses performance	Like for like budgeted FFO	Total Shareholder Return relative to EPRA NA-REIT Europe Ex-UK	Absolute Total Shareholder Return
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 the previous 20 days	Average share price for the previous 60 days	Average share price for previous 60 days
Payout cap for the deferred components	250% of deferred amount	Virtual shares multiplied by 250% of the reference share price on grant date	Virtual shares multiplied by 250% of the reference share price on grant date

Performance target FFO for STI

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

Min./Max. target achievement

Reflects the minimum performance that needs to be achieved in order for any pay-out to occur (threshold), as well as the maximum performance that is considered in the pay-out calculation (cap).

Discretionary factor

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

Deferred component

Reflects the part of the variable remuneration, which is deferred.

Reference share price

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

Virtual shares

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

Pay-out amount

- For the STI, the pay-out 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 granted under the existing STI and LTI program and outstanding as at December 31, 2014.

				Olivier Elamine	Alexander Dexne
	Start of deferral period	Reference share price in EUR	End of deferral period	Number of virtual shares	Number of virtual shares
STI 2012	2013	9.45	2015	7,193	5,885
STI 2013	2014	9.57	2016	5,914	4,839
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
LTI 2014	2014	9.44	2018	46,610	38,136

Ancillary benefits

The members of the Management Board furthermore receive ancillary benefits granted as 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 2014

In the previous financial year the total target remuneration for the members of the Management Board amounted to a total of EUR 2,186 k. The total amount paid to the Management Board in that financial year amounted to a total of EUR 2,931 k (including pay-outs on vested virtual shares from the STI 2011 and LTI 2010). The correctness of the calculation of the pay-out amounts for the multi-year variable remuneration elements was confirmed by an independent remuneration expert.

The individual Management Board remuneration is presented based on model tables pursuant to the German Corporate Governance Code as amended on June 24, 2014.

No individual member of the Management Board was granted or rendered any benefits by third parties with regard to Management Board work in financial year 2014.

We explicitly make reference to the fact that the hypothetical maximum amounts can only be attained in the extraordinary situation that all the conditions named in the table 'Conditions to attain maximum amounts for variable remuneration elements granted in 2014' occur at the same time.

Remuneration for the members of the management board for financial years 2013 and 2014

in EUR k

Benefits granted	**Olivier Elamine** CEO				**Alexander Dexne** CFO			
	2013	**2014**	**2014 (Min)**	**2014 (Max)[10]**	**2013**	**2014**	**2014 (Min)**	**2014 (Max)[10]**
Total amount of fixed compensation and ancillary benefits	**451**	**454**	**454**	**454**	**379**	**369**	**369**	**369**
Fixed compensation[1]	440	440	440	440	360	360	360	360
Ancillary benefits[2]	11	14	14	14	19	9	9	9
Total amount of one-year variable compensation	**173**	**173**	**0**	**312**	**142**	**142**	**0**	**255**
One-year variable compensation (STI 2013)	173[3]	-	-	-	142[3]	-	-	-
One-year variable compensation (STI 2014)	-	173[3]	0	312[4]	-	142[3]	0	255[4]
Total amount of multi-year variable compensation	**498**	**498**	**0**	**2,240**	**407**	**407**	**0**	**1,833**
STI 2013 (1 plus 2 years)	58[5]	-	-	-	47[5]	-	-	-
STI 2014 (1 plus 2 years)	-	58[5]	0	260[6]	-	47[5]	0	213[6]
LTI 2013 (4 years)	440[7]	-	-	-	360[7]	-	-	-
LTI 2014 (4 years)	-	440[7]	0	1,980[8]	-	360[7]	0	1,620[8]
Total amount of fixed and variable compensation	**1,122**	**1,125**	**454**	**3,006**	**928**	**918**	**369**	**2,457**
Service costs[9]	84	85	85	85	58	58	58	58
Total	**1,206**	**1,210**	**539**	**3,091**	**986**	**976**	**427**	**2,515**

