alstria

ANNUAL REPORT 2015

KEY FIGURES

Five-year overview according to IFRS

EUR k	2015	2014	2013	2012	2011
Revenues and Earnings					
Revenues	115,337	101,782	104,224	101,286	90,798
Net rental income	102,140	90,020	93,249	90,110	80,868
Consolidated profit for the period	-111,379	36,953	38,945	39,911	27,448
FFO	59,998	47,626	45,328	43,571	34,685
Earnings per share (EUR)	-1.15	0.47	0.49	0.51	0.40
FFO per share (EUR)[1]	0.61	0.60	0.57	0.55	0.48

[1] Without minority shares.

EUR k	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
Balance sheet					
Investment property	3,260,467	1,645,840	1,632,362	1,622,988	1,528,589
Total assets	3,850,580	1,769,304	1,785,679	1,786,893	1,686,637
Equity[1]	1,619,377	846,593	844,114	829,287	768,195
Liabilities	2,192,916	922,711	941,565	957,606	918,442
NAV per share (EUR) [1]	10.64	10.71	10.69	10.51	10.71
Diluted NAV per share (EUR)[1], [2]	10.68	10.67	10.60	n/a	n/a
Net LTV (%)	49.3	50.4	50.7	47.8	50.1

[1] Without minority shares.
[2] Dilution based on potential conversion of convertible bond.

G-REIT figures	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
G-REIT equity ratio (%)	49.4	50.2	50.9	50.0	48.7
Revenues incl. other income from investment properties (%)	100	100	100	100	100

EPRA[1] key figures	2015	2014	2013	2012	2011
EPRA earnings per share (EUR)	0.42	0.59	0.57	0.55	0.50
EPRA cost ratio A (%)[2]	26.1	22.9	21.7	21.6	n/a
EPRA cost ratio B (%)[3]	22.1	19.8	18.6	18.5	n/a

	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011
EPRA NAV per share (EUR)[4]	10.91	11.22	10.97	10.98	11.32
EPRA NNNAV per share (EUR)	10.66	10.58	10.55	10.50	10.71
EPRA net initial yield (%)	5.0	4.8	5.6	5.7	5.8
EPRA ‘topped-up` net initial yield (%)	5.3	5.0	5.8	5.7	5.8
EPRA vacancy rate (%)	11.2	11.0	6.8	8.0	6.5

[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, 2015, December 31, 2014 and December 31, 2013; based on fair values of financial derivatives as at December 31, 2012 and before.

CONTENT

DETAIL INDEX GROUP MANAGEMENT REPORT

GROUP MANAGEMENT REPORT

ECONOMICS AND STRATEGY

ECONOMIC CONDITIONS

The German economy again proved to be solid in 2015. Germany's GDP increased by 1.7%, which showed a similar growth level as in 2014 (1.6%) and again above the average growth of the last 10 years (+1.3%).* This development was also reflected in the German labour market, resulting in a decrease of the unemployment rate by 0.3 percentage points to 6.4% in comparison to 2014. The employment level reached a peak of 43.03 million employees, or 0.8% more than last year.**

The German real estate market developed in a positive manner in 2015. The total investment volume on the commercial real estate market rose to approx. EUR 55.1 bn and was therefore 38% higher than in the previous year. Domestic and international investors preferred the stable German real estate market, which appears to be very attractive with regard to its risk/return profile, to others.***

Overview of the German office property market

Development of office rents

In 2015, prime rents for office space developed positively at the most important commercial real estate sites, namely Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich and Stuttgart – the "Big-7". They were at EUR 35.50 per sqm in Frankfurt and at EUR 34.00 per sqm in Munich. In Hamburg, prime rents were at EUR 25.00 per sqm, in Berlin at EUR 24.00 per sqm and at EUR 20.00 per sqm in Stuttgart. Prime rents in Düsseldorf (EUR 26.00 per sqm) and Cologne (EUR 22.00 per sqm) remained at the previous year's level.

Take-up in major German cities

The vacancy rate of office properties in German cities decreased from 7.6% in 2014 to 6.4% in 2015, which represents a total vacancy of 5.69 million sqm (decrease of 1.12 million sqm). Comparing the Big-7, the highest vacancy rate was noted in Frankfurt (9.1%), followed by Düsseldorf (8.8%), Berlin (6.3%), Hamburg (5.9%), Cologne (5.6%), Munich (5.3%) and Stuttgart (4.6%).

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

New lease-ups

In 2015, new lease contracts for more than 3.65 million sqm of office space were signed in the seven major German cities. This reflects an increase of 0.6 million sqm, or 20.6%, compared to the previous year. The highest increases were registered in Düsseldorf (46.0%), Berlin (42.6%), Munich (19.3%) and Cologne (18.2%), followed by minor increases in Stuttgart (4.2%), Frankfurt/Main (3.5%) and Hamburg (2.9%).

New office supply

In 2015, the delivery of new office and commercial spaces amounted to approx. 870,000 sqm. Compared to last year this was a decrease of around 12.0%, which is mainly due to a decrease in completion volume in Frankfurt (-61.7%), Düsseldorf (-36.3%), Munich (-12.5%) and Hamburg (-3.5%). On the other hand, completion of developments increased in Cologne (246.3%), Berlin (60.9%) and Stuttgart (17.7%). For 2016, an increase of the completion volume (approx. 1,300,000 sqm) is forecasted.

Investment markets

The positive trend in the investment markets continued in fiscal year 2015. Total investment volume was about 40% (EUR 55.1 bn for commercial assets) higher than the previous year's results. The transaction volume in 2015 thus represents the highest volume since 2007. The Big-7 cities recorded a transaction volume of around EUR 31.0 bn, of which one quarter was registered in Berlin (EUR 8.0 bn).

Although the investors still focus on core assets (approx. 50% of the transaction volume in 2015), which are characterized by their good condition, good location and a long-term, attractive letting status, the investments in Value-Add, Core-plus or opportunistic assets rose by EUR 5.0 bn up to EUR 28.0 bn compared to 2014. With regard to the deal structure, approx. 65% of the commercial investment turnover in fiscal year 2015 related to single asset deals, whereas the share of portfolio transactions amounted to 35%.

STRATEGY AND STRUCTURE

alstria office REIT-AG (hereafter referred to as "company") is a real estate company listed on the Frankfurter stock exchange.

In August 2015, alstria published an offer document for a voluntary public takeover offer of DO Deutsche Office AG (hereafter referred to as "Deutsche Office AG") by means of an exchange into new alstria shares. The acceptance rate was 90.6%. Upon registration of the new alstria shares in the Commercial Register on October 27, 2015, alstria obtained control over Deutsche Office AG and all of its subsidiaries (hereafter referred to as "Deutsche Office"), leading in the consolidation of the Deutsche Office into the alstria Group. As of December 31, 2015, the alstria Group consisted of the corporate parent alstria office REIT-AG as well as 66 direct and indirect subsidiaries (hereafter referred to as "alstria" or "Group"). Operational decisions are made at parent-company level. As a result of the consolidation, 62 assets were held by subsidiaries (of which 49 assets are held by

Deutsche Office AG or its subsidiaries) and 58 assets were held directly by alstria office REIT-AG as of December 31, 2015. alstria follows a long term investment strategy for its portfolio, which is essentially based on the following assumptions:

- The German real estate market will offer limited growth in terms of rents and capital value in the future.
- Overall, the 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 by an active Asset and Property Management. Key aspects of this management approach are as follows:

- The focus is on the tenant. Only those who know the needs of their tenants will be successful with their letting activities in the long-run.
- Continuous investments secure the quality of the assets. Increase in value can only be realized by a constant level of modernization measures and 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 level of discipline regarding prices, alstria has been able 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 5.2 years weighted average unexpired lease term - WAULT). Approx. 60% of the rental income is derived from a small number of high-quality tenants. Around 30% 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 competitors. In the course of financial year 2016, the Real Estate Operations Management (Asset and Property Management) for the former Deutsche Office assets, which is momentarily partly conducted by external service providers, will also be integrated into alstria's operations.

- A key element of alstria's strategy is supporting tenants in optimizing their real estate operating costs. From the tenants' point of view, low real estate operating expenses are crucial in the decision-making process for or against a rental agreement. alstria believes that active Asset and Property Management in terms of optimizing costs offers new potential for future successful letting activities.

PORTFOLIO OVERVIEW

Key metrics of the portfolio

Key metrics	Dec. 31, 2015	Dec. 31, 2014
Number of properties	120	74
Number of joint-venture properties	1	1
Market value (EUR bn)[1)]	3.3	1.7
Annual contractual rent (EUR m)	208.3	99.7
Valuation yield (contractual rent/market value)	6.3	6.0
Lettable area (sqm)	1,724,100	875,100
Vacancy (% of lettable area)[2)]	11.8	12.6
WAULT (years)	5.2	6.8
Average rent/sqm (EUR/month)	11.5	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[1)]	2015	2014	Change
New leases (in sqm)[2)]	35,700	55,300	-19,600
Renewals of leases (in sqm)	38,800	32,600	6,200

1) Includes the letting metrics from the Deutsche Office portfolio for November and December 2015.
2) 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, 2015	Dec. 31, 2014	Change
Vacancy rate (%)[1)]	11.8	12.6	-0.8 pp
EPRA vacancy rate (%)	11.2	11.0	0.2 pp
Vacancy (sqm)	198,300	110,400	87,900
thereof vacancy in development projects (sqm)	*27,700*	*19,600*	*8,100*

1) Without assets held for sale.

In fiscal year 2015, letting activities (as measured by new leases and lease extensions) were at a good level.

A significant letting success was the initial lease to a new tenant in Berlin, Darwinstraße. The tenant signed an 11-year lease for approximately 4,800 sqm of office and ancillary space. The lease started on December 1, 2015.

Furthermore, alstria contracted a new tenant for an asset in Hofmannstraße, Munich, for approximately 1,700 sqm of office and ancillary space. The lease began on June 1, 2015.

Additional leases involving approximately 2,500 sqm of office and ancillary space were signed with two tenants for offices in the Bamler Service Park in Essen. Both leases already commenced on June 1, 2015 and will not expire before the end of 2020.

In August 2015, a new lease for 2,000 sqm of office and ancillary space in Düsseldorf, Elisabethstraße, was signed. The lease started on January 1, 2016.

For financial year 2016, the reduction of vacancy remains the operational focus.

Portfolio Valuation and Regions

As at December 31, 2015, alstria's portfolio was valued by external appraisers (Colliers International for the assets held by alstria before the takeover of Deutsche Office and CBRE GmbH for the assets of the Deutsche Office subgroup) pursuant to IFRS 13. The valuation resulted in a total market value of investment properties of EUR 3,296 m.* Of this total market value, approx. EUR 2,690 m, or over 80%, are located in the regions Rhine-Ruhr, Hamburg, Rhine-Main and Stuttgart. Herewith the investment focus on selected locations becomes obvious:

Total portfolio by regions % of market value	Dec. 31, 2015	Dec. 31, 2014	Change (pp)
Rhine-Ruhr	25	18	7
Hamburg	23	42	-19
Rhine-Main	20	7	13
Stuttgart	14	17	-3
Berlin	7	2	5
Munich	3	4	-1
Hanover	1	3	-2
Saxony	1	2	-1
Others	6	5	1

For further information on the valuation of alstria's portfolio, please refer to the valuation certificates of Colliers International and CBRE GmbH, which are published on pages 79 to 109 of the Company Report 2015. The Company Report is published on the alstria site www.alstria.com/en/investors/.

* Incl. assets held for sale.

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, 2015	Dec. 31, 2014	Change (pp)
City of Hamburg	14	29	-15
Daimler AG	11	16	-5
GMG Generalmietgesellschaft	9	n/a	n/a
Allianz Deutschland AG	7	n/a	n/a
HOCHTIEF Aktiengesellschaft	4	n/a	n/a
Zürich Versicherung AG	4	n/a	n/a
Bilfinger SE	3	6	-3
Residenz am Dom gemeinn. Betriebsgesellschaft mbH	2	n/a	n/a
Württembergische Lebensversicherung AG	1	3	-2
Others	45	46	-1

Furthermore the focus is cleary on one asset class: Of the total lettable area approx. 87% accounts to office space.*

Lease expiry profile % of annual rent	Dec. 31, 2015	Dec. 31, 2014	Change (pp)
2016	6.7	17.3	-10.6
2017	17.3	6.1	11.2
2018	12.0	15.1	-3.1

Transactions

alstria´s investment decisions are based both on the analyses of local markets and the individual inspection of each asset. The latter is focused on location, size and quality as compared to assets belonging to direct competitors and their long-term potential for value growth. alstria´s strategy is aimed at increasing its portfolio to a critical size at every respective location and, at the same time, to retract from those markets, which do not adhere to alstria´s core investment focus. Following this strategy, alstria sold three assets in Munich with a total lettable area of 35,000 sqm, one asset in Frankfurt/Main with a total lettable area of 9,300 sqm and two assets in Ditzingen with a total lettable area of 24,000 sqm in 2015. Additionally, the Company signed a sale and purchase agreement for the sale of one asset in Magdeburg with a total lettable area of 7,500 sqm.

While the assets at Siemensstraße in Ditzingen, Halberstädter Straße in Magdeburg, Arnulfstraße in Munich and the asset at Emil-von-Behring-Straße in Frankfurt have been legally transferred to the new owner in the last quarter of the reporting period, the transfer of benefits and burden of the remaining three assets is expected to take place in the course of 2016.

* Office and storage.

Furthermore, alstria signed one sale and purchase agreement for the acquisition of an asset in Düsseldorf and one sale and purchase agreement for the acquisition of an asset in Hamburg. Ownership of the Düsseldorf-asset was transferred to the Company on September 3, 2015. The asset in Hamburg was legally transferred on January 1, 2016, after the reporting period.

On August 21, 2015, alstria published the offer document for its voluntary public takeover offer. After the acceptance period, which expired on October 2, 2015, the minimum acceptance rate of 69.6% had been exceeded and the respective closing condition had therefore been fulfilled. Until the end of the additional acceptance period on October 21, 2015, the takeover offer had been accepted for a total of 163,563,065 Deutsche Office Shares. This corresponds to approximately 90.6% of the total share capital and the voting rights in Deutsche Office. Based on an exchange rate of 0.381 new alstria shares for one Deutsche Office share, 62,317,526 new alstria shares have been issued. The implementation of the capital increase was registered in the Commercial Register on October 27, 2015. Upon registration, alstria obtained control over the Deutsche Office AG. On November 3, 2015, alstria acquired another 7,217,967 Deutsche Office Shares (corresponding to around 4% of the share capital and the voting rights of Deutsche Office) outside of the stock market. While alstria is currently holding 94.6% of the share capital and the voting rights of Deutsche Office AG, the minority shareholders hold a 5.4%-share.

In conjunction with the takeover of Deutsche Office alstria included 51 assets from the Deutsche Office portfolio into the alstria-Group. Of these 51 assets, one property in Bonn and one property in Frankfurt had already been sold until the end of the reporting period. While the Bonn asset has been legally transferred to the new owner by the end of November 2015, the transfer of benefits and burdens of the Frankfurt asset took place on December 31, 2015.

In summary, alstria was involved in the following transactions in 2015:

Asset	City	Sales price (EUR k)[1]	Annual rent (EUR k)[2]	Avg. Lease length (years)[2]	Signing SPA	Transfer of benefits and burdens
Disposals						
Siemensstr. 31-33 (Disposal portion of a plot)	Ditzingen	1,044[3]	-	-	Mar. 03, 2015	May 11, 2015
Arnulfstr. 150	Munich	16,500	-	-	June 18, 2015	Dec. 31, 2015
Landshuter Allee 174[4]	Munich	14,000	72	2.5	June 11, 2015	May 31, 2016[5]
Emil-von-Behring Str. 2	Frank-furt/Main	12,800	998	5.1	July 09, 2015	Dec. 31, 2015
Siemensstr. 31-33	Ditzingen	19,200	1,537	4.2	Aug. 28, 2015	Oct. 31, 2015
Dieselstr. 18[4]	Ditzingen	12,685	888	20.0	Aug. 31, 2015	April 01, 2016[5]
Halberstädter Str. 17	Magdeburg	6,200	717	2.5	Oct. 27, 2015	Nov. 30, 2015
Hofmannstr. 51[4]	Munich	44,387	989	2.7	Nov. 05, 2015	May 31, 2016[5]
Potsdamer Platz[6]	Bonn	24,000	1,523	5.5	Aug. 05, 2015	Nov. 30, 2015
Westerbachstraße 162-166[6]	Frank-furt/Main	3,960	340	3.7	Nov. 11, 2015	Dec. 31, 2015
Total		**154,776**	**7,064**			
Acquisitions						
Karlstr. 123-127	Düsseldorf	11,576	743	8.3	July 01, 2015	Sep. 03, 2015
Gasstr. 18	Hamburg	38,000	2,336	3.2	Nov. 26, 2015	Jan. 01, 2016
Total		**49,576**	**3,079**			

[1] Excluding transaction costs.
[2] At the time of transfer of benefits and burdens.
[3] Only the payment of the purchase price, without the swap of the plot.
[4] Reported under “assets held for sale” on the balance sheet.
[5] Expected.
[6] From the Deutsche Office portfolio.

Refurbishment projects

alstria has achieved significant progress with respect to its development projects:

- Mundsburg Center, Hamburg

The Mundsburg Center in Hamburg was built in 1969. The property is located directly adjacent to the mall “Hamburger Meile” in the Barmbek/Uhlenhorst district. The Center was fundamentally restructured by alstria. The redesign of the public mall has increased the attractiveness of the retail space significantly. As part of the modernization the central building equipment and safety devices have also been extensively renovated to conform to today’s standards. During the project, several units, as well as the restaurant areas were already let. The occupancy rate amounts to approx. 95%. The fundamental construction was completed in 2015. The completion of the whole refurbishment project is expected in summer 2016.

〉 Harburger Ring, Hamburg

In 2007, alstria acquired the asset at Harburger Ring 17 in Hamburg. This seven-floor building accommodates a retail area on the ground floor and apartments on the three top floors. The office space in between accounts for around 50% of the total lettable area.

The building will be revitalized substantially in order to conform to the contemporary technical and energetic requirements. This particularly includes the restauration of the building's envelope. To establish the contemporary heating technology standard, the property has been equipped with façade insulation and with new thermal windows. Furthermore, the complete building's technical facilities will be re-engineered, and the heating pipeline as well as the electrotechnology and sanitary facilities will be renewed.

The new heating system was shifted to the basement to create additional residential space on the top floor. The 33 apartments in the residential zone will be refurbished substantially. The three floors of office space, which are located below the residential zone, offer individually divisible lettable areas between 150 and 600 sqm per floor, a total of approx. 1,830 sqm.

The refurbishment started in March 2015, in October 2015 the interior works began. The apartments, as well as the office and retail space, will be available for use beginning in spring 2016. The city center of Harburg starting at Lüneburger Straße will significantly benefit from the redevelopment of the asset.

〉 Wehrhahn Center, Düsseldorf

The Wehrhahn Center, which was built in 1985, is situated in the well-established city submarket. alstria acquired the complex of buildings, which consists of five interconnected parts, as part of a portfolio transaction. While the basement of each building hosts retail areas, the other six stories contain office space. The two underground carparks, which are situated in two of the basements, provide space for more than 500 vehicles/cars. Since the office spaces no longer meet the current demands regarding building services and flexibility, alstria decided to fundamentally revitalize the building. This comprises, among others, the total gutting of the building down to the shell construction and the application of a new façade with a modern axis grid, which allows a highly flexible and complete restructuring of the office floorplans. The new building technology corresponds to the highly flexible new design. Apart from the office areas, the new two-story entrances will be highlighted. Partial heightening of particular building parts, efficient building equipment and the design of roof terraces will heighten the lettable area.

The refurbishment, which will start in March 2016, is expected to be completed by the end of 2017.

〉 Dieselstraße, Ditzingen

In 2007 alstria acquired the asset at Siemenstraße in Ditzingen, where two office and two storage buildings had been located. After the main tenant terminated his lease contract of 40% of the office and storage space, alstria revised the concept for all buildings located on the plot. The office space has been completely let to a new tenant, leading to an occupancy rate of 100%.

As the vacant storage building did not fulfill today's requirements, alstria decided on demolition and a new construction. This part of the plot has been separated legally from the rest of the asset. At this plot, at Dieselstr. 18, alstria developed a new DIY Hagebau Center in co-operation with Hagebaucentrum Bolay GmbH & Co. KG.

The concept of Hagebaucentrum Bolay comprises a buildable inner zone with a total of 8,000 sqm and an outdoor area of approx. 11,000 sqm as well as 252 visitor's parking spaces.

In the course of the construction project, the city of Ditzingen set up a new traffic plan for the surrounding industrial area to grant optimized accessibility for the whole area, including the plot at Dieselstraße. The construction process was completed in March 2016.

In conjunction with alstria's core investment focus on office buildings the Company signed a purchase agreement for the sale of the asset at Dieselstraße in Ditzingen. The transfer of benefits and burdens is expected in April 2016.

In 2015, alstria invested around EUR 28 m in ongoing refurbishment projects.* Around EUR 11.7 m referred to development projects, while the remainder was invested in value-increasing tenant improvement measures. The main part of the capex investment in 2015 was linked to the Hamburg asset, Mundsburg Center (Hamburger Straße 1–15), the asset at Arndtstraße in Hanover as well as the asset at Kaiser-Wilhelm-Straße in Hamburg. Within the next two years, alstria is planning to invest around EUR 95.4 m into its portfolio. The major single project is the development of the Wehrhahn Center in Düsseldorf. This investment plan is part of alstria's ongoing asset-value-enhancement program. The volume of these investments, however, also depends on ongoing lease negotiations with existing and potential tenants.

FINANCIAL ANALYSIS

Due to the takeover of Deutsche Office, the earnings, financial and assets position of the consolidated financial statement as of December 31, 2015 and the earnings, financial and assets position as of December 31, 2014 are not directly comparable.

In the management report as of December 31, 2014, alstria forecasted revenues of EUR 98 m and funds from operations (FFO) of EUR 49 m for the financial year 2015. Due to the expected takeover of Deutsche Office, alstria amended the forecast as of September 30, 2015. For financial year 2015, the Company expected revenues in an amount of EUR 116 m and an FFO of EUR 59 m for the whole alstria Group. Against this background, financial year 2015 developed as expected for alstria.

* Without Joint Venture Kaisergalerie.

Revenues of approx. EUR 115.3 m (EUR 97.2 m from the alstria subgroup, EUR 18.1 m from Deutsche Office) were slightly lower than the amended forecast as of September 30, 2015 for financial year 2015. FFO amounted to approx. EUR 60.0 m in the reporting period and is in line with the forecasted level of EUR 59 m for the alstria Group.

EARNINGS POSITION

Revenues

In the reporting period, revenues increased by 13.3% or EUR 13,555 k compared to the revenues in the last year. This includes revenues in an amount of EUR 18,142 k from Deutsche Office. The revenues of the alstria subgroup decreased as expected by around 4.5% due to disposals in 2014 and expired leases. Revenues totaled EUR 115,337 k (2014: EUR 101,782 k). Net rental income amounted to EUR 102,140 k (2014: EUR 90,020 k).

Real estate operating expenses

Real estate operating expenses amounted to EUR 12,774 k, or 11.1%, of total revenues for the reporting period (2014: EUR 11,130 k, or 10.9% of revenues). The increase of total real estate operating expenses results in an amount of EUR 1,919 k from the Deutsche Office subgroup.

Administrative and personnel expenses

Administrative expenses of EUR 6,383 k increased by EUR 1,628 k compared to financial year 2014 (EUR 4,755 k). An increase of EUR 491 k relates to the administrative expenses of Deutsche Office, another EUR 580 k relate to consulting costs for a strategic project. Personnel expenses were at EUR 12,068 k for the reporting period (2014: EUR 7,807 k). On one hand, the personnel expenses from the consolidation of the Deutsche Office (+ EUR 1,662 k), mostly from a one-time compensation in conjunction with the takeover (EUR 1,200 k), increased total personnel expenses. On the other hand, higher non-cash expenses resulting from share-based remuneration (+ EUR 1,867 k) contributed to higher personnel expenses. The sum of the administrative and personnel expenditures corresponds roughly to 16.0% of total revenues (2014: 12.3%).

Other operating result and goodwill impairment

alstria's other operating result including goodwill impairment amounted to EUR -154,611 k in the reporting period (2014: EUR 4,116 k). Other operating income of the previous reporting period was mainly driven by a one-time compensation payment in conjunction with the expiry of a lease. In the current reporting period alstria received only lower compensation payments. Furthermore, an increase of EUR 9,765 k resulted from higher legal and advisory costs from the takeover of Deutsche Office. The main decrease in 2015 is caused by the amortization of the goodwill, which resulted from the takeover of Deutsche Office at the time of the first-time consolidation, in an amount of EUR 144,795 k. As of December 31, 2015 the goodwill has been amortized in the total amount.

Net result on disposals of investment property

alstria was able to achieve a positive result of EUR 12,655 k from the disposals of properties in 2015. The realized disposal gains mainly resulted from the sale of the asset at Hofmannstraße in Munich.

Net operating result

alstria closed its financial year 2015 with a net operating result before financing costs and taxes of EUR -62,459 k, which compares to EUR 86,964 k for the previous year. Higher net rental income and higher gains achieved from disposals as compared to the previous year were offset by higher administrative and personnel expenses, a lower other operating result and a lower valuation result.

The following table shows the main figures of the income statements for financial years 2015 and 2014:

EUR k	2015	2014
Revenues	**115,337**	**101,782**
Net rental income	102,140	90,020
Administrative and personnel expenses	-18,451	-12,562
Other operating result	-154,611	4,116
Operating income	**-70,922**	**81,574**
Net result from fair value adjustments on investment property	-4,192	824
Net result on disposals of investment property	12,655	4,566
Net operating result	**-62,459**	**86,964**

Net financial result

EUR k	2015	2014	Change (%)
Interest expenses syndicated loan	-8,531	-9,950	14.3
Interest expenses Herkules & Homer loan portfolios	-3,969	0	n/a
Interest expenses other loans	-9,013	-9,172	1.7
Interest result derivatives	-6,650	-10,838	38.6
Interest expenses convertible bond	-4,623	-4,871	5.1
Interest expenses corporate bond	-1,241	0	n/a
Other interest expenses	-3	0	n/a
Financial expenses	**-34,030**	**-34,831**	**2.3**
Financial income/Interest income	128	113	13.3
Other financial expenses	-9,431	-611	n/a
Net financial result	**-43,333**	**-35,329**	**-22.7**

Net financing costs increased by EUR 8,004 k to EUR 43,333 k in comparison to financial year 2014. Despite a higher average amount of outstanding loans in 2015 compared to 2014 (mainly caused by the inclusion of the Deutsche Office loans), financial expenses had been reduced slightly. This development is mainly due to a lower year-on-year average loan interest rate. An increase of

EUR 9,162 k of the net financing costs results from refinancing costs in terms of prepayment fees which are accounted under other financial expenses.

For details on the new loans, we refer to the section "financial and asset position" on page 17.

Share of the result of joint venture companies

The share of earnings from joint venture companies in an amount of EUR 1,988 k (2014: EUR 12,798 k) in 2015 is mainly attributable to the valuation of the asset Kaisergalerie, Hamburg. The completion of extensive renovation measures and the moving in of the first tenants in 2014 led to a corresponding higher increase in value that could be realized in the previous year.

Valuation result of financial derivatives

To minimize the impact of interest rate volatility on profit and loss, alstria uses financial derivatives in the form of caps and swaps to hedge of floating interest-rate loans. At the balance sheet date, more than 90% of all floating interest-rate loans of the Group were hedged by such derivative financial instruments. The borrowing costs of the existing loan portfolio amounted to 2.8% as of the end of the reporting period. The net result from fair value adjustments on financial derivatives amounted to EUR -6,763 k in the period from January 1, to December 31, 2015 (2014: EUR -27,461 k).

An amount of EUR 9,338 k of this valuation loss resulted from the embedded derivative in relation to the convertible bond. The reason for this is the strong development of alstria's share price, which increases the market value of the potential repayment obligation in case the convertible bond is converted. This is reflected in the negative fair value of the embedded derivative. Additional EUR 6,198 k valuation gains refer to an interest-rate swap with a notional value of EUR 380,870 k that ended in the business year 2015. A loss shown in the income statement of EUR 3,269 k (2014: loss of EUR 4,135 k) relates to cumulative losses reclassified from cash flow hedges for which the forecast transaction is no longer expected to occur, as the respective loans were repaid prematurely.

Apart from this, the slight decline of the yield curve compared to the end of the business year 2014 resulted only in a corresponding low additional valuation loss from interest-rate derivatives. Overall, the valuation of derivative financial instruments resulted in a net loss of EUR -6,763 k.

Further details and a tabular reconciliation can be found in section 10.5 of the consolidated financial statements.

Consolidated net result

The consolidated net result amounted to EUR -111,379 k (2014: EUR 36,953 k) in the reporting period, hence decreasing by EUR 148,332 k.

A key driver for the change compared to the previous year was the amortization of the goodwill, which resulted from the first-time consolidation of Deutsche Office. As at December 31, 2015 the goodwill has been amortized in the full amount of EUR 144,795 k. Furthermore, higher net rental income could not compensate the administrative and personnel expenses and the financing costs. On the other hand, the valuation loss of investment property as well as the valuation loss in financial derivatives could be compensated by gains on the disposal of investment property and earnings from joint venture companies. Undiluted earnings per share amounted to EUR -1.15 for the reporting period (2014: EUR 0.47).

REIT-AGs are fully exempt from German corporate income tax and trade tax. On the level of the REIT subsidiaries, tax obligations can arise to a minor extent. Through the takeover of Deutsche Office, companies that are not subject to REIT tax exemption have been consolidated into the Group. Hence, in financial year 2015, higher tax-payment obligations arose at the group level compared to the previous year.

Funds from operations (FFO)

Funds from operations amounted to EUR 59,998 k in 2015 compared to EUR 47,626 k in 2014. The FFO ratio could be increased to 52.0% (i.e. by 5.2 percentage points). As a result, FFO per share* was EUR 0.61 in financial year 2015 (2014: EUR 0.60).

The increase compared to the prior year resulted mainly from an increase in net rental income of EUR 12,120 k.

* Divided by the average number of shares in 2015 (96,718,329) due to the takeover of Deutsche Office during the reporting period. Number of shares as at December 31, 2014: 79,018,487.

EUR k	2015	2014
Pre-tax income (EBT)	**-110,567**	**36,972**
Net profit/loss from fair value adjustments on investment property	4,192	-824
Net profit/loss from fair value adjustments on financial derivatives	6,763	27,461
Profit/loss from the disposal of investment property	-12,655	-4,566
Fair value and other adjustments in joint venture	-1,301	-12,179
Other adjustments[1]	173,566	762
Thereof:		
Amortization of goodwill	*144,795*	-
Legal and advisory costs in conjunction with the takeover	*9,765*	-
Prepayment fees for the premature termination of loans	*9,162*	-
Funds from operations (FFO)[2]	**59,998**	**47,626**
Attributable to minority shareholders	-601	-
Attributable to alstria office REIT-AG shareholders	**59,397**	**47,626**
Maintenance and re-letting	-16,162	-9,452
Adjusted funds from operations (AFFO)[3]	**43,235**	**38,174**
Number of shares (k) [4]	96,718	79,018
FFO per share (EUR k)	0.61	0.60

[1] Non-cash income or expenses and non-recurring effects. The main effect in financial year 2015 was the amortization of the goodwill in an amount of EUR 144,795 k, higher legal and advisory costs, which were incurred in connection with the takeover of Deutsche Office in an amount of EUR 9,765 k, as well as non-recurring effects from repayment fees for the premature termination of loans of EUR 9,162 k.

[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.

[4] Average number of shares in 2015 due to the takeover of Deutsche Office during the reporting period. 2014 number of shares as of December 31, 2014.

FINANCIAL AND ASSET POSITION

Investment properties

The total value of investment property amounted to EUR 3,260,467 k at year-end, in comparison to EUR 1,645,840 k at the beginning of the year. The increase results in an amount of 1,645,210 from the properties acquired in conjunction with the takeover of Deutsche Office. Furthermore, on the one hand, the acquisition of an asset in Düsseldorf as well as the prepayment for an acquired asset, which was legally transferred after the reporting period, and the capitalization of modernization measures increased the investment property. On the other hand, the disposal of seven assets led to a decrease of investment property. The valuation result amounted to EUR -4,192 k compared to EUR 824 k in 2014.

EUR k	
Investment properties as of Dec. 31, 2014	**1,645,840**
Adjustment from initial consolidation	1,645,210
Investments	27,813
Acquisitions	12,710
Disposals	-53,575
Reclassifications	-53,245
Net loss/gain from fair value adjustments on investment property	-4,192
Property portfolio as of Dec. 31, 2015	**3,220,561**
Prepayment	39,906
Investment properties as of Dec. 31, 2015	**3,260,467**
Carrying amount of owner occupied properties	4,448
Fair value of properties held for sale	69,143
Interests in joint ventures	23,900
Carrying amount of immovable assets	**3,357,958**
Adjustments to fair value of owner occupied properties	1,382
Fair value of immovable assets	**3,359,340**

For a detailed description of the investment properties, please refer to pages 28 to 37 of the Company Report 2015.

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. A substantial extension of the financing strategy is the issuance of an unsecured, fixed-rated bond. 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 November 2015, alstria placed an unsecured, fixed-rated bond with a nominal value of EUR 500 m. The corporate bond maturing March 24, 2021, bears a fixed coupon of 2.25%. The proceeds from the bond serve for the refinancing of higher-yielding bank liabilities of Deutsche Office.

Through the issuance of the bond, alstria could terminate a Deutsche Office loan in an amount of EUR 332 m which was due to mature on December 31, 2018 prematurely. The loan was repaid on February 22, 2016, after the reporting period. In addition, two loans of the Deutsche Office-portfolio with a total amount of EUR 103 m have been withdrawn as of December 31, 2015.

Furthermore, alstria was able to repay another loan, partially from the proceeds from the bond, prematurely as of December 31, 2015. This loan in an amount of EUR 66 m had an original maturity until January 31, 2017 and a fixed interest of 4.62%.

In financial year 2015, alstria made further repayments of EUR 102.8 m, mainly triggered by property disposals.

The loan facilities in place as of December 31, 2015 are as follows:

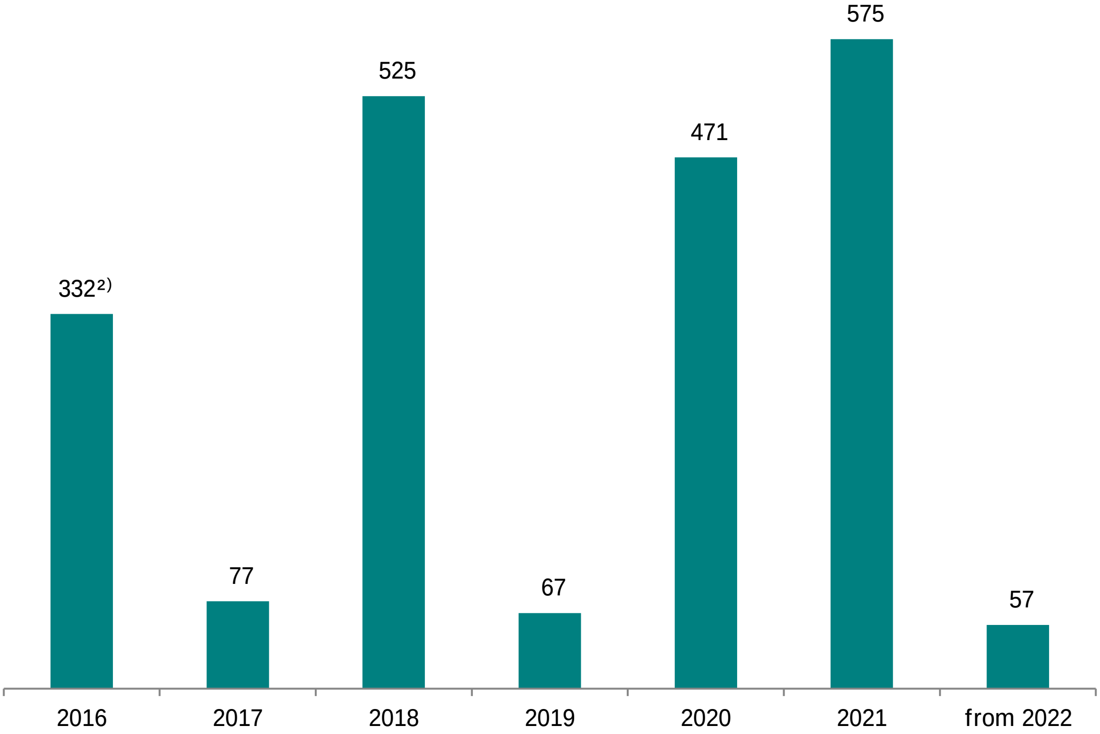
Liabilities	Maturity	Principal amount drawn as of Dec. 31, 2015 EUR k	LTV as of Dec. 31, 2015 %	LTV covenant %	Principal amount drawn as of Dec. 31, 2014 EUR k
Syndicated loan #1	Sept. 30, 2020	470,556	47.1	70.0	501,070
Syndicated loan #2[1]	Feb. 22, 2016	331,910	58.6	72.0	0
Syndicated loan #3	Sept. 30, 2018	336,320	58.6	75.0	0
Non-recourse loan #1[2]	Dec. 31, 2015	0	-	-	68,260
Loan #2[3]	Dec. 31, 2014	0	-	-	2,617
Loan #3	Sept. 30, 2019	67,000	45.2	65.0	67,000
Loan #4	June 30, 2017	58,868	58.4	n/a	0
Loan #5	Apr. 30, 2021	60,048	50.5	66.0	60,739
Loan #6	Mar. 28, 2024	56,500	50.2	75.0	60,000
Loan #7	Dec. 17, 2018	56,000	45.9	60.0	56,000
Loan #8	Dec. 31, 2018	53,432	57.3	65.0	0
Loan #9	Dec. 30, 2017	18,507	51.1	73.0	0
Loan #10	July 30, 2021	15,423	52.1	60.0	0
Total loans		**1,524,564**	**52.1**	**-**	**815,686**
Bond	Mar. 24, 2021	500,000	-	-	0
Convertible bond	June 14, 2018	79,200	–	–	79,400
Total		**2,103,764**	**63.1**	**-**	**895,086**
Net LTV			**49.3**		

[1] Loan agreement terminated, withdrawal occurred on February 22, 2016.
[2] Loan agreement terminated as at December 31, 2015.
[3] Loan agreement terminated taking effect on December 31, 2014, withdrawal occurred on January 02, 2015.

	Dec. 31, 2015	Dec. 31, 2014
Average term to maturity of loans/bond/convertible bond (years)	3.6	5.3

The average term to maturity of loans/bond/convertible bond of 3.6 years as of December 31, 2015 takes a Deutsche Office loan into account, which was terminated before maturity as of February 22, 2016. Excluding this loan, which was repaid after the reporting period, the average term to maturity is 4.3 years as of December 31, 2015.

Maturity profile of financial debt as of December 31, 2015[1] in EUR m



[1)] Excluding regular amortization.
[2)] Loan agreement terminated, withdrawal occurred on February 22, 2016.

	2015	2014
Average cost of debt (% p.a.)	2.8	3.4

As of December 31, 2014, no covenants under the loan agreements and/or the terms and conditions of the bond have been breached.

Compliance with and calculation of the Covenants referring to §11 of the Terms and Conditions of the bond*

In case of the incurrence of new FINANCIAL INDEBTEDNESS, which is not drawn for refinancing purposes of existing liabilities, alstria needs to comply with the following covenants:

- The ratio of the CONSOLIDATED NET FINANCIAL INDEBTEBNESS over TOTAL ASSETS will not exceed 60%
- The ratio of the SECURED CONSOLIDTAED NET FINANCIAL INDEBTENESS over TOTAL ASSETS will not exceed 45%
- The ratio of UNENCUMBERED ASSETS over UNSECURED CONSOLIDATED NET FINANCIAL INDEBTENESS will be more than 150%

Following the issuance of the bond on November 24, 2015 up to the reporting date alstria did not incur any new FINANCIAL INDEBTEDNESS.

Furthermore, starting from the fifth reporting date following the issuance of the bonds, alstria needs to maintain a ratio of the CONSOLIDATED ADJUSTED EBITDA over NET CASH INTEREST of not less than 1.80 to 1.00. The initial calculation and publication of the ratio will be done together with the 2016 annual report.

Cash position

Cash and cash equivalents increased from EUR 63,145 k to EUR 460,253 k in the reporting period. In addition to the issuance of the bond in an amount of EUR 500,000 k, net increases of cash and cash equivalents of EUR 116,029 k resulted from the takeover of Deutsche Office and EUR 102,725 k from the capital increase against contribution in cash. On the opposite, repayment of loans led to a cash outflow of EUR 292,512 k, while the cash flows from property transactions almost balance each other. Cash and cash equivalents in an amount of EUR 32,036 k were held for contractual cash reserves or repayment amounts (“cash traps” under loan agreements) and were therefore restricted as of December 31, 2015.

Equity Metrics

Equity metrics	Dec. 31, 2015	Dec. 31, 2014	Change
Equity (EUR k)	1,657,664	846,593	95.8%
Thereof non-controlling interests	*38,287*	-	*n/a*
NAV per share (EUR)	10.64	10.71	-0.7%
Equity ratio (%)	43.0	47.8	-4.8 pp
G-REIT equity ratio (%)[1)]	49.4	50.2	-0.8 pp

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

* The following section refers to the Terms and Conditions of the Fixed Rate Notes issued on November 24, 2015 with a total nominal amount of EUR 500 million with a coupon amounting to 2.25% per annum, maturing on March 24, 2021 (for further information please refer to www.alstria.de). Capitalized terms have the meaning as defined in the Terms and Conditions.