[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
[5]25% of the STI target value for the respective financial year
[6]maximum attainable pay-out amount for 25% of the STI after 1 plus further 2 years
[7]LTI target value for the respective financial year
[8]maximum attainable pay-out amount for the LTI after the holding period of 4 years
[9]includes benefits for insurances and pension plans
[10]hypothetical maximum attainable 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		Alexander Dexne	
	CEO		CFO	
	2014	2013	2014	2013
Total amount of fixed compensation and ancillary benefits	**454**	**451**	**369**	**379**
Fixed compensation[1]	440	440	360	360
Ancillary benefits[2]	14	11	9	19
Total amount of one-year variable compensation	**170**	**204**	**139**	**167**
One-year variable compensation (STI 2012)[3]	-	204	-	167
One-year variable compensation (STI 2013)[3]	170	-	139	-
Total amount of multi-year variable compensation	**911**	**67**	**745**	**54**
STI 2010 (1 plus 2 years)[4]	-	67	-	54
STI 2011 (1 plus 2 years)[4]	75	-	61	-
LTI 2010 (4 years)[5]	836	-	684	-
Other	0	0	0	0
Total amount of fixed and variable compensation	**1,535**	**722**	**1,253**	**600**
Service cost[6]	85	84	58	58
Total	**1,620**	**806**	**1,311**	**658**

[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]pay-out amount for LTI after holding period of 4 years
[6]includes benefits for insurances and pension plans

Conditions to attain maximum amounts for variable remuneration elements granted in 2014:	
One-year variable compensation:	**1.** FFO 2014 = EUR 70.146 m (budgeted FFO of EUR 46.764 m is achieved by 150%)
	2. SB passes resolution on discretionary factor of 1.2
Multi-year variable compensation:	
LTI (4 years):	**1**. absolute TSR ≥9%, i.e. total shareholder return for alstria investors over 4 years of 9% 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 9.44 on granting date --> share price of EUR 23.6 on payment date after 4 years)
	4. SB passes resolution 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 agreement, the members of the Management Board shall receive a compensation payment for this period equivalent to their last fixed salary. In the event of an early termination of a Management Board service contract by mutual agreement, the members of the Management Board remain entitled to their remuneration claims during the remaining term of the service contract. These are, however, capped at a value of two years' worth of remuneration. If the appointment is terminated due to the board member's death, the benefits to be paid by the Company amount to the fixed salary for the month in which the member died in addition to an equal payment for the following three months. The incentive payment for this period shall be paid pro rata up to and including the month of death. The Management Board contracts do not include any change of control clauses.

Additional information on share-based remuneration components

The long-term incentive plan (LTI) was implemented in 2010 and replaced the Company's stock option program of 2007. The stock option program of 2007 set out that the members of the Management Board were granted a single tranche of stock options in financial year 2007. These stock options were granted with an exercise price of EUR 16.00. The seven-year term of the options expired in financial year 2014. The options could only have been exercised, if the current share price of the Company had exceeded 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 defined performance target was a stock price of EUR 19.20, which was reached during the entire term of the stock options granted in 2007. Thereby the Company's stock option program 2007 is terminated. In financial year 2014 no expenses were incurred due to the stock options granted in financial year 2007.

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 of an 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 temporis. Membership in the audit committee entails the member to an additional remuneration of EUR 10 k, whereby the chair of the audit committee receives EUR 15 k. Membership in other committees does not entitle the members to any additional elements of remuneration.

2. Remuneration of the Supervisory Board in financial year 2014

The total remuneration for the Supervisory Board members in 2014 amounted to EUR 305 k. The individual remuneration of the Supervisory Board members for financial years 2014 and 2013 is composed as follows:

EUR k

Supervisory Board member	Function on the Supervisory Board	Function on the Audit Committee	Remuneration for 2013	Remuneration for 2014
Alexander Stuhlmann	Chairman	n/a	60.00	60.00
Dr Johannes Conradi	Vice Chairman	Member	60.00	60.00
Benoît Hérault	Member	n/a	40.00	40.00
Roger Lee	Member	Member	50.00	50.00
Richard Mully	Member	n/a	40.00	40.00
Marianne Voigt	Member	Chairman	55.00	55.00
Total			**305.00**	**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, 2014, 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, 79.06% 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 1,684,910 k which equals to 95.23% 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 443 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 2014, the entire sales revenues of the Group plus other earnings from immovable assets amounted to EUR 120.0 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 201 k in the financial year 2014. This equals 0.17% of total revenue plus other earnings from immovable assets.