Compared to fiscal year 2014, total equity increased by EUR 811,071 k as of December 31, 2015. The increase results mainly from the capital increase in conjunction with the takeover of Deutsche Office. The capital increase against contribution in kind accounted for EUR 65,068 k of the increase of the share capital. An increase of the capital surplus of net (after the deduction of transaction costs) EUR 756,619 results from the placement of the new shares. Furthermore, a capital increase against contribution in cash contributed to an increase in equity of net EUR 101,387 k. This was contrasted by the net consolidated result of EUR -111,379 k as well as the dividend payment of EUR 43,470 k. Overall, the developments led to an increase in equity from EUR 846,593 k to EUR 1,657,664 k.*

Long-term loans

Long-term loans increased by 96.3%, from EUR 874,025 k as of December 31, 2014 to a total of EUR 1,715,590 k as of December 31, 2015. The increase resulted from the issuance of a bond in the amount of EUR 500,000 k as well as the takeover of the Deutsche Office-loans in the amount of EUR 471,131 k. This was contrasted by repayments of EUR 89,055 k as well as reclassifications of loans from long-term to short-term debt (EUR 39,357 k).

Short-term loans

The short-term loan obligations amounted to EUR 376,402 k on the reporting date (previous year: EUR 7,702 k). Besides the amounts for scheduled repayments in 2016, the position also includes an unscheduled repayment resulting from the premature termination of a loan from the Deutsche Office subgroup, which has been repaid as of February 22, 2016, after the reporting period. In total, an increase of EUR 346,355 k results from the short-term loans of the Deutsche Office-subgroup. Furthermore, the increase compared to the previous year results from the reclassification of long-term loans of EUR 39,357 k. Again this is contrasted by repayments of EUR 16,728 k.

Current liabilities

The current liabilities amounted to EUR 448,911 k and mainly consisted of the above-mentioned short-term loan obligations of EUR 376,402 k. EUR 8,687 k were attributable to tax obligations, which arose nearly exclusively at the level of the consolidated Deutsche Office companies. Moreover, current liabilities include trade payables (EUR 20,477 k) and other current liabilities (EUR 41,189 k). Other current liabilities contain, among others, liabilities of real estate transfer tax of EUR 13,199 k, which were incurred at the Deutsche Office level. In addition, other current liabilities contain provisions for outstanding invoices (EUR 8,682 k), prepayment of rents (EUR 3,960 k) and received deposits (EUR 4,129 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 2015, the Company originally forecasted revenues of EUR 98 m. The forecast has been amended to around EUR 116 m due to the takeover of Deutsche Office. In essence, this forecast has been achieved. The forecast of the FFO has also been amended due to the takeover of Deutsche Office (from originally EUR 49 m to EUR 59 m). In financial year 2015, FFO totaled EUR 60.0 m and is in line with the amended forecast.

The Company also monitors the progress of its LTV, the G-REIT equity ratio and its liquidity. alstrias's LTV of the loan financing was at 52.1% as of December 31, 2015, compared to 49.3% as at the end of financial year 2014. The G-REIT equity ratio accounted for 49.4%, compared to 50.2% in the previous year and the statutory rate of minimum 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 minimize 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 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 proac-

* For further details, please refer to page 17.

tively and efficiently. The risk management system thereby focuses on a full coverage of the risks. The identification and assessment of opportunities is not part of the risk management system of alstria office REIT-AG.

Structure of risk management system

Risk management is coordinated independent from 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 materialize and is at the same time responsible for the assigned risk category:

alstria‘s areas of risk and risk categories

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

The risk report presents the findings that are observed during risk identification, assessment, evaluation and monitoring. At the same time, the comprehensive documentation of this report ensures an orderly assessment, which 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 2.0 m.

Risk valuation

Risks are assessed according to their likelihood of occurrence and their magnitude of impact. Accordingly, they are categorized 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
Between 0.0 and 0.6	minor
Between 0.6 and 1.5	low
Between 1.5 and 6.0	moderate
Between 6.0 and 15	high
Greater than 15	critical

The magnitude of the classification by degree of impact has been changed compared to the previous year. Due to the takeover of the Deutsche AG Group essential financial figures such as revenues, investment property and finance expenses have roughly doubled. Accordingly, both the expected potential impact and the risk-bearing capacity increased. For this reason, the values were doubled compared to the end of the previous year reporting period.

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.

The Company's risk management system was not exposed to any significant changes, apart from the increase in the risk impact classification amounts, 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 organizational 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 specialized 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 are monitored monthly or on a quarterly basis, depending on the frequency of their preparation.

The accounting-related risk management system forms part of the alstria Group's risk management system. The risk owner responsible for the 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 2016 to 2018.

Corporate risks

	Likelihood	Risk impact	Risk level	Change since prior year
Strategic risks				
Market environment	unlikely	moderate	L	unchanged
Risks in relation to changes to the legal environment	unlikely	moderate	L	unchanged
Risk due to inefficient organisational structures	unlikely	moderate	L	unchanged
Operational risks				
Maintenance risks	possible	high	M	unchanged
Refurbishment projects	possible	high	M	unchanged
Vacancy risk	unlikely	high	M	unchanged
Risks relating to property transactions	unlikely	moderate	L	unchanged
HR-related risks	possible	low	L	unchanged
IT risks	possible	low	L	unchanged
Shortfall of rental payments	very unlikely	high	L	unchanged
Environmental risks	unlikely	low	L	unchanged
Compliance risks				
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				
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	unlikely	high	M	increased
Interest rate risk	unlikely	high	M	increased
Counterparty risk	very unlikely	high	L	unchanged

Strategic risks

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

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 rental areas in office properties. For alstria this would lead to a higher risk of vacant space or lower rental income. The further development of growth in developing and emerging countries, particularly China and Russia, has recently slowed. Further uncertainties may arise from the increasing political instability in certain countries in crisis. The impact of the recent decline in oil prices and the continuing low interest rate policy of the European Central Bank cannot yet be concluded. The unclear situation in the financial markets and the discussion about the high debt of certain states as well as the efforts of these countries to consolidate their budgets are not yet over. These developments might also affect the German markets through 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.

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 to 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 organizational structures and the Company's dependence on IT systems and -structures. Both the organizational 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 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 overall vacancy risk is assessed as medium (M).

Shortfall of rental payments

An operational risk, which could still materialize 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 regarding 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 from the end of the previous reporting period the risk resulting from refurbishment projects is categorised as moderate (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 and 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 center. All data is backed up daily in an internal data depository, and in a separate 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 materialize and as in the prior year, their possible consequences are considered to be low (L). Last year, the risk was classified as low risk as well.

Property transactions

alstria is exposed to risks related to the acquisition and disposal of real estate properties. Related risks are the partial or complete non-detection of the risks and liabilities associated with properties in the due diligence process. In case of the disposal of real estate assets alstria usually gives certain warranties to the potential purchaser regarding factual and legal matters 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 unfavorable contractual agreements are transferred to the Company, resulting in additional future costs.

Both in acquisition and selling proceedings alstria responds to these risks with 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, similar to 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 organized 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 for the Company with retrospective effect starting on January 1, 2007.

Capital and investment management activities maintain the Company's G-REIT status in order to support its business activities and maximize 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 Section 15 of the REIT Act, alstria's equity (as reported in its consolidated financial statements) must not fall short of 45% of its immovable assets. If the minimum equity ratio is, however, not satisfied for three consecutive financial years, the exemption from corporate income tax (KSt) and trade tax (GewSt) ceases at the end of the third financial year

The G-REIT equity ratio is 49.4% 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. Therefore alstria cannot lose its G-REIT status as a result of failing to meet the 45% threshold within the three-year forecast period through December 31, 2018.

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 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 organization, 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 from 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.

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

Some shareholders of PO REIT, which was dissolved due to the merger, have taken the view that the exchange ratio set for former PO REIT shares to shares of the Company was too low at their expense. For this reason, they used the opportunity to have the fairness of the exchange ratio reviewed in judicial arbitration proceedings and filed the necessary applications to the Munich District Court for the initiation of such proceedings. After an exchange of various written pleadings by the parties to the proceedings, a first court hearing was held on February 12, 2015. At first instance, the Munich District Court rejected the applications for an additional cash payment in favor of the former PO REIT shareholders in a ruling on August 21, 2015. Four applicants and their common legal representative have appealed against this ruling, and the proceedings will now be continued at second instance before the Munich Higher Regional Court. In the event that the court rules in a final decision that the exchange ratio has to be improved by means of a cash payment to be made by the Company, such a decision will be effective for and against all the shareholders of PO REIT in accordance with Section 13 of the German Arbitration Proceedings Act. This means that the additional cash payment fixed by the court will also be paid to shareholders who have not filed an application in the arbitration proceedings. As of the date of the merger notice published by the acquiring entity in the Commercial Register, the additional cash payment will have to be made with an annual interest of five percentage points above the base lending rate effective at that time. This right to an additional payment of an unlimited amount with interest, which in itself may be substantial due to the length of the proceedings and the level of the statutory interest rate, might result in a significant financial burden and hence have a considerable adverse impact on the net assets, financial position and results from operations of the Deutsche Office Group. Mutual due diligence was performed prior to the merger, and the Company obtained an expert opinion with a view to establish the enterprise values and the exchange ratio. Subsequently, the calculated exchange ratio was subject to a mandatory merger audit by an independent expert, as prescribed by law. In addition to measures implemented before the litigation to reduce the risk of an additional cash payment, the Company receives legal support from external advisors in the current proceedings. Due to the takeover of the Deutsche Office Group in business year 2015 this lawsuit was no matter the alstria Group at the end of the previous reporting period.

Apart from this lawsuit neither alstria office REIT-AG nor any of its subsidiaries are involved in pending or foreseeable court or arbitration proceedings that might have a significant impact on the Group’s business position. This also applies to legal actions addressing warranty claims, repayment claims or any other remuneration brought forward in connection with divested properties or implemented development projects over the last few years. The respective Group companies have accounted for appropriate provisions to cover any potential financial charges from court or arbitration proceedings. Since none of the Group’s companies are currently exposed to any civil rights proceedings or 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 compared to the previous year’s reporting period.

Refinancing risks

The Group’s main financial instruments are bank loans and derivative financial instruments as well as a corporate bond with a notional amount of EUR 500m placed in the capital market for the first time in the business year 2015. The main purpose of the bank loans and the bond 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 Net LTV is 49.3%. This is a reasonable rate compared to the average leverage of German real estate companies. The Group’s bank’ loans LTVs on the balance sheet date are well below the LTVs permitted under the respective loan agreement (see overview of loan facilities on page 19). The risk of a covenant breach was thus encountered effectively. The creditworthiness of alstria was classified by the rating agency, Standard & Poor's as unchanged at BBB ("Investment Grade") at the end of the reporting period. The rating has been applied for the first time in the business year 2015.

The refinancing of the majority of alstria's bank loan is not required prior to financial year 2020 (see maturity profile of loans on page 20). The corporate bond has a term through March 2021. However, in line with alstria's funding strategy, it is intended to refinance some of the existing loans by the mid-2016. As a result the risk of refinancing on unfavorable terms is to be classified at the present time as moderate (M), whereas this risk was assessed a year earlier as low (L).

The next refinancing of the main part of alstria's loans will be necessary in 2020. The corporate bond has a maturity through March 2021. Thus, the risk of refinancing on unfavorable terms is limited for the time being (L) as it was the year before.

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 Group's current LTV ratios as described above, give significant leeway to the permitted leverage ratios. Hence, the risk of a breach of covenants is at present classified as medium (M) as it was in the previous year.

Interest rate 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 caps and swaps 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 compensated.

Part of the loans including the bond are structured as fixed rate loans and therefore bear until their maturity date no interest rate risks. Loans with a volume of approximately EUR 93.0 million are based on the floating 3-month EURIBOR interest rate, without being hedged by an interest rate derivative. The reason for this is the structure of the current yield curve of the 3-month EURIBOR. Moreover, these loans are to be refinanced by fixed-interest corporate bonds until mid-2016.

As consequence the interest rate risk is currently considered to be medium (M). At the end of the previous reporting date the risk was categorized as low (L).

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 the previous years including the placement of a convertible bond and corporate bond, the major liquidity risk resulting from balloon repayments on loan facilities was successfully averted. Since the main part of the loans and bonds will not be due until the year 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 independent appraisers. It can be subject to change in the future. Generally, the market value of real estate properties depends on a variety of factors, some of which are exogenous and may not be under alstria's control. These factors include declining rent levels, 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 minimize these risks, a regional diversification of investment portfolios, a consistent focus on the individual needs of tenants and detailed market research and analysis (broker reports) are applied. In addition, the market value of all of alstria's assets is determined annually at year-end by independent, internationally recognized 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 recognized 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 regarding 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 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 for prior tax periods that have not yet been finally approved. As consequence of the takeover of the Deutsche Office AG Group companies are included in the consolidated financial statements, which are not subject to the regulations of the REIT legislation. The planned restructuring, in particular the transformation of the legal form of the acquired companies in limited partnerships, will result in the taxable disclosure of existing hidden reserves and built-in losses. The resulting tax expenses are taken into account until December 31, 2015 by tax provisions.

Due to the income tax exemption as a REIT and consistent monitoring of tax relevant issues by internal and external tax experts, the probability of a tax loss is considered to be limited. Since certain tax-related issues, such as real estate transactions or valuations of assets and liabilities as well as a re-entry into 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 2015 only minor or immaterial changes were noted in alstria's risk level matrix for risks categorized as high (H) or medium (M). At the end of the year, as well as at the end of the preceding fiscal year 2014 risks categorised as "high" accounted for 0.0% of all identified risks while risks categorized as "medium" accounted for 47.1% (December 31, 2014: 44.0%) of all identified risks.

On the one hand this is due to the economic environment in Germany, which still proves to be relatively stable despite the expected decline in growth in the emerging markets, the continued smouldering financial problems in some European countries and the uncertainty of the further development in certain "failed state" countries. On the other hand, the company's stable funding position, conservative level of debt and its solid-REIT equity ratio support this assessment. Due to the similar structure of the acquired Deutsche Office during the business year no significant effects regarding risk exposures are expected to arise, except for the expected increase in the potential risk impact amount. The risks associated with the implementation of organizational employee-related and system-based integration, have been considered in the individual risk areas.

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 33.1 m as of 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 those opportunities and transform them into business success.

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

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

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

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

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

Opportunities related to real estate acquisitions

The location of a property is essential for its attractiveness. Opportunities arise when a regional market is characterized by favorable demographics and real estate dynamics. Together with 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. Its investment strategy therefore focuses on the acquisition of properties and portfolios that have higher vacancy rates and thus are open to additional growth opportunities through the stabilization of these properties' leases. The acquisition will only be performed if the investment volume offers the prospect of achieving a sustainable increase in value.

Opportunities related to tenant relationships

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

Opportunities arising from real estate development

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

Opportunities arising from financing

alstria's financing strategy is focused on the optimal provision of funds to invest in new properties and development projects. Opportunities arise from the optimization of these financing terms. This requires implementing long-term and flexible funding at favorable conditions and safeguarding financial covenants at all times. A significant opportunity also arises out of a low debt ratio (the net LTV of bank loans is currently 49.3%; see the overview of loan facilities on page 19), representing a comfortable base for future funding and growth. Funding options include mortgage loans, corporate bonds and equity funding. Opportunities arise from the diversification of funding sources and with respect to the first rating obtained in the business year.

Overall Summary of the Opportunities Report

alstria's current financial situation involves a stable financial position at favorable interest rates until about mid-2020. The rating received from S&P allows for greater flexibility in terms of new funding sources. Concerning revenues, alstria benefits from long-term rental agreements with an average lease length of approximately 5.2 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 that are 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.

The takeover of the Deutsche Office AG Group provides opportunities because this group's portfolios open up growth opportunities through the lease of vacant office space. Furthermore, the Deutsche Office portfolio enables a better focus on office properties and a geographical focus on Germany's metropolitan regions; in addition to the synergies and other economies of scale, the portfolio also allows a greater presence and more efficiency in alstria's key markets.

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

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

SUSTAINABILITY REPORT

In November 2015, alstria published its sixth sustainability report. This year's report is organized and presented based on the latest reporting framework (GRI G4), and it is substantially improved in its scope of coverage regarding nonfinancial information. It provides information about alstria's next steps toward a carbon-neutral economy and familiarizes the reader with the Company's corporate responsibility strategy.

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

Over the course of 2015, alstria has set up its energy management system for operational processes, according to ISO 50001. In addition, alstria received its second "CDP Climate Action Award" for the substantial reduction (-73%) of its controlled greenhouse gas emissions (scope 1 and 2). This result was achieved through the systematic procurement of energy produced from solely renewable sources.

For further information on the Company's sustainability engagement, please refer to alstria´s annual sustainability report 2015 on:

www.alstria.com

or to the Company Report.

DISCLOSURES REQUIRED BY TAKEOVER LAW

Disclosures and the explanatory report pursuant to Section 289, paragraph 4, and Section 315, paragraph 4 of the German Commercial Code *(Handelsgesetzbuch*, or HGB).

COMPOSITION OF SUBSCRIBED CAPITAL

On the balance sheet date of December 31, 2015, alstria's share capital amounted to EUR 152,164,285.00, which was divided into 152,164,285 no-par-value bearer shares. All shares have equal rights and obligations. Each share entitles the bearer to one vote at general shareholders' meeting 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*, or AktG), particularly 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 on alstria's Articles of Association, which do not restrict either of these activities. According to Section 136 of AktG, the voting rights of the affected shares are excluded by law. No other restrictions on voting rights or on the transfer of shares exist - or, as far as they arise from agreements between shareholders, they are not known to the Management Board.

SHAREHOLDINGS EXCEEDING 10% OF THE VOTING RIGHTS

On the balance sheet date of December 31, 2015, alstria was not aware of any shareholders who directly held more than 10% of the voting rights. Oaktree Fund GP I, L.P.; Oaktree Capital I, L.P.; OCM Holdings I, LLC; Oaktree Holdings, LLC; Oaktree Capital Group, LLC; Oaktree Capital Group Holdings, LP; and Oaktree Capital Group Holdings GP, LLC, each notified us that, via subsidiaries, they held a share in alstria of approximately 25.4% as of October 27, 2015. In addition, please refer to the disclosures in the Consolidated Financial Statements under Note 21.3, Voting Right Notifications.

SHARES WITH SPECIAL RIGHTS

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

SYSTEM OF CONTROL FOR ANY EMPLOYEE SHARE SCHEME IN WHICH THE EMPLOYEES DO NOT DIRECTLY EXERCISE THE CONTROL RIGHTS

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

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

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

Amendments to the Articles of Association are made pursuant to Sections 179 and 133 of AktG. Pursuant to Section 12, paragraph 2, of the Articles of Association, the Supervisory Board is furthermore authorized to make changes in and amendments to the Articles of Association without the shareholders passing a resolution in the general meeting if those changes merely affect wording. The Supervisory Board has also been authorized to adapt the wording of the Articles of Association to the utilization of the Conditional Capital 2013 and the Authorized Capital 2015 and after expiration of the applicable authorization periods by resolutions of the annual general meetings on May 29, 2013, and May 6, 2015.

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

The Articles of Association were last amended by a resolution passed by the Supervisory Board on November 19, 2015: In Section 5 of the Articles of Association, paragraphs 1, 2, 5 and 8, were formally adapted to the capital increases executed from the Company's conditional capitals. Furthermore, the provisions regarding Conditional Capital III in Section 5, paragraph 7, of the Articles of Association were deleted without substitution, as the Management Board's corresponding authorization had expired. Thus, the Conditional Capital III became redundant, and the Articles of Association were editorially amended.

AUTHORITY OF MANAGEMENT BOARD REGARDING THE ISSUE AND BUYBACK OF SHARES

1. Authorized Capital

The Articles of Association authorize the Management Board, with the approval of the Supervisory Board, to increase the share capital until May 5, 2017, by issuing new no-par-value bearer shares against contributions in cash and/or kind, once or repeatedly, up to a total amount of EUR 36,759,200.00. Further details are governed by Section 5, paragraphs 3, 4 and 4a, of the Articles of Association.

2. Conditional Capital

alstria holds three conditional capitals (pursuant to Sections 192 *et seq.* of AktG), which are regulated in Section 5, paragraphs 5, 6 and 8, of the Company's Articles of Association.

a) Conditional Capital 2013

The share capital is conditionally increased in an amount of up to EUR 37,979,618.00 by issuing up to 37,979,618 no-par-value bearer shares. The Management Board is authorized to determine the profit entitlement for the new shares issued on the basis of the exercise of options or conversion rights or the fulfilment of a conversion obligation at variance (from Section 60, paragraph 2, of AktG). This conditional capital increase is only carried out to the extent that the holders of option 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 authorization resolved by the shareholders in the general meeting on May 29, 2013, utilize their option 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 fulfill option or conversion rights.

b) Conditional Capital III 2012

The share capital is conditionally increased in an amount of up to EUR 318,500.00 by issuing up to 318,500 no-par-value bearer shares. This conditional capital increase exclusively serves shares to the holders of convertible profit-participation certificates, which the Company issued until April 23, 2017, in accordance with the authorization of the general meeting that was held on April 24, 2012. The conditional capital increase is only carried out to the extent that the convertible profit-participation certificates are converted into shares of the Company and no treasury shares are used for servicing 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 2015

Furthermore, the share capital is conditionally increased in an amount of up to EUR 500,000.00 by issuing up to 500,000 no-par-value bearer shares. This conditional capital increase shall be used exclusively for granting shares to the holders of convertible profit-participation certificates, which the Company issued until May 5, 2020, in accordance with the authorization of the general meeting held on May 6, 2015. The conditional capital increase is only carried out to the extent that the 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 authorized the Management Board to acquire shares of up to 10% of the Company's share capital at the time of the authorization until June 7, 2016. The acquired shares and other treasury shares that are in alstria's possession or otherwise attributed to it, pursuant to Sections 71a *et seq.* of AktG, may at no point 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).

ALSTRIA OFFICE REIT-AG'S SIGNIFICANT AGREEMENTS THAT TAKE EFFECT UPON A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

alstria office REIT-AG's significant financing agreements contain the clauses common to such contracts regarding a change of control. In particular, the agreements entitle the lenders to request repayment of the loans or oblige alstria to repay them in case any person, company or group should directly or indirectly acquire 50% of the voting rights or a controlling influence in alstria.

The terms and conditions of the convertible bond that the Company issued in financial year 2013 also provide termination rights or an adaptation of the conversion price in case of a change of control. Such change of control occurs, in particular, if a person – or persons acting in concert – directly or indirectly acquire more than 50% of the Company's voting rights.

The terms and conditions of the fixed-interest bonds the Company issued in financial year 2015 entitle each bondholder to request that the Company redeem or purchase such bonds for 101% of the principal amount of such bond plus unpaid interest accrued if any person, company or group should directly or indirectly acquire more than 50% of alstria's voting rights and within 120 days after such a change of control, the rating for the Company or the bond is downgraded.

The total volume of obligations under those agreements that have corresponding change of control clauses amounted to approximately EUR 1,050 m on the balance sheet date.

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

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

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 of December 31, 2015, alstria had 93 employees (compared to 63 on December 31, 2014). The annual average number of employees was 72 (compared to 62 in the previous year). These figures exclude Management Board members.

REMUNERATION REPORT

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

Members of the Supervisory Board receive fixed remuneration.

The remuneration report (see pages 167 to 173), which contains details of the principles for the remuneration of the Management Board and Supervisory Board, 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

On November 26, 2015, alstria signed a purchase agreement for the acquisition of an asset in Hamburg. The transfer of benefits and burdens took place on January 1, 2016, after the reporting period.

One Deutsche Office loan was terminated prematurely as of December 14, 2015. The loan was repaid after the reporting period, on February 22, 2016.

REPORT ON EXPECTED DEVELOPMENTS

The report on expected developments contains statements related to anticipated future developments. The Company's development 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 strongest economic growth in the last five years and by the employment rate, which remained at a record level in 2015. For 2016, the German government expects driven by strong consumption of private households and by the positive developments in the German labor market the macroeconomic situation to develop at the same level as it did in 2015. Thus, the German government forecasts a growth rate of 1.7% for the German economy in 2016.*

Development of the real estate market: Outlook for 2016

The relevance of real estate as an investment will persist at a high level in 2016 due to the continuing very low interest rates. On the investment market, the demand for core assets is expected to remain high and to greatly exceed the supply. Therefore, the trend to invest in value-adding properties will persist and could even accelerate.

Outlook for the alstria Group

Based on the expected stability of the German economy and of the real estate market, the Company does not expect significant changes in alstria's direct environment. However, 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 2016 could have an impact on the projections.

Due to the takeover of Deutsche Office AG, alstria is expecting 2016 revenues to increase in 2016 by approx. EUR 85 m to EUR 200 m as compared to revenues in 2015.

* Please refer to Annual Economic Report 2016 (Bundesministerium für Wirtschaft und Energie)

For fiscal year 2016, the Company is expecting an FFO of around EUR 115 m, of which around EUR 3 m will be attributable to minority interests. The increase in FFO as compared to the FFO of EUR 60.0 m (therof EUR 0.6 m attributable to minority interests) as achieved in 2015 is mainly due to the full-year consolidation effect of Deutsche Office in comparison to a 2-months consolidation period in 2015 and to the further reduction of the financing costs.

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

Hamburg, March 18, 2016

DETAIL INDEX CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the period from January 1 to December 31, 2015

EUR k	Notes	2015	2014
Revenues	9.1	115,337	101,782
Income less expenses from passed-on operating expenses	9.2	-423	-632
Real estate operating expenses	9.3	-12,774	-11,130
Net rental income		**102,140**	**90,020**
Administrative expenses	9.4	-6,383	-4,755
Personnel expenses	9.5	-12,068	-7,807
Other operating income	9.6	4,043	6,141
Other operating expenses	9.7	-13,859	-2,025
Goodwill impairment	9.7	-144,795	0
Net result from fair value adjustments to investment property	10.1	-4,192	824
Gain on disposal of investment property	9.8	12,655	4,566
Net operating result		**-62,459**	**86,964**
Net financial result	9.9	-43,333	-35,329
Share of the result of joint venture companies accounted for at equity	4.4	1,988	12,798
Net loss from fair value adjustments to financial derivatives	9.9; 10.5	-6,763	-27,461
Pretax income		**-110,567**	**36,972**
Income tax expenses	9.10	-812	-19
Consolidated profit		**-111,379**	**36,953**

Attributable to:			
Shareholders of alstria office REIT-AG		-110,970	**36,953**
Noncontrolling interests		-409	0
Earnings per share in EUR			
Basic earnings per share	14	-1.15	0.47
Diluted earnings per share	14	-1.04	0.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from January 1 to December 31, 2015

EUR k	Notes	2015	2014
Consolidated profit for the period		**-111,379**	**36,953**
Items that might be classified on the income statement in a future period:			
Valuation cash flow hedges	10.5	-444	99
Reclassification from cash flow hedging reserve	10.5	3,269	4,135
Other comprehensive income for the period		**2,825**	**4,234**
Total comprehensive income for the period		**-108,554**	**41,187**

Total comprehensive income attributable to:			
Shareholders		-108,145	41,187
Noncontrolling interest		-409	0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of December 31, 2015

ASSETS

EUR k	Notes	2015	2014
Noncurrent assets			
Investment property	10.1	3,260,467	1,645,840
Equity-accounted investments	10.2	23,900	34,534
Property, plant, and equipment	10.3	5,161	5,085
Intangible assets	10.4	607	344
Derivatives	10.5	8,462	6,643
Total noncurrent assets		**3,298,597**	**1,692,446**
Current assets			
Trade receivables	10.6	12,578	3,498
Accounts receivable from joint ventures	10.6	0	88
Income tax receivables	10.5	226	0
Other receivables	10.6	9,783	10,127
Cash and cash equivalents	10.7	460,253	63,145
thereof restricted		*32,036*	*0*
Assets held for sale	10.8	69,143	0
Total current assets		**551,983**	**76,858**
Total assets		**3,850,580**	**1,769,304**

EQUITY AND LIABILITIES

EUR k	Notes	2015	2014
Equity	11.1		
Share capital		152,164	79,018
Capital surplus		1,499,477	691,693
Hedging reserve		-270	-3,095
Retained earnings		-31,994	78,977
Equity attributable to owners of the parent company		**1,619,377**	**846,593**
Noncontrolling interests		38,287	0
Total equity		**1,657,664**	**846,593**
Noncurrent liabilities			
Long-term loans and bonds, net of current portion	11.2	1,715,590	874,025
Derivatives	10.5	23,208	13,488
Other provisions	11.3	3,221	3,628
Other liabilities	11.4	1,854	2,036
Deferred tax liabilities	9.10	132	0
Total noncurrent liabilities		**1,744,005**	**893,177**
Current liabilities			
Short-term loans	11.2	376,402	7,702
Trade payables	11.4	20,477	4,389
Profit participation rights	9.5; 17.2	362	424
Derivatives	10.5	0	6,198
Income tax liabilities	11.5	8,687	0
Other provisions	11.3	1,794	461
Other current liabilities	11.4	41,189	10,360
Total current liabilities		**448,911**	**29,534**
Total liabilities		**2,192,916**	**922,711**
Total equity and liabilities		**3,850,580**	**1,769,304**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ending December 31, 2015

EUR k	Notes	2015	2014
1. Cash flows from operating activities			
Consolidated profit or loss for the period		**-111,379**	**36,953**
Interest income	9.9	-128	-113
Interest expense	9.9	43,461	35,442
Result from income taxes	9.10	812	19
Unrealized valuation movements		8,952	13,937
Impairment of goodwill		144,795	0
Other noncash income (–)/expenses (+)		2,329	-731
Gain (–)/loss (+) on disposal of investment properties	9.8	-12,654	-4,566
Depreciation and impairment of fixed assets (+)	10.3; 10.4	426	179
Increase (–)/decrease (+) in trade receivables and other assets not attributed to investing or financing activities		2,642	844
Increase (+)/decrease (–) in trade payables and other liabilities not attributed to investing or financing activities		1,916	1,435
Cash generated from operations		**81,172**	**83,399**
Interest received		128	113
Interest paid		-35,559	-30,604
Income taxes paid		-110	-19
Net cash generated from operating activities		**45,631**	**52,889**
2. Cash flows from investing activities			
Acquisition of investment properties		-78,531	-75,264
Proceeds from the sale of investment properties		80,698	65,467
Payment of transaction cost in relation to the sale of investment properties		-1,980	-291
Acquisition of other property, plant, and equipment		-142	22
Proceeds from the equity release of interests in joint ventures		12,636	1,470
Payments for capital contribution in joint ventures		0	-2,205
Net cash due to business combination		116,029	0
Net cash generated from/used in investing activities	12.3	**128,710**	**-10,801**

EUR k	Notes	2015	2014
3. Cash flows from financing activities			
Cash received from cash equity contributions	11.1	102,725	170
Payments of transaction costs for capital contributions in cash and in kind	11.1	-2,336	0
Proceeds from issuing of bonds and taking on loans		0	173,823
Proceeds from the issuing of a corporate bond	11.2	500,000	0
Payments of dividends	15	-43,470	-39,467
Payments due to the redemption of bonds and borrowings		-292,512	-192,629
Payments of transaction costs for taking out loans		-5,899	-740
Payments for the termination/change of financial derivatives		-35,741	-2,882
Net cash generated from/used in financing activities		**222,767**	**-61,725**

4. Cash and cash equivalents at the end of the period			
Change in cash and cash equivalents (subtotal of 1 to 3)		397,108	-19,637
Cash and cash equivalents at the beginning of the period		63,145	82,782
Cash and cash equivalents at the end of the period *thereof restricted: EUR 32,036 k; previous year: EUR 0 k*	10.7	**460,253**	**63,145**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2015

EUR k	Notes	Share capital	Capital surplus	Hedging reserve	Retained earnings	Equity attributable to the alstria shareholders	Non-controlling interests	Total equity
As of Jan. 1, 2015		**79,018**	**691,693**	**-3,095**	**78,977**	**846,593**	**0**	**846,593**
Changes in the financial year 2015								
Consolidated profit		0	0	0	-110,970	-110,970	-409	-111,379
Other comprehensive income		0	0	2,825	0	2,825	0	2,825
Total comprehensive income		**0**	**0**	**2,825**	**-110,970**	**-108,145**	**-409**	**-108,554**
Noncontrolling interest from Deutsche Office takeover	4.2	0	0	0	0	0	38,696	38,696
Payments of dividends	15	0	-43,470	0	0	-43,470	0	-43,470
Proceeds from shares issued against contribution in cash	11.1	7,903	94,822	0	0	102,725	0	102,725
Proceeds from shares issued against contribution in kind	11.1	65,067	757,616	0	0	822,683	0	822,683
Transaction costs of issuing shares	11.1	0	-2,336	0	0	-2,336	0	-2,336
Share-based remuneration (convertible participation rights)	9.5	0	752	0	0	752	0	752
Conversion of convertible participation rights	17.2	156	156	0	0	312	0	312
Conversion of convertible bond	11.1	20	243	0	0	263	0	263
As of Dec. 31, 2015	11.1	**152,164**	**1,499,477**	**-270**	**-31,994**	**1,619,377**	**38,287**	**1,657,664**

for the period from January 1 to December 31, 2014

EUR k	Notes	Share capital	Capital surplus	Hedging reserve	Retained earnings	Total equity
As of 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	9.5	0	589	0	0	589
Conversion of convertible participation rights	17.2	85	85	0	0	170
As of Dec. 31, 2014	11.1	**79,018**	**691,693**	**-3,095**	**78,977**	**846,593**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

alstria office REIT-AG is a listed real estate property corporation under the scope 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 that 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 established in January 2006 and transformed into the first German real estate investment trust (G-REIT) in the financial year 2007. The registration as a REIT corporation (hereinafter also referred to as a "REIT-AG") in the commercial register took place on October 11, 2007.

On June 16, 2015, alstria office REIT-AG published its decision to the shareholders of DO Deutsche Office AG (hereinafter referred to as "Deutsche Office AG") for the acquisition of all no-par-value bearer shares of Deutsche Office AG by way of a voluntary public takeover bid. The offer was accepted by a majority of the shareholders, and the conditions for the completion of the offer were fulfilled. The ordinary capital increase of alstria was entered in the Commercial Register at the Local-Regional Court of Hamburg on October 27, 2015. With the registration of the new alstria shares in the commercial register, the Company gained control over the Deutsche Office AG, resulting in the first-time consolidation of Deutsche Office AG on October 27, 2015.

alstria office REIT-AG'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 of December 31, 2015. The Board passed resolution on their publication and submission to the Supervisory Board on March 18, 2016.

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 "alstria" or "the Group") have been prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB), including the interpretations of the IFRS interpretations committee (IFRIC), as adopted in the European Union and according to the additional requirements in accordance with Sec. 315a, Para. 1 of the German Commercial Code (HGB).

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 the IFRSs 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 wherein 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. In some cases, this may result in minor discrepancies in the tables included in these Consolidated Financial Statements and in the totals provided in the Notes.

The consolidated financial statements presented in this report were prepared for the period from January 1 to December 31, 2015.

Single items are summarized 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 noncurrent and current, respectively. Current items are defined as items that are due in less than one year, and vice versa.

Due to the merger with Deutsche Office AG, implemented on October 27, 2015, Group data for 2015 are only comparable to a limited extent with figures posted for 2014.

3. CHANGES IN ACCOUNTING POLICIES AND MANDATORY DISCLOSURES

Effects resulting from new and amended IFRSs

alstria office REIT-AG prepares its consolidated financial statements in accordance with IFRSs 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 IFRSs 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 as of the reporting date are described but 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 have been adopted by the Company for the first time for the financial year beginning on January 1, 2015:

EU endorsement until Dec. 31, 2015	Standard/ interpretation	Content	Applicable for FY beginning on/after	Effects
June 13, 2014	IFRIC 21	New interpretation of levies	June 17, 2014	Interim reporting
Dec. 18, 2014	Annual Improvements to IFRSs	Improvements to IFRSs 2011–2013	Jan. 1, 2015	None

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

- **IFRIC 21 "Levies"**
  The interpretation provides guidance on when to recognize a liability for a levy imposed by a government on the basis of legal regulations. The obligating event for recognition of a liability is identified as the activity that triggers payment by the relevant legislation. Only when the obligating event arises are fees recognized in the balance sheet. The obligating event may also arise over a period of time, leading to a pro rata recognition of the liability. IFRIC 21 has been applied retrospectively. The adoption of this interpretation had no material impact on the annual consolidated financial statements. For the interim reporting, however, there was an impact on effects arising during the year with respect to the presentation of the property tax burden, which was recognized in full in the first quarter and was not distributed evenly throughout the year.

- **Annual improvement process for IFRSs 2011-2013**
  The 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 concern clarifications and are of only minor, if any, relevance for the Group.

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

In its 2015 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 2015.

EU endorsement	Standard/ interpretation	Content	Applicable for FY beginning on/after	Effects
not yet endorsed	IFRS 9	New standard "Financial instruments: classification and measurement"	Jan. 1, 2018	Under review
standard shall not be 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, 2018	Notes disclo-sure
not yet endorsed	IFRS 16	New standard "Leases"	Jan. 1, 2019	No material effects
Nov. 24, 2015	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	postponed	Under review

EU endorsement	Standard/ interpretation	Content	Applicable for FY beginning on/after	Effects
		associate or joint venture		
not yet endorsed	Amendments to IFRS 10, IFRS 12, and IAS 28	Investment entities: applying the consolidation exception	Jan. 1, 2016	None
Dec.18, 2015	Amendments to IAS 1	Disclosure initiative	Jan. 1, 2016	Notes disclo-sure
not yet endorsed	Amendments to IAS 7	Disclosure initiative	Jan. 1, 2017	Notes disclo-sure
not yet endorsed	Amendments to IAS 12	Recognition of deferred tax assets for unrealized losses	Jan. 1, 2017	Under review
Dec. 2, 2015	Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation	Jan. 1, 2016	None
Nov. 23, 2015	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
Dec. 18, 2015	Amendments to IAS 27	Equity method in separate financial statements	Jan. 1, 2016	None
Dec. 17, 2014	Annual improve-ments to IFRSs	Improvements to IFRSs 2010–2012	Feb. 1, 2015	None
Dec. 15, 2015	Annual improve-ments to IFRSs	Improvements to IFRSs 2012–2014	Jan. 1, 2016	Under review

- **IFRS 9 “Financial instruments”**

  This is a 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, onward. 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 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, 2018. IFRS 15 specifies how and when an entity reporting in accordance with IFRSs shall recognize revenue as well as requires 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 statements, and earnings position of the Group is expected.

- **IFRS 16 "Leases"**

  On January 13, 2016, the IASB issued IFRS 16, the new accounting standard for leases. The new requirements in this standard apply in particular to the recognition of leases by lessees, introducing significant changes to lease accounting. As a matter of principle, the so-called "right-of-use approach" (RoU approach) will now have to be applied to the recognition of all leasing agreements. Under IAS 17 "Leases," it is currently still possible to structure agreements in such a way that leases will not be reported on a company's balance sheet (off-balance-sheet leases). This will no longer be possible in the future when the RoU approach is applied. For operating leases, lessees currently only recognize the expense from lease payments on the income statement, while the assets used are not accounted for. For lessors, IFRS 16 carries forward the lessor accounting requirements in IAS 17, so that a lessor continues to classify its leases as operating leases or finance leases.

  IFRS 16 will be effective starting January 1, 2019. The application of this IFRS will not have any material effects on the Company's Consolidated Financial Statements because the Company primarily has commercial property lease agreements for its investment property portfolio and, hence, mainly acts as a lessor. The scope of transactions in which the Company is engaged as a lessee is not material.

- **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 December 16, 2011, the IASB issued "Mandatory effective date and transition disclosures" (Amendments to IFRS 9 and IFRS 7), which amend the effective date of IFRS 9 "Financial Instruments" to annual periods beginning on or after January 1, 2018, and modify 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"**

  These 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 recognized when a transaction involves a business, whether it is housed in a subsidiary or not. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The effective date has been postponed indefinitely.

- **Amendments to IFRS 10, IFRS 12, and IAS 28 "Investment entities: applying the consolidation exception"**
  These 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"**
  These 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 7 "Statement of cash flows—disclosure initiative"**
  These amendments are clarifications with regard to the finance activities of a company. Users of financial statements shall be put in the condition to better assess financial debt.

- **Amendments to IAS 12 "Statement of cash flows—disclosure initiative"**
  The amendment to IAS 12 provides the guidance that unrealized losses on the fair value of debt instruments lead to deductible, temporary differences. It also clarifies that it has to be assessed for all deductible, temporary differences together if it is probable that sufficient taxable income will be generated to use these and, thus, to recognize them. IAS 12 is supplemented by rules and examples that clarify how the future taxable income shall be determined for the accounting of deferred tax assets.

- **Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortization"**
  These amendments were issued on May 12, 2014, and relate to the clarification of acceptable methods of depreciation and amortization. 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"**

  These 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 consequent 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 related 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"**

  These 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.

- **Annual improvement process for IFRSs 2010-2012**

  The International 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) were 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 to the Group.

- **Annual improvement process for IFRSs 2012-2014**

  The IASB issued "Annual Improvements 2012–2014," a collection of amendlments to IFRSs, in response to issues addressed during the 2012–2014 cycle. Four standards (IFRS 5, IFRS 7, IAS 19, and IAS 34) were 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 to the Group.

The Group did not adopt any new or amended standard or interpretation early in 2015.

4. BASIS OF CONSOLIDATION

4.1 Subsidiaries

The consolidated financial statements incorporate the financial statements of alstria office REIT-AG and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders, or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and the noncontrolling interests. The total comprehensive income of subsidiaries is attributed to the owners of the Company and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

a) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the

Group's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

(ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any noncontrolling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity, as specified/permitted by applicable IFRSs).

The fair value of any investment retained in the former subsidiary on the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, as well as assets or liabilities related to employee benefit arrangements, are recognized and measured in accordance with IAS 12 "Income taxes" and IAS 19, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see note 3.16.2); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Noncurrent assets held for sale and discontinued operations" are measured in accordance

with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any noncontrolling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree fit and the excess is recognized immediately in profit or loss as a bargain purchase gain.

Noncontrolling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the noncontrolling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is made on a transaction-by-transaction basis. Other types of noncontrolling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in the business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. A contingent consideration that is classified as equity is not remeasured at subsequent reporting dates, and its subsequent settlement is accounted for within equity. A contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 "Provisions, contingent liabilities, and contingent assets," as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value, and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive incomes are reclassified as profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date and that, if known, would have affected the amounts recognized at that date.