5. In the financial year 2014, a dividend payment of EUR 39,467 k for the prior financial year was distributed to the shareholders. The financial year 2013 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 18.67% 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 846.6 m. This equals to 50.2% 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 13, 2015

Olivier Elamine
CEO

Alexander Dexne
CFO

REIT MEMORANDUM

We summarized 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, 2014, we have audited the information given in the attached declaration of the management board members for the compliance with the requirements of Section 11 to 15 of the REIT Act and the composition of the proceeds concerning the pre-taxation of proceeds according to Section 19 (3) and Section 19a REIT Act as of December 31, 2014 (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, 2014 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, 2014 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, 2014 and the information provided concerning the compliance with Section 12 to 15 REIT Act and the composition of the proceeds concerning the pre-taxation of proceeds according to Section 19a REIT Act are appropriate.

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

Hamburg/Germany, February 13, 2015

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft *(Seal)*

Signed: Reiher
Wirtschaftsprüfer
[German Public Auditor]

Signed: p.p. Blumhagen
Wirtschaftsprüferin
[German Public Auditor]

OTHER INFORMATION

GLOSSARY

AFFO

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

AktG

Abbreviation for 'Aktiengesetz' (German public limited Companies Act). This act regulates the rights and obligations of corporations limited by shares (German "Aktiengesellschaft en" or "AGs") and their shareholders.

Annual financial statements

The annual financial statements include the balance sheet, the profit and loss account and the notes 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

Asset Management

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

Average cost of debt

The cost of finance expressed as a percentage of the weighted average of borrowings during the period.

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.

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 (CSR) is 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)'.

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.

Development pipeline

The development programme together with proposed developments.

Dividend

The share oft he distributed net profit of a company to which a shareholder is entitled in line with the number of shares he holds.

EPRA

The European Public Real Estate Association (EPRA) index is the well-known international index which tracks the performance of the largest European and North American listed property companies. 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.

ERV

The estimated market rental value of the total lettable space in a property, after deducting head and equity rents, calculated by the Group's external valuers.

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

alstria calculates Funds From Operations 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-REIT

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

HGB

Abbreviation for "Handelsgesetzbuch" (German Commercial Code or German GAAP). This act sets out core principles of German commercial law and accounting and reporting.

IFRS

The 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 to be applied for the consolidated financial statements of listed companies since January 1, 2005.

Interest Rate Cap

Interest Rate Caps are derivatives which cap the payment obligations for variable cash flows at a certain date in the future. In the case of an interest rate cap, the contracting parties agree to compensate the difference between the variable interest rate for a specific underlying and the agreed cap rate if the variable interest rate is higher than the cap rate. This mostly aims to hedge against the risk of unexpected increase in interest rates.

Interest Rate Swap

Interest Rate Swaps are derivatives which agree the swap of variable and fixed cash flows at a certain date in the future. In the case of an interest rate swap, the contracting parties undertake to pay a fixed or a variable interest rate for a specific underlying to the respective other contracting party. This mostly aims to hedge against the risk of changes in interest.

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 and IFRS 13.

Joint Venture

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

LTV 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.

NAV (net asset value)

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

NNNAV (triple net NAV)

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.

Office building

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

Passing rent

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

Property management

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

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.

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.

Tenant incentives

Any incentive offered to occupiers to enter into a lease. Typically the incentive will be an initial rent-free period, or a cash contribution to fit-out or similar costs.

WpHG

Abbreviation for 'Wertpapierhandelsgesetz' (German Securities Trading Act). The WpHG regulates trading in securities such as shares or bonds in Germany. The 'Bundesanstalt für Finanzdienstleistungsaufsicht' (BaFin – German Financial Services Supervisory Authority) controls the upholding of this act.

FINANCIAL CALENDAR

Events 2015	
May 5	**Publication of Q1** Interim report
May 6	**Annual General Meeting** Shareholders' Meeting
May 7	**Ex-Dividend-Date**
August 4	**Publication of Q2** Half-year interim report
November 3	**Publication of Q3** Interim report **Publication of sustainability report**

CONTACT/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).

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