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

4.2 Business combinations

In the consolidated financial statements of the Company as of December 31, 2015, the Deutsche Office AG, with its subsidiaries, was fully consolidated according to IFRS 3 for the first time. Deutsche Office AG is engaged in the acquisition and management of real estate and investment companies. The principal focus of these business operations is Germany. The Deutsche Office AG-Group (in the following referred to as “Deutsche Office”) owns real estate all over Germany. The portfolio consists primarily of office and retail premises, including two hotels and three retirement residences. On the date of the first-time consolidation, as of October 27, 2015, the fair value of the real estate portfolio of Deutsche Office amounted to EUR 1.645 m. Besides the anticipated efficiency gains and an improved financing structure, the main reason for the acquisition was to expand alstria’s market leadership in the field of office real estate, based on a combined entity portfolio of a value of approximately EUR 3.5 bn.

On June 16, 2015, alstria office REIT-AG published its decision to the shareholders of DO Deutsche Office AG (hereinafter referred to as “Deutsche Office AG”) for the acquisition of all no-par-value bearer shares of Deutsche Office AG by way of a voluntary public takeover bid. alstria offered to the shareholders of Deutsche Office AG 0.381 alstria shares in exchange for one share of Deutsche Office AG. The tender offer was subject to a minimum acceptance rate of 69.6%, which was exceeded. The acceptance period was August 21, 2015, to October 2, 2015, 24:00; the extended acceptance period was October 8, 2015, to October 21, 2015, 24:00. The acceptance rate was at 90.6%. With the registration of the new alstria shares in the commercial register, the company gained control over Deutsche Office AG.

After making use of the exercise of an option, an additional 4.0% of the Deutsche Office AG shares were acquired as of November 3, 2015. As a result, alstria office REIT-AG holds 94.6% of the shares of Deutsche Office AG as of December 31, 2015. The minority shareholders hold, accordingly, a total of 5.4% of Deutsche Office AG.

Total acquisition costs for Deutsche Office AG (fair value of the total consideration transferred) amounted to EUR 822,683 k. The acquisition cost (i.e., the consideration accorded in return for the assets and liabilities transferred from Deutsche Office) was determined by the value of the company's shares issued (new alstria shares). The takeover was implemented through the issue of 65,067,569 new shares in the Company: 62,317,526 new shares were issued for the acquisition of 90.6% at an alstria share price of EUR 12.66 (XETRA closing price on the acquisition date, October 27, 2015), resulting in a purchase price for the 90.6% share of Deutsche Office AG of EUR 788,940 k. The acquisition of the additional 4% stake in Deutsche Office AG became effective (registration of 2,750,043 new alstria shares in the commercial register) on November 3, 2015, at an XETRA closing price of EUR 12.27 per share, resulting in a purchase price of EUR 33,743 k. The takeover has been regarded as one transaction. Acquisition date for all acquired shares was thus October 27, 2015. The Deutsche Office was consolidated starting October 27, 2015.

The cost for the acquired assets and liabilities at their estimated fair market values were assigned as follows:

EUR k	**Fair value at acquisition date**
Asset	
Investment property	1,645,210
Derivative financial instruments, noncurrent	60
Other noncurrent assets	624
Assets held for sale	27,620
Derivative financial instruments, current	31
Other current assets	12,386
Cash and cash equivalents	116,029
Assets acquired	**1,801,960**
Liabilities	
Derivative financial instruments, noncurrent	25,555
Other noncurrent liabilities	899,512
Derivative financial instruments, current	8,074
Other noncurrent liabilities	152,236
Liabilities acquired	**1,085,377**
Net assets at 100%	**716,583**

The goodwill resulting from the acquisition was calculated as follows:

EUR k	**Fair value at acquisition date**
Acquisition costs	822,683
Noncontrolling interests	38,695
Net assets at 100%	-716,583
Goodwill	**144,795**

For carrying out the takeover total legally, consulting and other costs amounting to EUR 10,762 k were incurred. A part of these costs (EUR 997 k) was attributable to the capital increase to generate the new shares required for the exchange offer. These costs have been excluded from the consideration transferred and directly deducted from the capital reserve. The remaining part relates to the costs incurred for the transaction as acquisition-related costs in the amount of EUR 9,765 k. These were also excluded from the transferred consideration, recognized as an expense of the business year and included in other operating expenses in the income statement.

Contingent consideration and indemnification assets were not agreed upon. The gross amount of receivables acquired within the transaction, mainly consisting of trade receivables, amounted to EUR 10,755 k. Adjustments were made for doubtful receivables totaling EUR 634 k, so the fair value of the receivables acquired amounted to EUR 10,121 k.

Assessing the noncontrolling interests' use was made through the option under IFRS 3.19 to measure the shares of noncontrolling interests with their corresponding percentages of net assets, excluding the goodwill of EUR 144,795 k.

As part of the purchase price allocation (PPA), no hidden reserves or hidden liabilities were identified. Thus, the difference between the purchase price of EUR 822,683 k and the net book value of the 94.6% share in Deutsche Office AG at the time of the business combination of EUR 677,888 k related in full to the goodwill of EUR 144,795 k. The goodwill was mainly based on an increase in the share price of alstria office REIT-AG and the simultaneous drop in net book value of Deutsche Office, induced by devaluation of investment property, during the takeover period. In economic terms, the goodwill mainly resulted from a better financial position.

From the acquisition, a net cash inflow of EUR 116,029 k was generated, though there was no payment in the form of cash since the consideration was made in new shares.

If Deutsche Office AG and its subsidiaries would have been fully consolidated from January 1 to December 31, 2015, the consolidated revenue, consisting of rental income, would have been EUR 106,668 k, and the net loss would have amounted to EUR 78,975 k. Attributable to the actual consolidation period are revenues of EUR 18,142 k and a net loss of EUR 19,302 k.

For goodwill resulting from the acquisition, no tax deductibility is expected.

No business combinations took place in financial year 2014.

4.3 Fully consolidated subsidiaries

The Group of consolidated companies comprised, including alstria office REIT-AG, 93 companies in the financial year (2014: 20). As of the balance sheet date, 67 companies (prior year balance sheet date: 20 companies) existed. In addition, two joint ventures have been accounted for using the equity method.

In addition to this, in the consolidated financial statements of alstria office REIT-AG, the following companies are included:

No.	Company	Head-quarters	Equity interest in %	Held by No.	Business activity
1	alstria office REIT-AG	Hamburg	Parent company		Asset-management; holding

No.	Company		Head-quarters	Equity interest in %	Held by No.	Business activity
2	alstria Bamlerstraße GP GmbH		Hamburg	100.0	1	General partner
3	alstria Gänsemarkt Drehbahn GP GmbH		Hamburg	100.0	1	General partner
4	alstria Englische Planke GP GmbH		Hamburg	100.0	1	General partner
5	alstria Halberstädter Straße GP GmbH		Hamburg	100.0	1	General partner
6	alstria Hamburger Straße 43 GP GmbH		Hamburg	100.0	1	General partner
7	alstria Ludwig-Erhard-Straße GP GmbH		Hamburg	100.0	1	General partner
8	alstria Mannheim/Wiesbaden GP GmbH		Hamburg	100.0	1	General partner
9	alstria Portfolio 1 GP GmbH		Hamburg	100.0	1	General partner
10	alstria Steinstraße 5 GP GmbH		Hamburg	100.0	1	General partner
11	alstria solutions GmbH		Hamburg	100.0	1	Service company
12	alstria office Bamlerstraße GmbH & Co. KG		Hamburg	100.0	1	Own property
13	alstria office Gänsemarkt Drehbahn GmbH & Co. KG		Hamburg	100.0	1	Own property
14	alstria office Englische Planke GmbH & Co. KG		Hamburg	100.0	1	Own property
15	alstria office Halberstädter Straße GmbH & Co. KG		Hamburg	100.0	1	No activity
16	alstria office Hamburger Straße 43 GmbH & Co. KG		Hamburg	100.0	1	Own property
17	alstria office Insterburger Straße GmbH & Co. KG		Hamburg	100.0	1	Own property
18	alstria office Ludwig-Erhard-Straße GmbH & Co. KG		Hamburg	100.0	1	Own property
19	alstria office Mannheim/Wiesbaden GmbH & Co. KG		Hamburg	100.0	1	Own property
20	alstria office Steinstraße 5 GmbH & Co. KG		Hamburg	100.0	1	Own property
21	beehive GmbH & Co. KG	1)	Hamburg	100.0	1	Service company
22	DO Deutsche Office AG	2)	Cologne	94.6	1	Immobilien-management; Intermediate holding
23	German Acorn PortfolioCo I GmbH	2)	Cologne	94.6	22	Intermediate holding
24	GA PortfolioCo I Verwaltungs GmbH	2);3)	Cologne	94.6	23	No activity
25	GA Regionen PortfolioCo I GmbH	2)	Cologne	94.6	23	Own property
26	GA Objekt 2001 Beteiligungs GmbH	2)	Cologne	94.6	23	Own property
27	GA Objekt 2003 Beteiligungs GmbH	2)	Cologne	94.6	23	Own property
28	GA Objekt 2005 Beteiligungs GmbH	2)	Cologne	94.6	23	Own property
29	GA Objekt 2007 Beteiligungs GmbH	2)	Cologne	94.6	23	Own property
30	GA Objekt 2008 Beteiligungs GmbH	2)	Cologne	94.6	23	Own property
31	GA Objekt 2009 Beteiligungs GmbH	2)	Cologne	94.6	23	Own property
32	GA Objekt 2010 Beteiligungs GmbH	2)	Cologne	94.6	23	Own property
33	GA Objekt 2011 Beteiligungs GmbH	2)	Cologne	94.6	23	Own property
34	GA Objekt 2012 Beteiligungs GmbH	2)	Cologne	94.6	23	Own property
35	GA Fixtures and Facility Management PortfolioCo I GmbH	2)	Cologne	94.6	23	Own property
36	German Acorn PortfolioCo II GmbH	2)	Cologne	94.6	22	Intermediate holding
37	GA 5. Objekt 1004 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity

No.	Company		Head-quarters	Equity interest in %	Held by No.	Business activity
38	GA 6. Objekt 1007 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
39	GA 7. Objekt 1008 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
40	GA 8. Objekt 1011 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
41	GA 10. Objekt 1014 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
42	GA 11. Objekt 1015 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
43	GA 12. Objekt 1016 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
44	GA 13. Objekt 1019 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
45	GA 14. Objekt 1020 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
46	GA 15. Objekt 1021 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
47	GA 17. Objekt 1024 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
48	GA 18. Objekt 1027 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
49	GA 19. Objekt 1028 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
50	GA 20. Objekt 1030 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
51	GA 21. Objekt 1034 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
52	GA 23. Objekt 1036 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
53	GA 24. Objekt 1037 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
54	GA 25. Objekt 1038 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
55	GA 26. Objekt 1039 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
56	GA 27. Objekt 1040 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
57	GA 28. Objekt 1042 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
58	GA 29. Objekt 1043 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
59	GA 32. Objekt 1046 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
60	GA 34. Objekt 1048 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
61	GA 35. Objekt 1049 Verwaltungs GmbH	2);3)	Cologne	94.6	36	No activity
62	GA 5. Objekt 1004 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
63	GA 6. Objekt 1007 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
64	GA 7. Objekt 1008 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
65	GA 8. Objekt 1011 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
66	GA 10. Objekt 1014 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
67	GA 11. Objekt 1015 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
68	GA 12. Objekt 1016 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
69	GA 13. Objekt 1019 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
70	GA 14. Objekt 1020 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
71	GA 15. Objekt 1021 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
72	GA 17. Objekt 1024 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
73	GA 18. Objekt 1027 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
74	GA 19. Objekt 1028 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
75	GA 20. Objekt 1030 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
76	GA 21. Objekt 1034 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
77	GA 23. Objekt 1036 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
78	GA 24. Objekt 1037 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
79	GA 25. Objekt 1038 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
80	GA 26. Objekt 1039 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property

No.	Company		Head-quarters	Equity interest in %	Held by No.	Business activity
81	GA 27. Objekt 1040 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
82	GA 28. Objekt 1042 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
83	GA 29. Objekt 1043 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
84	GA 32. Objekt 1046 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
85	GA 34. Objekt 1048 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
86	GA 35. Objekt 1049 Beteiligungs GmbH	2)	Cologne	94.6	36	Own property
87	GA Region Nord GmbH	2)	Cologne	94.6	36	Own property
88	GA Region Süd GmbH	2)	Cologne	94.6	36	Own property
89	GA Region Mitte GmbH	2)	Cologne	94.6	36	Own property
90	GA Fixtures and Facility Management PortfolioCo II GmbH	2)	Cologne	94.6	36	Own property
91	DO PortfolioCo III GmbH	2)	Cologne	94.6	22	Intermediate holding
92	DO Objekt 3001 Stuttgart GmbH	2)	Cologne	94.6	91	Own property
93	DO Fixtures and Facility Management PortfolioCo III GmbH	2)	Cologne	94.6	91	Own property

1) Established in December 2015.
2) As result of the Deutsche Office takeover on October 27, 2015, for the first time included in the consolidated financial statements.
3) Terminated as a result of a step-up merger in December 2015.

Alongside alstria office REIT-AG, the consolidation embraced companies in which the Company directly or indirectly held the majority of voting rights. The consolidated group at balance sheet date consisted of the Company, 21 domestic subsidiaries, and 45 domestic second-tier subsidiaries. One subsidiary is a new entity that was established in the second half of 2015. By way of business combination effective October 27, 2015, Deutsche Office AG and 71 companies held indirectly via Deutsche Office AG were consolidated in the consolidated financial statements for the first time. In the further course of the financial year, 26 second-tier subsidiaries in the legal form of a stock corporation were merged to their respective parent companies. As a result of these mergers, 67 companies were included in the scope of consolidation as of December 31, 2015.

The reporting date for the Consolidated Financial Statements is the same as the reporting date for the Company and the consolidated subsidiaries.

There have been no further changes to the consolidated Group in financial year 2015 in comparison to the consolidated financial statements as of December 31, 2014. All Group companies are property management companies, holding companies, or general partner companies.

4.4 Interests in joint ventures

The Group holds interests in two joint ventures that had a carrying amount of EUR 23,900 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:

Name of joint venture	Principal activity	Place of incorporation and business	Proportion of ownership, interest and voting rights held by the Group Dec. 31, 2015 (%)	Dec. 31, 2014 (%)
Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG	Hold and manage of real property	Hamburg, Germany	49.0	49.0
Alte Post General Partner GmbH i.L.	n/a	Oststeinbek, Germany	49.0	n/a
Terminated December 30, 2015:				
Alstria VII. Hamburgische Grundbesitz GmbH & Co. KG	Hold and manage of real property	Oststeinbek, Germany	n/a	49.0

The abovementioned joint ventures were accounted for by applying the equity method in these consolidated financial statements.

The following table provides the aggregated information of joint ventures that are not individually material:

EUR k	2015	2014
The Group's share of profit (loss) from continuing operations	1,988	12,798
The Group's share of other comprehensive income	0	0
The Group's share of total comprehensive income	**1,988**	**12,798**

EUR k	Dec. 31, 2015	Dec. 31, 2014
Aggregate carrying amount of the Group's interests in these joint ventures	23,900	34,534

There were neither unrecognized 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 hereafter. 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 recognized in the financial statements:

Operating lease commitments—Group as lessor The Group has entered into commercial property leases in its investment property portfolio. Based on an evaluation of the terms and conditions of the arrangements, the Group has determined that all 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, including the embedded derivative,
- determine the purchase price allocation in the course of the business combination with Deutsche Office (see Note 4.2).
- determine the goodwill accounting and impairment test,
- determine the fair value of virtual shares granted to management,
- determine the fair value of other provisions,
- determine the fair value of convertible profit participation certificates, and
- determine the deferred tax assets.

Fair value of investment property

Especially when determining the fair value of an investment property, alstria office REIT-AG must apply and take into account numerous estimated factors. The fair value measurement was performed by accredited, external, and independent experts (CBRE GmbH, Frankfurt am Main, Germany, and 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

Independent external experts performed the fair value measurements of the derivative financial instruments. The market data compiled thereof were 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (CGUs) to which goodwill has been allocated. The value in use calculation requires directors to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate present value. When the actual future cash flows are less than expected, a material impairment loss may arise.

The carrying amount of goodwill as of December 31, 2015, proved to be unrecoverable, as the value in use was below the carrying amount of the CGUs excluding goodwill. Details of the impairment loss calculation are set out in Note 10.4.

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 2,616 k (December 31, 2014: EUR 749 k) and a provision of EUR 3,470 k, as reported in the consolidated financial statements as of December 31, 2015 (December 31, 2014: EUR 1,490 k).

Other provisions

Furthermore, provisions included those for rental guarantees of EUR 1,244 k (December 31, 2014: 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 by applying a binary barrier option model based on the Black-Scholes model; assumptions included an automatic conversion once the barrier was reached. The model took the terms and conditions upon which the instruments were granted into account. This valuation required the Company to make estimates concerning these parameters, which are hence subject to uncertainty.

At the end of the 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, 2015	Dec. 31, 2014
Investment property and properties held for sale excluding prepayments made	3,289,705	1,645,840
Goodwill	0	n/a
Positive fair values of derivatives	8,462	6,643
Negative fair values of derivatives	23,208	19,686
Other provisions	5,014	4,089
Valuation of convertible profit participation rights and virtual shares	-3,428	-1,410

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.

The fair value of an asset or liability is determined based on the assumptions market participants would use in pricing the asset or liability, regardless of whether that price is directly observable or estimated by applying another valuation technique. In estimating the fair value, it is assumed that the transaction during which the disposal of the asset or the transfer of the liability occurs takes place either

- in the principal market for the asset or the liability or
- in the most advantageous market for the asset or the liability if there is no principal market.

The Group must have access to the principal market or the most advantageous market.

In estimating the fair value of an asset or a liability, the group takes the characteristics of the asset or liability into account, whether 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 that 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 realizable value in IAS 2 "Inventories" or value in IAS 36 "Impairment of assets."

The fair value is not always available as a market price. It often has to be determined based on various valuation parameters. In addition, for financial-reporting purposes, fair-value measurements are categorized as Level 1, 2, or 3 based on the degree to which the inputs to the fair-value measurements are observable and the significance of the inputs to the fair-value measurement in its entirety, which are described as follows:

- 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 properties are properties held to earn rental income and/or for capital appreciation (including property under construction for such purposes). It is neither used in production nor for administrative purposes. This includes properties that are in production and are intended to serve the aforementioned purposes. Investment properties are measured initially at cost at the time of purchase or construction, including transaction costs. 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 capitalized 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 Levels 2 and 3 are applicable for property. The majority is categorized as Level 3. 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 in 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.

Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property derecognized upon disposal or when the investment property is permanently withdrawn from use and future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Investment properties are transferred to property, plant, and equipment when there is a change in use evidenced by the commencement of owner occupation. The properties' deemed cost for subsequent accounting corresponds to the fair value at the date of reclassification.

Valuation process for investment properties

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

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 are 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 fundamental change to the valuation method during the year.

The valuation of investment property was carried out at fair value on December 31, 2015—as last year—by external real estate experts according to internationally accepted valuation methods, in accordance with IFRS. A part of the property was evaluated using the "Hardcore and top slice" method, whereas the remaining properties were evaluated based on a "discounted cash flow" method.

The properties of the first category are the properties already held by the alstria Group prior to the acquisition of the Deutsche Office. They have been evaluated by Colliers International UK plc, London (hereinafter "Colliers") according to the "Hardcore and top slice" method. The properties of the second category are the objects held by the subgroup Deutsche Office. These were assessed by CBRE GmbH, Frankfurt using the "discounted cash flow" (DCF) method on the balance sheet date.

Description of the "Hardcore and top slice" method

According to the hardcore and top slice method, rental income is horizontally segmented. The hardcore portion represents the prevailing contractual rent. The top slice represents the difference between market rent and contractual rent. This method fulfills 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 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, evaluated by Colliers, were divided into two groups and valued accordingly. Group 1 contained properties with anchor lease terms of five years or fewer, 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 fewer: 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,
- capitalization rates reflecting the individual risk of the property and market activity (comparable transactions),
- non-allocable operating costs of an amount of 5% of market rents per annum,
- 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: Hardcore 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),
- capitalization rates reflecting the individual risk of the property and market activity (comparable transactions),
- non-allocable operating costs in the amount of 5% of market rents per annum,
- the net selling price.

Description of the DCF method

The DCF method compares all cash inflows and outflows associated with the investment property over a detailed period (ten years) in order to derive the net cash flows emanating from the property for each year of the period under review. This involves considering a number of parameters, such as the following:

- rent levels for initial tenants and follow-on leases,
- fitting and finishing costs and lease costs for initial tenants and follow-on leases,
- vacancy rates and costs,
- non-recoverable ancillary costs and expected capital expenditures by the owner,
- total returns on the capital employed in the investment, specific to each property and lease.

At the end of the period under review, a sale of the property is simulated, and the property is measured using the income-capitalization method, based on an assumption of stable rental income and an appropriate return on investment.

Contrary to the DCF method, the income-capitalization method is a static, single-period valuation technique that does not involve an explicit presentation of rent trends over time. The impact of changing rents over time and of other market and financial factors is implicitly reflected in the capitalization rate.

Net present value is calculated by discounting the cash flow in the period under review, including proceeds from the simulated sale to the valuation date, using an estimated discount rate derived from the capital markets.

The market value of the property is then obtained by deducting incidental acquisition costs (property-transfer tax, notary fees, commission) from the net present value.

This valuation method complies with the *Practice Statements* contained in the Valuation Standards (vs 3.2) published by the Royal Institution of Chartered Surveyors.

The market values of alstria's investment properties correspond to the fair value defined in IFRS 13.

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

Investment properties are derecognized 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 recognized in the income statement in the year of retirement or disposal.

Assets held for sale

Non-current assets intended for disposal under an asset deal are reported separately as held for sale in the consolidated financial statements if the formally required resolution of the Board—and, when above a certain level of transaction volume, the Supervisory Board—for the sale of a property is met while the consolidated financial statements were being prepared. If the disposal is to take the form of a share deal, non-current assets and other assets and liabilities held for sale are reported separately on the consolidated balance sheet.

Assets held for sale are measured at fair value on the date of reclassification and on each subsequent reporting date. Gains or losses from measuring individual assets held for sale and disposal groups are reported under gain or loss on disposal of investment property until they have been sold.

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 recognized 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 has entered into with commercial tenants are classified as operating leases under IFRS. Accordingly, alstria acts as a lessor in many different types of operating lease agreements for investment properties. All of the Group's leases are classified as operating leases, as all significant risks and rewards of the Group's real estate remain at alstria. These leases generate the majority of proceeds and income for alstria. Furthermore, alstria is, to a limited extent, the lessee within the scope of operating lease agreements.

Revenue and expense recognition

Revenues and other operating expenses are basically recognized 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 recognized:

Rental income from operating leases on investment properties is recognized on a straight-line basis over the term of the relevant lease, regardless of the payment date. 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 recognized 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

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive incomes or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

As a REIT-AG, the parent company, alstria office REIT-AG, is exempt from corporation and trade taxes.

Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods are shown as the amount expected to be recovered from or paid to the tax authorities. The determination of the amount is based on the tax rates and tax laws applicable on the reporting date or soon after to take effect.

Deferred taxes

Deferred taxes are recognized using the liability method for temporary differences at the reporting date between the carrying amounts of recognized assets or liabilities and their respective tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, except

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the net profit or loss for the period nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforwards of unused tax credits, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforwards of unused tax credits and unused tax losses can be used, except

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the net profit or loss for the period nor taxable profit or loss; and
- in terms of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, a deferred tax asset is recognized only to the extent that it is probable that the temporary differences will not reverse in the foreseeable future and no sufficient taxable profit will be available against which the temporary differences can be used.

The carrying amount of deferred tax assets is reviewed on each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be used. Unrecognized deferred tax assets are reassessed on each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates (and tax laws) applicable on the reporting date or soon after to take effect. Deferred taxes relating to items recognized directly in equity or in other comprehensive income are recognized in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and if these relate to income taxes declared by the same taxable entity to the same tax authority.

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.

Impairments of assets

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

Assets that are amortized, 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 amortization had been charged.

Goodwill

Goodwill arising from an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such costs include replacement costs as part of the plant and equipment when that cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognized 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 23 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 derecognized 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 derecognized.

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 capitalized 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 amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized 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 amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and amortization 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the category of expenses consistent with the function of the intangible asset.

Amortization of licenses is calculated on a straight-line basis over the useful life of the asset (three to 30 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 recognized in profit or loss when the asset is derecognized.

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 amortized cost or at fair value and are recognized as of 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 recognized, 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 derecognized when the entity loses control of the contractual rights that comprise the financial instrument.

All customary purchases and sales of financial assets are recognized 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 categorized 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 recognized 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, management intends to dispose of them in this period, or the maturity at the end of reporting period is fewer than twelve months. Available-for-sale financial assets are initially recognized at fair value and subsequently carried forward at fair value. Changes in the fair value of financial assets classified as available for sale are recognized in equity; in the case that they are sold or impaired, their accumulated fair-value adjustments are recognized in the income statement.

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

Apart from financial derivatives, not designated in a cash flow hedge position, no items of financial assets have been categorized 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 amortized cost, after deduction of any necessary impairment. Amortized 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.

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

Gains and losses resulting from receivables being derecognized, impaired, or due to amortization are recognized 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 recognized 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 recognized, the previously recognized impairment loss may be reversed to the extent that the carrying value of the receivable does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized 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 derecognized 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 recognized 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 of December 31, 2015 and 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 18.3.

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 recognized 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 recognized 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 ongoing basis to determine their effectiveness throughout the financial-reporting periods for which they were designated.

Cash-flow hedges that 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 recognized directly in equity, while any ineffective portion is recognized 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 realized.

The Group neither uses any financial derivatives that qualify for the hedging of the fair value of recognized 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. These also include the deposits received from tenants. The deposits are offset by liabilities in the same amount, reported under other liabilities.

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 fewer, and bank overdrafts.

Current bank balances are recognized at their nominal amount.

Treasury shares

Company equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized 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 include

- at amortized cost or
- measured at fair value through profit or loss,

financial liabilities are either measured at amortized cost or at fair value and are recognized accordingly at the end of reporting period.

All loans and borrowings are initially recognized 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 amortized cost using the effective interest method. Gains and losses resulting from derecognition of amortization are recognized in profit or loss.

The component of the convertible profit participation rights (Wandelgenussrechte), which exhibits characteristics of a liability, is recognized 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 amortized cost until it is extinguished upon conversion or redemption.

A financial liability is derecognized when the obligation from the liability is discharged, 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 recognized in profit or loss.

Provisions

Provisions are recognized when a present obligation to third parties exists as a result of a past event, when a future outflow of resources is probable, and when 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.

A restructuring provision is recognized when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation among those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

A debt resulting from the termination of employment (severance) is recognized when the Group may not withdraw the offering of such services or, if earlier, the Group has recorded costs related to restructuring.

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 recognized 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 on 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 Note 17 and in the remuneration report, respectively.

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 115,337 k (2014: EUR 101,782 k), of which EUR 28,387 k (2014: EUR 30,986 k) and EUR 15,656 k (2014: EUR 15,656 k) relate to leases to the two largest customers of the Group. No other single customer has either in financial year 2015 or in financial year 2014 contributed with 10% or more to the consolidated revenues.

9. NOTES TO THE CONSOLIDATED INCOME STATEMENT

9.1 Revenues

EUR k	2015	2014
Revenues from investment property	115,337	101,782

Revenues from investment property are mainly comprised of rental income from investment property. The rental income includes effects totaling EUR 423 k (2014: EUR 1,770 k) that are attributable to rent-free periods.

Since the date of the acquisition, the properties formerly owned by Deutsche Office have contributed EUR 18,142 k to rental revenues from investment properties.

If the business combination had taken place by January 1, 2015, the rental income from investment properties would have amounted to EUR 203,863 k.

Rental income from property leases contains variable rental income amounting to EUR 844 k (2014: 0). These are rental agreements in which the rental payments are linked to the operating results of the tenants.

9.2 Income less expenses from passed-on operating expenses

EUR k	2015	2014
Income from passed-on operating expenses	18,652	15,586
Income from passed-on operating expenses related to the prior years	564	836
	19,216	**16,422**
Expenses from passed-on operating expenses	-18,710	-15,695
Expenses from passed-on operating expenses related to the prior years	-929	-1,359
	-19,639	**-17,054**
Income less expenses from passed-on operating expenses	**-423**	**-632**

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	2015	2014
Maintenance and refurbishment	4,796	5,156
Vacancy costs	4,689	3,210
Ongoing repairs	1,605	1,656
Property management	543	57
Legal and advisory fees	450	524
Taxes on land and buildings	101	101
Other expenses	590	426
	12,774	**11,130**

9.4 Administrative expenses

EUR k	2015	2014
Legal and consulting fees	2,514	1,383
Audit fee (audit and audit-related services)	568	335
Communication and marketing	465	550
Travel expenses	446	319
Depreciation	426	420
Supervisory Board compensation	353	305
Leasing costs	214	181
Office-area costs	170	144
IT maintenance	195	433
Recruitment	161	60
Insurances	160	100
Donations	78	0
Training & workshops	76	85
Other	557	440
	6,383	**4,755**

The increase in legal and consulting fees resulted from the realization of an innovative leasing concept and a strategic project in business year 2015.

9.5 Personnel expenses

EUR k	2015	2014
Salaries and wages	4,826	4,150
Social-insurance contribution	730	623
Bonuses	1,679	1,260
Severance expenses	1,200	0
Expenses for share-based compensation	3,428	1,410
thereof relating to virtual shares	*2,616*	*749*
thereof relating to the convertible profit participation certificates	*812*	*661*
Amounts for retirement provisions and disability Management Board	203	209
Other	2	155
	12,068	**7,807**

The rise in personnel costs resulted from the inclusion of the Deutsche Office in the consolidated financial statements. On the other hand, a higher amount of share-based compensation resulted due to the rise in the share price of the alstria share.

The severance expenses resulted from the socially acceptable termination of employment relationships in the course of the integration of Deutsche Office.

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 expenses related to the profit participation rights, which amounted to EUR 812 k, EUR 752 k were recognized in equity (2014: EUR 589 k), while EUR 60 k were recorded as an item in liabilities (2014: EUR 72 k).

The employer’s contribution to statutory pension insurance, which are included in wages and salaries amount for the financial year 2015 to EUR 446 k.

On average, the Group employed 72 employees in 2015 (2014: 62).

9.6 Other operating income

EUR k	2015	2014
Income from the reversal of accrued liabilities	1,107	459
Compensation payments and other recharges	1,026	3,622
Income from the reversal of provisions in relation to rental guarantees	882	570
Property management services	144	179
Compensation for damages	120	0
Capital funding fee	0	491
Car use	0	95
Other	764	725
	4,043	**6,141**

Compensation payments and other charges 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 capital funding fee in 2014 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 Note 11.3.

9.7 Other operating expenses and goodwill impairment

Other operating expenses

EUR k	2015	2014
Transaction costs Deutsche Office takeover	9,765	0
Impairment of operating-costs receivables	1,253	1,060
Rating expenses	975	0
Impairment on trade receivables	363	114
Legal and advisory fees	300	577
Land tax	292	0
Donations	0	12
Other	911	262
	13,859	**2,025**

The increase in other expenses relates directly to the transaction costs for the takeover of Deutsche Office. On the one hand, this includes the costs of legal advice, confirmation services, and the transaction fee to the consulting bank incurred for the preparation and implementation of the takeover.

Impairment on operating-costs receivables relate to property-operating costs for the years 2013 and 2014, which were chargeable to the tenant and finally could not be collected. Last year, the property-operating costs of previous years (EUR 1,060 k) were reported under other real estate operating expense. This was adapted for the consolidated financial statements 2015. They were reclassified for the 2014 financial year from the item “other operating costs” retroactively in the item “other operating expenses”.

Under rating expenses, the one-time costs of obtaining a credit classification (issuer rating) of the Company were recorded.

Impairment on trade relates mainly to tenants who are subject to insolvency or eviction proceedings. The item also includes valuation allowances related to disputed invoicing of ancillary costs.

Legal and consulting fees of an amount of EUR 300 k were added to litigation provisions. In the previous year, expenses in the amount of EUR 303 k were incurred as a result of non-recurring strategic projects related to the further development of the Group, and EUR 274 k have been added to litigation provisions.

Goodwill impairment

For further information on goodwill impairment in the amount of EUR 144,795 k, please refer to Note 10.4.

9.8 Net result on the disposal of investment property

EUR k	2015	2014
Proceeds from the disposal of investment property	159,350	71,650
Carrying amount of investment property disposed of	-146,695	-67,084
	12,655	**4,566**

The total loss from the disposal of objects and portfolios sold below their carrying value amounted to EUR 846 k in 2015 and EUR 4 k in 2014.

9.9 Financial and valuation result

The financial result breaks down as follows:

EUR k	2015	2014
Income from financial instruments	**128**	**113**
Interest expenses, syndicated loan alstria	-8,531	-9,950
Interest expenses, loan Herkules and Homer Portfolio	-3,969	0
Interest expenses, other loans	-9,013	-9,172
Interest result derivatives	-6,650	-10,838
Interest expenses, convertible bond	-4,623	-4,871
Interest expenses, corporate bond	-1,241	0
Other interest expenses	-3	0
Financial expenses	**-34,030**	**-34,831**
Prepayment penalty	-9,162	0
Commitment fees	0	-22
Agency fees	-268	-300
Other	-1	-289
Other financial expenses	**-9,431**	**-611**
Net financial result	**-43,333**	**-35,329**

Total interest income and expenses for financial assets and liabilities other than financial derivatives amounted to an interest income of EUR 128 k (2014: EUR 113 k) and EUR 27,380 k of interest expenses (2014: EUR 21,654 k), respectively.

Total interest expenses calculated by applying the effective interest method for financial liabilities (i.e., not recognized at fair value through profit or loss) amounted to EUR 3,113 k (interest expenses, 2014: EUR 1,548 k).

The prepayment penalty is due to the termination of loans before the normal end of the term.

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	2015	2014
Transfer of cumulated loss from cash-flow hedge reserve to income statement	-3,269	-4,135
Ineffective change of the fair value of cash-flow hedges	-66	-18,146
Change in fair value of financial derivatives not qualifying as a cash-flow hedge	-3,428	-5,180
Net loss from fair value adjustments on financial derivatives	**-6,763**	**-27,461**

In 2015, a loss amounting to EUR 3,269 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 10.5.

9.10 Income tax expenses

On January 1, 2007, alstria office REIT-AG obtained G-REIT status. 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.

With the acquisition of the Deutsche Office, however, companies were included in the consolidated financial circle that are not subject to the REIT exemption. This results in expenses for income taxation at the level of the Deutsche Office subgroup. The tax expense that is incurred in the companies of the subgroup is accounted for according to the temporary integration of the companies in the consolidated financial statements of alstria office REIT-AG. Due to the REIT exemption of alstria office REIT-AG, which extended virtually to the entire Group until the consolidation of Deutsche Office, details for the previous year are not contained in the following tables (essentially no amounts).

The sources of income tax expenses can be broken down as follows:

Consolidated Statement of Income

EUR k	**2015**
Current tax expenses	-804
Deferred tax result	
From temporary differences	-8
Tax result	**-812**

The deferred tax expenses resulted primarily from the change in value of derivative financial instruments. The impact of the valuation of investment properties and changes in the recognition of tax losses carried forward to the deferred tax result are nearly balanced.

The reconciliation between theoretical income tax based on pre-tax earnings and reported income tax is based on a taxation rate of 15.83% (15.0% as the rate of corporate income tax and 5.5% solidarity surcharge):

TEUR k	**2015**
Loss before income taxes	-110,567
Thereof not considered due to REIT regime	-103,808
Relevant loss before taxes	**-6,759**
Average tax rate	15.83%
Theoretical tax income (+)	1,070
Effect of unrecognized deferred tax assets on losses carried forward in prior years	-1,301
Loss of losses carried forward due to majority shareholder	-1,215
Tax effects, prior periods	571
Other	63
Income tax income	**-812**

Deferred tax assets and deferred tax liabilities from temporary differences between the carrying amounts in the consolidated financial statements and the tax base of individual assets and liabilities in 2015 and 2014 reflect the following data:

EUR k	**Dec. 31, 2015**
Deferred tax assets	**Consolidated balance sheet**
Measurement of investment properties	252
Tax loss carried forward	0
Deferred tax assets recognized in other comprehensive income	
Measurement of interest rate swap (effective portionl)	-
Total deferred tax assets	**252**
Deferred tax liabilities	
Measurement of loans using the effective interest method	384
Total deferred tax liabilities	**384**
Deferred taxes net	-132

The management plays the key role in establishing the value of deferred tax assets by assessing the extent to which deferred tax assets are likely to be realized. Due to the takeover by alstria, the Deutsche Office Group companies will be transferred to a tax-free REIT structure in the future. The management assumes that these companies' deferred tax assets can be realized, at least to the extent of reversals of deferred tax liabilities. Additional deferred tax assets, as well as tax losses, will not be usable in a tax-free REIT structure.

EUR 252 k of deferred tax assets were offset against deferred tax liabilities of EUR 384 k, resulting overall in net deferred tax liabilities of EUR 132 k.

As of December 31, 2015, the Deutsche Office Subgroup has corporate income tax losses carried forward amounting to EUR 16,532 k and business tax losses carried forward of EUR 13,337 k. For corporate income tax losses carried forward of EUR 16,523 k, no deferred tax liabilities have been recognized.

In business year 2014, due to its REIT-status and resulting tax exemption, there were no material impacts on the Group's financial statements, its equity, or profit and loss, which resulted from deferred income taxes.

10. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION -ASSETS

10.1 Investment property

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

Fair Values in EUR k	2015	2014
As of January 1	**1,645,840**	**1,632,362**
Additions due to business combination Deutsche Office	1,645,210	0
Property acquisition	12,710	42,390
Capital expenditure	27,813	33,234
Disposals	-53,575	-62,970
Transfers to held for sale	-53,245	0
Net result from the adjustment of the fair value of investment property	-4,192	824
Subtotal	**3,220,561**	**1,645,840**
Prepayments made	39,906	0
As of December 31	**3,260,467**	**1,645,840**

In financial year 2015, seven properties were reclassified to assets held for sale. The transfer of benefits and burdens of four of these office properties, with a transaction volume of EUR 54,700 k, was made still during financial year 2015. For the remaining three properties the notarial purchase agreement was signed during the fiscal year, the transfer of benefits and burdens is expected for the year 2016. The transaction volume of assets held for sale amounted to EUR 71,071 k.

Furthermore, a plot of land and a real servitude were sold by means of exchange. The real estate assets obtained in return had a fair value of EUR 5,879 k.

Capital expenditure (EUR 27,813 k) is comprised of subsequent acquisition and production costs relating to property acquisitions and refurbishment projects.

Furthermore, the Group acquired one investment property for which the transfer of benefits and burdens was completed in the reporting period. The transaction volume for the properties amounted to EUR 12,710 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 2015 (see page 8). Additions from prepayments relate to a building, that has been transferred on January 1, 2016.

Borrowing costs that would have had to be capitalized as construction costs were not incurred during the reporting period (2014: EUR 0).

The alstria office REIT-AG applied 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.

As the Group gained control of the Deutsche Office, it accounted for the properties acquired for at fair value, generally as recognized at the Deutsche Office as of October 27, 2015.

The item on the income statement "net result from fair value adjustments on investment property" of an amount of EUR 41,810 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 of December 31, 2015:

	Level 1	Level 2	Level 3	Fair value at Dec. 31, 2015
	EUR k	EUR k	EUR k	EUR k
Investment property without prepayments made	-	-	**3,220,561**	**3,220,561**

There were no transfers between Levels 1, 2 and 3 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 categorized in determining the appropriate classes of investment property.

The Deutsche Office acquired in the context of the business combination as of end October 2015 uses a DCF valuation method for property valuation, while alstria subgroup makes use of the so called "hardcore and top slice" method for real estate valuation. Both valuation techniques are generally accepted methods for fair value determination. Both use non-observable input parameters. However, the non-observable input parameters differ in part.

For the representation of the range of the respective unobservable input parameter, must therefore be distinguished.

Valuation according to the "hardcore and top slice" method for the investment properties of alstria subgroup

The following factors help 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: offic-es.

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 distinc-tion is made between objects with a short, medium, and long WAULT.

As a result, three appropriate classes of investment properties have emerged:

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 (alstria portfolio) (level 3)

EUR k, unless stated otherwise

Portfolio	**Fair Value at Dec. 31, 2015**	**Valuation technique**	**Unobservable inputs**	**Range Min.**	**Range Max.**	**Weighted average**
German offices	1,579,351	hardcore and top slice	Estimated rental value (EUR/m^2/mo.)	6.6	18.9	11.2
Number of properties:			Adjusted yield	3.8%	9.5%	5.9%
68			Void period of office leases expiring within next 5 years [months]	6.0	24.0	16.4
0 ≤ WAULT ≤ 5 Years						
German offices	831,751	hardcore and top slice	Estimated rental value (EUR/m^2/mo.)	6.7	18.9	11.2
Number of properties:			Adjusted yield	4.9%	9.5%	6.4%
42			Void period of office leases expiring within next 5 years [months]	6.0	24.0	16.4
5 < WAULT ≤ 10 Years						
German offices	291,960	hardcore and top slice	Estimated rental value (EUR/m^2/mo.)	8.4	17.1	12.1
Number of properties:			Adjusted yield	4.5%	6.8%	5.8%
13			Void period of office leases expiring within next 5 years [months]	12.0	18.0	12.0
WAULT > 10 Years						
German offices	455,640	hardcore and top slice	Estimated rental value (EUR/m^2/mo.)	6.6	12.4	10.3
Number of properties:			Adjusted yield	3.8%	5.9%	4.6%
13			Void period of office leases expiring within next 5 years [months]	12.0	12.0	12.0

Valuation according to the DCF method for the investment properties of Deutsche Office subgroup

The table below sets out key assumptions used by the independent expert to determine fair value with the aid of the discounted cash flow method:

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

EUR k, unless stated otherwise

Portfolio	Fair Value at Dec. 31, 2015	Valuation tech-nique	Unobservable inputs	Range Min.	Range Max.	Weighted average
Properties Germany	1,641,210	DCF	Average market rent (EUR/m²/month)	4.25	17.00	
Total number of buildings:			Capitalization rates	5.0%	7.8%	
49			Discount rates	5.8%	8.5%	
			Long-term vacancy rate	2.0%	30.6%	
			Inflation forecast and annual market rent growth	1.4%	2.0%	
Office						
	1,492,710	DCF	Average market rent (EUR/m²/month)	5.00	17.00	12.07
Number of build-ings:			Capitalization rates	5.0%	7.8%	5.87%
44			Discount rates	5.8%	8.5%	6.51%
			Long-term vacancy rate	2.0%	30.6%	15.23%
			Inflation forecast and annu-al market rent growth	1.4%	2.0%	1.94%
Nursing home						
	116,600	DCF	Average market rent (EUR/m²/month)	9.50	11.50	10.64
Number of buildings:			Capitalization rates	5.3%	6.3%	5.67%
3			Discount rates	6.0%	6.8%	6.30%
			Long-term vacancy rate	5.0%	8.2%	6.88%
			Inflation forecast and annual market rent growth	1.4%	2.0%	1.94%
Logistics						
	31,900	DCF	Average market rent (EUR/m²/month)	4.25	4.45	4.33
Number of buildings:			Capitalization rates	6.8%	7.0%	6.9%
2			Discount rates	7.3%	7.5%	7.4%
			Long-term vacancy rate	8.1%	15.3%	10.90%
			Inflation forecast and annual market rent growth	1.4%	2.0%	1.94%

All the properties are in Germany. The average for all significant non-observable input parameters was weighted on the basis of real estate market values as of December 31, 2015. The span of the average long-term vacancy rate was calculated over a period of 10 years.

The “office property” category includes a small proportion of spaces let to retailers and hotels. The weighted average market rent for retail is EUR 21.14 per square meter per month (2014: EUR 16.60 per m²/month), and 11.54 for the hospitality sector (2014: EUR 11.57 per m²/month).

Key non-observable input parameters at hierarchy level 3 to determine the fair value of investment properties are:

- Average market rent in euros per square meter per month
- Capitalization rate
- Discount rate
- Long-term vacancy rate
- Inflation forecast and annual market rent growth

Sensitivity of measurement to variance of significant unobservable input

A decrease in the estimated rental income or average market rent decreases the fair value.

An increase in the vacancy periods or long-term vacancy rate decreases the fair value.

An increase in the adjusted yield, capitalization rates, or discount rates decreases the fair value.

A decrease in the estimated rental income leads to an increase in the adjusted yield, capitalization rates, or discount rates; an increase in the estimated rental income leads correspondingly to a decrease of these input parameters.

A decrease in the vacancy period leads to an increase in the adjusted yield, capitalization rates, or discount rates; an increase in the vacancy period leads correspondingly to a decrease of these input parameters.

The external assessors have carried out sensitivity analyses on their fair value assessments, which show the effect of changes in capitalization rates (adjusted yield) on fair market values.

Fair value of investment properties (EUR m)

Capitalization rates	Dec. 31, 2015	Dec. 31, 2014
–0.25 %	3,374	1,723
0.00 %	3,221	1,646
0.25 %	3,078	1,577

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

> EUR 115,337 k (2014: EUR 101,782 k) rental income from investment property;

> EUR 8,086 k (2014: EUR 8,980 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 4,689 k (2014: EUR 3,210 k) operating expenses (including repairs and maintenance) arising from investment property which did not generate rental income during the period under review.

Investment properties, held-for-sale properties, and own used properties of an amount of EUR 3,036,702 k (December 31, 2014: EUR 1,645,840 k) served as collateral 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 23,900 k (December 31, 2014: EUR 34,534 k). For further information, please refer to Note 4.4.

10.3 Property, plant, and equipment

EUR k	Plant	Furniture and fixtures	Owner occupied property	Total 2015
Acquisition and production cost				
As of January 1, 2015	**1,048**	**975**	**5,002**	**7,025**
Additions due to business combinations	150	73	0	223
Additions	0	59	1	60
Disposals	-345	0	0	-345
As of December 31, 2015	**853**	**1,107**	**5,003**	**6,963**
Accumulated amortization, depreciation, and write-downs				
As of January 1, 2015	**933**	**540**	**467**	**1,940**
Additions	25	92	90	207
Disposals	-345	0	0	-345
As of December 31, 2015	**613**	**632**	**557**	**1,802**
Net book values as of December 31, 2015	**240**	**475**	**4,446**	**5,161**

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

The useful life of the assets is estimated to be from 3 to 23 years for plant, furniture, and fixtures and 33.33 to 50 years for the own-occupied properties.

A plant is comprised of miscellaneous items such as fire extinguishers and operational devices. The furniture and fixtures include the devices used in the administrative offices.

The 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 categorized as "property, plant, and equipment" according to IAS 16.

To secure Group liabilities, both properties are pledged via land charges.

10.4 Intangible assets

		2015		2014
EUR k	**Licenses**	**Goodwill**	**Total 2015**	**Licenses**
Acquisition and production cost				
As of Jan. 1	**1,883**	**0**	**1,883**	**1,812**
Additions due to business combinations	400	144,795	145,195	-
Additions	80	0	80	71
As of Dec. 31	**2,363**	**144,795**	**147,158**	**1,883**
Accumulated amortization, depreciation, and write-downs				
As of Jan. 1	**1,539**	**0**	**1,539**	**1,340**
Additions	218	144,795	145,013	199
As of Dec. 31	**1,756**	**144,795**	**146,552**	**1,539**
Net book values as of Dec. 31	**607**	**0**	**607**	**344**

The useful life of the intangible assets is estimated to be between three to 30 years.

The intangible assets consist of software licenses and licenses to other rights of an amount of EUR 555 k and EUR 53 k, respectively.

The acquisition of the 94.6% stake in Deutsche Office AG resulted at the time of the first time consolidation of Deutsche Office in goodwill of EUR 144,795 k (see Note 4.2).

For the purpose of the impairment test the goodwill was identified at the level of the acquired Deutsche Office subgroup as cash generating unit (CGU).

The recoverable amount of the cash-generating unit was identified by a value-in-use calculation based on cash flow projections from financial budgets approved by management for the period of five years and a subsequent transformation to a sustainable level of results under consideration of prevailing market rent and vacancy levels and a discount rate of 4.5% (pre tax rate). The starting point for these assumptions is the available information about the existing investment properties and leases, as well as analysis of future market developments. The cash flow projections for the period after the transformation to a sustainable level of results were extrapolated using a steady growth rate of 0.5%. This corresponds to the long-term assumption about the enforceable growth rates of rents for office and retail space.

On December 31, 2015, an impairment test for goodwill led to the following results:

EUR k	Dec. 31, 2015
Carrying amount of the CGU	1,780,718
Value in use of CGU	1,602,899
Shortfall	**-177,819**

The budgeted cash flows were discounted using a weighted cost of capital rate of 4.5% (pre tax rate). This interest rate reflects the current interest level and specific risks of the cash-generating unit Deutsche Office compared to relevant market portfolio

The sum of the discounted cash flow resulted in a value in use of EUR 1,602,899 k and thus to a shortfall in the carrying amount by EUR 177,819 k.

The goodwill of EUR 144,795 k therefore was amortized in the full amount. The impairment loss is included in the item other operating expenses. As a result of the write-off of goodwill, a disclosure of sensitivities is not given. A further shortfall of the book value of the cash-generating unit resulted in no further impairment, since the other acquired assets are deemed to be recoverable.

10.5 Derivative financial instruments

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

			Dec. 31, 2015		Dec. 31, 2014	
Product	Strike p.a.	Maturity date	Notional	Fair value	Notional	Fair value
	(%)		(EUR k)	(EUR k)	(EUR k)	(EUR k)
Swap	0.1100	Dec. 18, 2020	172,156	651	-	-
Cap	0.2500	Dec. 31, 2017	340,000	213	340,000	402
Swap	0.0000	Dec. 30, 2019	53,155	133	-	-
Cap	3.0000	Sept. 30, 2019	50,250	43	50,250	49
Cap	1,2500	Sept. 30, 2018	174,370	70	-	-
Swap	0.0000	Dec. 18, 2018	155,944	-180	-	-
Swap	0.0000	Sept. 30, 2018	117,000	-202	-	-
Cap	4.6000	Oct. 20, 2015	-	-	47,902	0
Swap	2.9900	July 20, 2015	-	-	380,870	-6,198
Financial derivatives - held for trading			**1,062,875**	**728**	**819,022**	**-5,747**
Cap[1]	0.0000	Sept. 30, 2020	380,870	7,113	380,870[1]	5,874
Cap	3.0000	Apr. 30, 2021	47,854	100	48,591	147
Cap	3.0000	Mar. 29, 2024	10,900	116	10,900	140
Cap	3.0000	Dec. 17, 2018	56,000	23	56,000	31
Cap	3.2500	Dec. 31, 2015	-	-	11,155	0
Financial derivatives - cash flow hedges			**495,624**	**7,352**	**126,646[1]**	**6,192**
Total interest rate derivatives			**1,558,499**	**8,080**	**945,668**	**445**
Embedded derivative	n/a	June 14, 2018	8,241[2]	-22,862	8,092[2]	-13,488
Total				**-14,746**		**-13,043**

[1] Effective in a hedging relationship since July 20, 2015; held as forward-cap as of December 31, 2014 and thus not included in the sum of the nominal value of the hedged loan volume.
[2] Underlying number of shares subject to conversion in thousands.

The notional amount of the financial derivatives effective at the end of the reporting period is EUR 1,177,629 k (December 31, 2014: EUR 945,668 k). This includes cash flow hedges and derivatives not qualifying for cash flow hedging.

Derivatives of a notional amount of EUR 1,062,875 k (December 31, 2014: EUR 819,022 k) are not designated as a cash flow hedge.

On June 7, 2013, alstria issued a convertible bond for a total amount of EUR 79,400 k. After the conversion of two units, the bond has a notional value of EUR 79,200 k as of December 31, 2015. Due to the terms and conditions of the convertible bond, the conversion right has to be separately accounted as an embedded derivative.

The derivative financial instruments, listed for the first time as of December 31, 2015 in the table, are additions due to the business combination with Deutsche Office.

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, 2014:

EUR k	Cash flow hedge reserve	Financial assets		Financial liabilities		Total
		Non-current	Current	Non-current	Current	
Hedging instruments as of January 1, 2015	**-3,095**	**6,643**	**0**	**-13,488**	**-6,198**	**-13,043**
Additions due to business combination	0	91	0	-33,629	0	**-33,538**
Effective change in fair values cash flow hedges	-444	0	0	-444	0	**-444**
Ineffective change in fair values cash flow hedges	0	1,140	0	-1,205	0	**-65**
Net result from fair value changes in financial derivatives not qualifying for cash flow hedging	0	-195	0	-9,400	6,167	**-3,428**
Reclassification of cumulated loss from equity to income statement	3,269	-	-	-	-	**-**
Changes in accrued interests concerning financial derivatives	0	0	0	0	31	**31**
Adjustments	0	783	0	17,794	0	**18,577**
Termination	0	0	0	17,164	0	**17,164**
Hedging instruments as of December 31, 2015	**-270**	**8,462**	**0**	**-23,208**	**0**	**-14,746**

A decrease in the fair values of derivatives of EUR 444 k effective in a cash flow hedge was recognized in the equity in the hedging reserve in 2015 (2014: increase of EUR 99 k).

The ineffective portion that arises from cash flow hedges amounted to a fair value loss of EUR 65 k (2014: loss of EUR 18,145 k) and is recognized in profit or loss.

Further losses totaling EUR 3,428 k (2014: loss of EUR 5,181 k), which were due to the market value of the derivatives not included in hedge accounting, were recorded in the income statement 2015.

A loss shown in the income statement of EUR 3,269 k (2014: loss of EUR 4,135 k) relates to cumulative losses reclassified 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 6,763 k (2014: loss of EUR 27,461 k), which is presented as the “net loss from fair value adjustments on financial derivatives.”

The adjustments of derivative financial instruments in the amount of EUR 18,577 k are down payments made to reduce the respective exercise price of the derivative while realizing negative fair values.

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, 2015	Dec. 31, 2014
Trade receivables		
Rent receivables	**12,578**	**3,498**
Accounts receivable from joint ventures	**0**	**88**
Other receivables		
Accrued receivables for “Rent free periods’	7,143	6,538
Deposit account	629	1,653
VAT receivables	506	111
Prepayments made and deferred assets	266	99
Purchase price retention	0	1,000
Receivables and other assets	1,239	726
Other receivables	**9,783**	**10,127**

A total of EUR 7,143 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 shown at the previous year in an amount of EUR 1,000 k relate to the sale of one investment property.

Except for EUR 629 k of receivables (December 31, 2014: EUR 1,653 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 753 k (December 31, 2014: EUR 114 k) due to rent payments in arrears. Apart from trade receivables no other receivables, were impaired.

As of December 31, 2015, trade receivables of an amount of EUR 3,719 k (December 31, 2014: EUR 1,010 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 aging analysis of these trade receivables is as follows:

EUR k	Dec. 31, 2015	Dec. 31, 2014
Trade receivables		
Up to 3 months	2,471	608
3 to 6 months	403	95
Over 6 months	845	307
	3,719	**1,010**

The increase in receivables due and impaired results from the first-time inclusion of the leases of Deutsche Office, which led to a significant increase in revenues and trade receivables and also has a less favorable payment behavior and maturity profile.

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.

10.7 Cash and cash equivalents

EUR k	Dec. 31, 2015	Dec. 31, 2014
Bank balances	**460,253**	**63,145**

Current accounts held with banks attract variable interest rates for on-call balances. At the reporting date, cash in an amount of EUR 32,036 k were subject to restrictions. It relates to deferred interest obligations and other amounts not freely available to the Company.

Credit balances of EUR 29,055 k are liquidity reserves under loan agreements to which the Company has no access without the consent of the financing banks. Cash and cash equivalents include an amount of EUR 2,981 k earmarked exclusively for the next payment of interest and principal to the banks.

In addition, cash and cash equivalents include EUR 4,154 k in rent deposits received from tenants and held in trust by the Group. These tenant deposits, recognized under cash and cash equivalents, are offset by an item included under Other Liabilities.

10.8 Assets held for sale

The assets held for sale comprise three properties. The transfer of benefits and burdens is still pending until the date of completion of these consolidated financial statements. The sale of properties resulted in a disposal gain of EUR 71,071 k. Further production costs of EUR 1,928 k for a property held for sale are expected to be incurred from the balance sheet date until the transfer date, therefore the carrying amount stated as assets held for sale amounts to EUR 69,143 k.

EUR 10,374 k out of the income statement item "gain on disposal of investment property" relate to the assets held for sale shown at the balance sheet date.

The valuation of assets held for sale is based on the contract prices and therefore included within level 1 of the fair value hierarchy.

The Group did not disclose any assets held for sale at the previous year's balance sheet date.

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

Please refer to the consolidated statement of changes in equity for details.

Thousand	Dec. 31, 2015	Dec. 31, 2014
Ordinary shares of EUR 1 each	**152,164**	**79,018**

A total of 7,901,847 new shares were issued for cash considerations. They increased alstria office REIT-AG's share capital by EUR 7,901,847.00. The capital increase was entered into the commercial register on March 26, 2015.

Two parts of a notional amount of EUR 200 k of the convertible bond were converted in the first quarter of 2015. The conversion resulted in an issue of 20,382 new shares by making use of the conditionally increased capital provided for such purposes (Conditional Capital 2013).

The conversion of profit participation rights (Note 17.2) in the second quarter of 2015 resulted in the issue of 156,000 new shares by using the conditionally increased capital provided for such purposes.

The takeover of the Deutsche Office involved capital increase in kind: 65,067,569 new alstria shares were issued in exchange for shares of the Deutsche Office AG (see Note 4.2 for further details). There was a corresponding increase in share capital.

In total and due to the capital measures stated above, alstria office REIT-AG's share capital increased by EUR 73,230,798.00 to EUR 152,164,285.00 value bearer shares from December 31, 2014 to December 31, 2015.

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

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

Number of shares	2015	2014
Shares outstanding on Jan. 1	**79,018,487**	**78,933,487**
Issue of new shares against contribution in cash	7,901,847	0
Conversion of convertible bond	20,382	0
Conversion of convertible participation rights	156,000	85,000
Issue of new shares against contribution in kind for takeover of Deutsche Office AG	65,067,569	0
As of Dec. 31	**152,164,285**	**79,018,487**

Capital reserve

The capital reserve changed as follows during the financial year:

EUR k	2015	2014
As of Jan. 1	**691,693**	**730,486**
Issue of new shares against cash	94,822	0
Transaction costs of issue of shares against cash	-1,338	0
Payment of dividends	-43,470	-39,467
Conversion of convertible bond	243	0
Share-based remuneration	752	589
Conversion of convertible participation rights	156	85
Issue of new shares against contribution in kind for takeover of Deutsche Office AG	757,616	0
Transaction costs of issue of shares against contribution in kind	-997	0
As of Dec. 31	**1,499,477**	**691,693**

The new shares generated from the capital increase went onto the capital markets and sold at EUR 13.00 per share. The issue proceeds exceeded the nominal share capital by EUR 94,822 k, as recognized in capital reserves. After having deducted placement costs of EUR 1,338 k caused by the share placements, the increase of the capital reserve amounted to a net EUR 93,484 k.

The share premium resulting from the partial conversion of the convertible bond amounted to EUR 243 k. It was recognized in the capital reserve. The conversion of 156,000 profit participation rights resulted in an increase in the capital reserves of EUR 156 k.

An increase of EUR 752 k (2014: EUR 589 k) resulted from the vesting of the convertible profit participation certificates as granted to the Group’s employees.

Dividend payments released from capital reserves totaled EUR 43,470 k (EUR 0.50 per outstanding share) in 2015.

The issuance of new shares against contribution in kind took place in two steps. First, 90.6% of the shares outstanding in Deutsche Office AG were received through the issue of 62,317,526 new shares in the Company. The acquisition at an alstria-share price of EUR 12.66 (XETRA closing price on the acquisition date, October 27, 2015) resulted in a purchase price for the 90.6% share of the Deutsche Office AG of EUR 788,940 k. The acquisition of an additional 4% stake in the Deutsche Office AG became effective (registration of 2,750,043 new alstria shares in the commercial register) on November 3, 2015 at a XETRA closing price of EUR 12.27 per share, resulting in a purchase price of EUR 33,743 k. Overall, this results in capital increase in the amount of EUR 822,683 k. EUR 65,067 k of the capital increase was credited to share capital. This corresponds to one Euro per newly issued share. The remaining amount of EUR 757,616 k was allocated to the capital reserve. After deducting the cost of the capital increase as EUR 997 k, the placement of shares lead to an increase of the capital reserve of EUR 756,618 k.

Hedging reserve

EUR k	Dec. 31, 2015	Dec. 31, 2014
Hedging reserve	**-270**	**-3,095**

For further details on the changes in the hedging reserve please refer to Note 10.5.

Treasury shares

As of December 31, 2015, the Company held no treasury shares.

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

Retained earnings

Retained earnings as of December 31, 2015 totaled an amount of EUR 31,994 k. Alstria office REIT-AG's standalone positive retained earnings could not generate the payment of the dividend, according to German GAAP [HGB] at the dividend's due date. This is why the amount of the dividend payouts was released from the capital reserve in 2015.

Authorized capital

Due to a capital increase in the first quarter of 2015, EUR 7,902 k of the authorized capital approved by the Annual General Meeting in May 2014 was used.

By approval of the Annual General Meeting 2015, the remaining authorized capital 2014 was replaced by the authorized capital 2015, which amounted to EUR 39,509 k. On the occasion of the acquisition of Deutsche Office AG, authorized capital in the amount of EUR 2,750 k was used. Thus, an amount of EUR 36,759 k remains as per December 31, 2015. The authorization expires on May 5, 2017.

Conditional capital

As of December 31, 2014, alstria's conditional capital amounted to EUR 38,752 k. It was divided into conditional capital 2013 (EUR 38,000 k), conditional capital III (EUR 337 k), and conditional capital III 2012 (415 k), respectively. In the reporting period, EUR 20 k of the conditional capital 2013 was used to convert two shares of a convertible bond issued by the company. On May 6, 2015, the Annual General Meeting approved the increase of conditional capital by EUR 500 k (conditional capital III 2015). An amount of EUR 59 k of conditional capital III was used due to the conversion of profit participation rights, and the remaining amount has matured. An amount of EUR 97 k of conditional capital III 2012 was used due to another conversion of profit participation rights. As of December 31, 2015, the Company's conditional capital amounted to a total of EUR 38,798 k.

11.2 Financial liabilities

EUR k	Non-current	Current Loan	Current Accrued interest	Total current	Total Dec. 31, 2015
Loans					
Syndicated loan alstria	440,217	27,401	20	27,421	**467,638**
Loan Prime Office portfolio	127,574	2,937	0	2,937	**130,511**
Loan Herkules portfolio	0	330,472	5,154	335,626	**335,626**
Loan Homer portfolio	328,330	7,052	595	7,647	**335,977**
Other loans	252,451	1,298	208	1,507	**253,957**
Corporate bond	495,378	0	1,168	1,168	**496,546**
Convertible bond	71,640	0	97	97	**71,737**
Total	**1,715,590**	**369.160**	**7.242**	**376,402**	**2,091,992**

EUR k	Non-current	Current Loan	Current Accrued interest	Total current	Total 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**

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, recorded as an item in short-term loans in current liabilities.

As of December 31, 2015, the total repayable amount of the loans, the corporate bond and the convertible bond drawn by alstria office REIT-AG was EUR 2,103,764 k (December 31, 2014: EUR 895,086 k). The lower carrying amount of EUR 2,091,992 k (EUR 1,715,590 k non-current and EUR 376,402 k current) takes interest liabilities and transaction costs to be allocated under the effective interest method, taking liabilities into account. Financial liabilities with a maturity of up to one year are recognized as current loans.

Syndicated loan alstria

On September 30, 2013, alstria refinanced its main credit facility. A syndicate consisting of four banks has provided a credit facility totaling EUR 544,100 k (“syndicated loan”). Of this nominal amount, EUR 470,556 k had been drawn as of December 31, 2015 (December 31, 2014: EUR 501,070 k under the former, replaced credit facility agreement). The carrying amount was EUR 467,618 k as of December 31, 2015 (December 31, 2014: EUR 497,516 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 129 in Section 18.1 of the notes.

Loans Deutsche Office portfolio

Secured loans were acquired with fair values of EUR 1,000,804 k as a result of the business combination with Deutsche Office as of October 27, 2015. All loans are property-related and have been concluded with various banks. Mortgages and other bank collateral secure the loans.

By the reporting date, EUR 186,729 k of these loans were repaid and refinanced with a portion of EUR 149,275 k by the corporate bond.

Corporate bond

In the fourth quarter of the reporting period, a bond loan in a total amount of EUR 500,000 k and a coupon of 2.25% p.a. were issued. The bond has a maturity until March 24, 2021, and was recognized with its carrying amount of EUR 495,378 k; additionally, interest liabilities in the amount of EUR 1,168 k were recognized as per the balance sheet date. The fair value amounted at balance sheet date to EUR 498,000 k.

Convertible bond

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. It 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 9.6104 during financial year 2015.

The issuing volume resulting from the convertible bond loan amounted to EUR 79,400 k. After having exercised conversion rights for a notional value of EUR 200 k, an amount of EUR 79,200 k of the convertible bond remains included in the financial liabilities. 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 amortized 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. The alstria office REIT-AG issued this bond based on the authorization received from the Annual General Meeting in 2013. The convertible loan has a carrying amount without accrued interests of EUR 71,640 k and a market value of EUR 103,871 k. Under consideration of the embedded derivative amounting to -EUR 22,826 k contained in the convertible bond, which is accounted for under the non-current derivative liabilities and reflects part of the difference between carrying amount and market value, the fair value of the convertible bond liability amounts to EUR 81,045 k.

Further details regarding the loan liabilities

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 37,100 k (December 31, 2014: EUR 105,360 k) in financial liabilities from non-recourse loans relates to a fixed interest rate loan. At the end of the reporting period, the loan had a fair value of EUR 41,338 k (December 31, 2014: EUR 114,060 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 of December 31, 2015, the loans and the convertible bond were reduced by accrued transaction costs of EUR 12,352 k (December 31, 2014: EUR 6,336 k).

The average debt maturity decreased from 5.3 years as of December 31, 2014 to 3.7 years as of December 31, 2015. The Group's average interest rate decreased from 3.4% to 2.8% from balance sheet date to balance sheet date.

The carrying amounts of the loans are all reported in euros. With the exception of the fixed rate loans, the corporate bond 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, 2015	Dec. 31, 2014
Up to 1 year	371,069	3,539
More than 1 year	1,115,704	706,787
Total	**1,486,773**	**710,326**

The following loans are secured by land charges:

EUR k	Dec. 31, 2015	Dec. 31, 2014
Financial liabilities secured by land charges	1,523,710	812,332
thereof on investment property	*1,462,806*	*807,796*
thereof on held for sale property	*56,458*	*0*
thereof on own used property	*4,446*	*4,536*

11.3 Other Provisions

	Due			Due		
EUR k	**up to 1 year**	**in more than1 year**	**Total Dec. 31, 2015**	**up to 1 year**	**in more than 1 year**	**Total Dec. 31, 2014**
Other provisions						
Rental guarantee	0	1,244	**1,244**	48	2,277	**2,325**
Provision virtual share liabilities	1,494	1,976	**3,470**	139	1,351	**1,490**
Other	300	0	**300**	274	0	**274**
	1,794	**3,221**	**5,014**	**461**	**3,628**	**4,089**

The development of other provisions is shown in the following overview:

EUR k	Dec. 31, 2014	Consumption	Resolution	Additions	Dec. 31, 2015
development of other provisions					
Rental guarantee	**2,325**	-119	-962	0	**1,244**
Provision virtual share liabilities	**1,490**	-636	0	2,616	**3,470**
Other	**274**	-274	0	300	**300**
	4,089	**-1,029**	**-962**	**2,916**	**5,014**

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 1,244 k was calculated as the net present value of possible cash outflows from this rental guarantee, for which a realization is more likely than not. The commitment relates to a six-year rental period starting in 2014. As of December 31, 2014, the provision for the rental guarantees amounted to EUR 2,325 k reflecting a decrease of EUR 1,081 k. In addition EUR 3,470 k (December 31, 2014: EUR 1,490 k) were recognized as a provision for awarding the Long- and Short-Term Incentive Plan (Note 17.1).

Other provisions were made for potential costs of litigation. At the balance sheet date, there were no significant legal proceedings in which it was assumed that alstria office REIT-AG or its affiliates could be subject to claims 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

EUR k	Due: up to 1 year	Due: in more than 1 year	Total Dec. 31, 2015	Due: up to 1 year	Due: in more than 1 year	Total Dec. 31, 2014
Trade payables						
For structural improvements	5,767	0	5,767	1,588	0	1,588
For property management	4,895	0	4,895	967	0	967
For surplus advance payments on service charges	4,774	0	4,774	943	0	943
For sale of properties	534	0	534	0	0	0
Other trade payables	4,507	0	4,507	891	0	890
	20,477	**0**	**20,477**	**4,389**	**0**	**4,389**
Other current liabilities						
Real estate transfer tax	14,909	0	14,909	0	0	0
Accruals for outstanding invoices	8,682	0	8,682	4,798	0	4,798
Rent and security deposits	5,094	1,854	6,948	1,064	2,036	3,100
Personnel liabilities	4,528	0	4,528	1,238	0	1,238
Advance rent payments received	3,960	0	3,960	1,468	0	1,468
Value added tax liabilities	1,381	0	1,381	157	0	157
Auditing costs	743	0	743	271	0	271
Customers with credit balances	439	0	439	415	0	415
Supervisory Board compensation	353	0	353	305	0	305
Miscellaneous other liabilities	1,100	0	1,100	644	0	644
	41,189	**1,854**	**43,042**	**10,360**	**2,036**	**12,396**

Real estate transfer tax in an amount of EUR 13,199 k resulted from the merger between Deutsche Office and the Prime Office REIT-AG in the year 2013. For three properties transferred within the merger, the real estate transfer tax obligation is still due. Since this commitment has been consolidated as result of the business combination with Deutsche Office in the financial year 2015, a disclosure in the consolidated financial statements of alstria as of December 31, 2014 was not to be made.

Furthermore, EUR 1,710 k real estate transfer tax liability was made for the purchase of a property acquired by agreement of November 26, 2015, but was transferred economically as of January 1, 2016 to the Company.

The increase in personnel liabilities was mainly due to severance payments for employees amounting to EUR 1,200 k, based on signed termination agreements in connection with the closure of the Cologne office as a result of the take-over of Deutsche Office AG by alstria, and to the final payment of EUR 1,384 k for a Management Board member who made use of his change-in-control clause in connection with the takeover by alstria.

The disclosed carrying amounts approximate their fair values.

11.5 Deferred taxes liabilities and income tax liabilities

The recognition of deferred tax liabilities and tax liabilities as of December 31, 2015 is described in Note 9.10 income tax expenses. Obligations arising from income taxes arise almost exclusively at the level of the Deutsche Office companies acquired through business combination on October 27, 2015.

The tax liabilities mainly resulted from taxes arising out of the realization of hidden reserves in the context of reorganization measures in the Deutsche Office companies and the corresponding reversal of deferred tax assets from the previous year. The reorganization measures concern in particular the intra-group sale of real estate at market prices and the corresponding realization of hidden reserves under use of tax loss carryforwards.

Due to its REIT status, alstria office REIT-AG has been fully exempt from income taxes from January 1, 2007 onwards. Therefore, deferred taxes are not reported at the end of the prior years' reporting period.

11.6 Trust assets and liabilities

At the end of the reporting period, alstria office REIT-AG held trust assets worth EUR 629 k (December 31, 2014: EUR 1,653 k) and liabilities worth EUR 4,154 k from rent deposits and EUR 2,794 k from security deposits. As of December 31, 2014, EUR 1,064 k rent deposits and EUR 2,034 k security deposits existed.

12. OTHER NOTES

12.1 Compensation of the Management Board and Supervisory Board

Management Board The following total remuneration was granted to the members of the Management Board according to IAS 24.17 and HGB Section 314, para. 1, no. 6:

EUR k	2015	2014
Short-term benefits	1,162	1,156
Share-based payments	125	125
Post-employment benefits	905	905
Total	**2,192**	**2,186**

On the reporting date, liabilities for the compensation of the members of the Management Board amounted to EUR 378 k (2014: EUR 378 k).

As of December 31, 2015, 356,256 virtual shares had been granted to the members of the Management Board (compared to 363,347 on December 31, 2014; see also Note 17.1). For services as a member of the supervisory board of a subsidiary, a board member received a further remuneration of EUR 5 k.

Supervisory Board Pursuant to the Articles of Association, Supervisory Board members' fixed annual payments amounted to EUR 353 k (2014: EUR 305 k). For services as member of the supervisory board of a subsidiary, four members of the Supervisory Board of alstria office REIT-AG received in addition remunerations of EUR 10 k.

Further information on disclosures from HGB Section 314, para. 1, no. 6a (German Commercial Code) and IAS 24.17 is provided in the remuneration report (see pages 167 to 173), which is an integral part of these Notes. This information is also presented in the corporate governance chapter.

12.2 Other financial commitments and contingencies

Other financial obligations from refurbishment projects and ongoing maintenance amounted to EUR 17,250 k (2014: EUR 10,645 k).

With respect to property sales, the Group has committed to compensating buyers for possible shortfalls in rental income in case the rental agreements that exist with certain tenants are not extended at the disposal date. Contingencies resulting from this commitment do not exist, as the whole obligation was recognized as a provision. The commitment relates to a six-year rental period that started in 2014.

As of December 31, 2015, no rental agreements for the administrative premises were subject to a minimum lease term. Future financial obligations of EUR 644 k arose from other leasing agreements. Of these, obligations totaling EUR 233 k have a residual maturity of up to one year; the remainder, EUR 411 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 noncancelable leases have remaining maturity of between one and 20 years. Most leases include an indexation clause that allows rental charges to be raised annually according to prevailing market conditions.

Future minimum rental charges receivable as agreed on in noncancelable operating leases are as follows:

EUR k	Dec. 31, 2015	Dec. 31, 2014
Within 1 year	210,785	95,768
After 1 year but not longer than 5 years	519,953	274,190
More than 5 years	393,134	305,032
	1,123,872	**674,990**

12.3 Consolidated cash flow statement

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

The net cash generated from operating activities for financial year 2015 amounted to EUR 45,631 k, which was higher than the amount in the 2014 comparison period (EUR 52,889 k). This mainly resulted from the payment of transaction costs in relation to the takeover of Deutsche Office.

The cash flow from investing activities is affected by the net inflow of cash and cash equivalents from the merger with Deutsche Office in the amount of EUR 116,029 k and capital distributions from joint ventures in the amount of EUR 12,636 k; the cash flows from real estate transactions were roughly balanced.

The cash flows from financing activities mainly reflect refinancing activities, with EUR 292,512 k in payments for the redemption of borrowings and EUR 500,000 k in cash proceeds from the issuance of a corporate bond. Dividend payments resulted in cash outflows of EUR 43,470 k. Furthermore, cash outflows occurred due to terminations and adjustments of financial derivatives (EUR 35,741 k).

Cash and cash equivalents reported in the cash flow statement relate to all the liquidity items disclosed in the balance sheet (e.g., cash at hand and bank balances). At the reporting date, cash in an amount of EUR 32,036 k was subject to restrictions.

13. RELATED PARTY RELATIONSHIPS

13.1 Preliminary remarks

Related parties are the Management Board, the members of the Supervisory Board, the managing directors of subsidiaries and second-tier subsidiaries, and their close relatives. Related parties also include entities with a controlling influence over the Group and entities with joint control or significant influence over alstria office REIT-AG.

The majority of alstria office REIT-AG's shares are free-floating 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 2015 have been undertaken in terms of arm's-length transactions or under conditions in alstria office REIT-AG's favor.

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 167 to 173 of the Corporate Governance Section).

13.3 Related party transactions

At the end of the reporting period, the Group recorded no further receivables from joint ventures. As of December 31, 2014 receivables from joint ventures amounted to EUR 88 k. Furthermore, alstria office REIT-AG received EUR 87 k (2014: EUR 610 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 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 as all the dilutive potential ordinary shares are converted into ordinary shares.

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

Earnings per share	2015	2014
Profit attributable to the shareholders (EUR k)	-110,970	36,953
Average number of shares outstanding (thousands)	96,718	78,980
Basic earnings per share (EUR per share)	-1.15	0.47

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

Diluted earnings per share	2015	2014
Diluted profit attributable to the shareholders (EUR k)	-108,792	39,137
Average diluted number of shares (thousands)	104,959	87,072
Diluted earnings per share (EUR)	-1.04	0.45

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 had not been satisfied as of the end of the reporting period.

There were 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 authorized to issue up to EUR 38,798 k in shares as conditional capital. These contingently issuable shares could dilute basic earnings per share in the future, but they 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	2015	2014
Dividends on ordinary shares[1] not recognized as a liability as of Dec. 31	43,470	39,467
Dividend per share	0.50	0.50

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

At the Annual General Meeting held on May 6, 2015, alstria office REIT-AG resolved to distribute dividends totaling EUR 43,470 k (EUR 0.50 per outstanding share). The dividends were distributed on May 7, 2015. By comparison, the dividends paid out in 2014 totaled EUR 39,467 k (EUR 0.50 per outstanding share).

16. EMPLOYEES

During the period from January 1 to December 31, 2015, the Company had 72 employees on average (January 1 to December 31, 2014: 62 employees on average). The average was calculated based the total number of employees at the end of each quarter. On December 31, 2015, 93 people were employed at alstria, excluding the Management Board members (December 31, 2014: 63 people).

17. SHARE-BASED REMUNERATION

17.1 Share-based remuneration for management board members

On March 2, 2010, the Company's supervisory board established a new share-based remuneration system as part of providing 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)**. These plans offer cash-settled and share-based payment transactions, respectively.

Under the LTIP, alstria office REIT-AG grants virtual shares, which give entitle the recipient to a 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 60 trading days prior to the relevant maturity date, plus an amount equal to the sum of the dividend per share the Company paid to its shareholders between the grant date and the maturity date; in no event can the payment be higher than 250% of the average stock market price of alstria's shares on the Frankfurt Stock Exchange in the 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; it is subject to each participant's individual performance during the holding period.

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

Since the 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.

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 expiration 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 STIP and LTIP that remain outstanding as of December 31, 2015.

				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
STIP 2013	2014	9.57	2016	5,914	4,839
STIP 2014	2015	10.97	2017	5,370	4,393
LTIP 2012	2012	8.70	2016	50,575	41,379
LTIP 2013	2013	9.29	2017	47,363	38,751
LTIP 2014	2014	9.44	2018	46,610	38,136
LTIP 2015	2015	10.97	2019	40,109	32,817

The development of the virtual shares until December 31, 2015, is shown in the following table:

Number of virtual shares	**2015**		**2014**	
	LTI	**STI**	**LTI**	**STI**
January 1	**339,516**	**23,831**	**353,779**	**25,989**
Granted in the reporting period	72,926	9,763	84,746	10,753
Converted into cash in the reporting period	-76,702	-13,078	-99,009	-12,911
December 31	**335,740**	**20,516**	**339,516**	**23,831**

The 13,078 virtual shares converted into cash under the STIP resulted in payments to the management board in an amount of EUR 156 k within the 2015business year. The conversion amount is the weighted average price of the first 20 trading days in the 2015 calendar year plus the dividend paid during the vesting period. It amounted to EUR 11.97, of which EUR 10.97 related to the share price and EUR 1.00 related to the dividend paid. Under the LTIP, 76,702 virtual shares were converted, resulting in a payout of EUR 480 k.

In 2015, the LTIP and the STIP generated remuneration expenses amounting to EUR 2,616 k (2014: EUR 749 k) and provisions amounting to EUR 3,470 k (2014: EUR 1,490 k). The Group recognizes the liabilities arising from the vested virtual shares under other provisions.

17.2 Convertible profit participation rights program

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

The main terms of the program’s Board can be summarized as follows:

The nominal amount of each certificate is EUR 1.00, which is payable upon issuance. Under the program, a maximum of 500,000 certificates may be granted for using the conditional capital III (2012-2017) created by the Annual General Meeting in 2012. By the end of the reporting period, certificates were granted corresponding to EUR 426,050 of conditional capital. In 2015, the Annual General Meeting approved the establishment of additional conditional capital III (2015-2020) with an aggregate nominal value of up to EUR 500 k for the conversion of 500,000 certificates. At the end of the reporting period, no certificates in relation to this conditional capital (2015-2020) had been granted.

The certificates are issued as nontransferable rights and are neither sellable, pledgeable, nor otherwise chargeable.

The maximum term of each certificate is five years.

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

Each certificate shall be converted into one non-par-value bearer share in the Company on the second, third, fourth or fifth anniversary date of the issue date if the Company’s then-current stock exchange share price has exceeded the price on the issue date by 5% or more on at least seven non-subsequent trading days (market condition). For the 102,750 certificates issued on May 7, 2014, and the 121,000 certificates issued on May 7, 2015, this market condition was fulfilled until the end of the financial year 2015.

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

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

The following share-based payment agreements under the employee profit participation program were in existence during the year.

Number of Certificates

Granting date of tranche	June 9, 2011	June 7, 2013	May 22, 2014	May 7, 2015	Total
January 1, 2015	**59,500**	**96,800**	**107,250**	**0**	**263,550**
Expired due to termination of employment	0	-300	-4,500	0	**-4,800**
Converted	-59,500	-96,500	0	0	**-156,000**
Granted	0	0	0	121,000	**121,000**
December 31, 2015	**0**	**0**	**102,750**	**121,000**	**223,750**

The relevant amount for the conversion of 59,500 of the 2011 convertible profit participation rights certificates was the XETRA closing price on the conversion date: EUR 11.32 per share. For the conversion of 96,500 of the 2013 convertible profit participation rights certificates, the XETRA closing price on the conversion date was EUR 11.51 per share. Total expenses relating to convertible profit participation rights amounted to EUR 812 k in 2015 (see Note 9.5).

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

Granting date of tranche	June 9, 2011	June 7, 2013	May 22, 2014	May 7, 2015
Dividend yield (%)	4.23	5.68	5.18	4.15
Risk-free interest rate (%)	1.67	0.04	0.06	-0.18
Expected volatility (%)	47.00	25.00	21.50	19.30
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
Labor turnover rate (%)	10.00	10.00	10.00	9.1
Stock price as of valuation date (EUR)	10.40	8.80	9.65	12.05
Estimated fair value of one option for conversion at the granting date	8.25	6.18	6.77	8.77

Expected volatility is based on an average of the historical volatility of alstria and the comparable listed companies.

18. FINANCIAL RISK MANAGEMENT

18.1 Managing financial risk factors

The group's activities expose it to a variety of financial risks related to interest rates, credit, and liquidity. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain exposures to risk. The treasury function (group treasury) within the finance and controlling department carries out the management of financial risks. The group treasury identifies, evaluates, and hedges financial risks in close cooperation with the CFO. The Management Board provides written principles for overall risk management and policies that cover specific areas, such as interest rate risk and credit risk, making use of derivative and nonderivative financial instruments and of excess liquidity investment.

The financial instruments that the Group chiefly uses are bank loans and derivative financial instruments. In addition, a corporate bond with a nominal amount of EUR 500,000 k was issued in the 2015 financial year. The main purpose of the bank loans and the corporate bond is to finance the alstria office REIT-AG's business activities. 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 the interest risks that arise from the Group's business activities and funding.

The main risks arising from the Group's financial instruments relate to cash flow, interest rates, and liquidity. The Group is exposed to credit risks mainly due to derivative financial instruments being held as assets and due to 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 an economic slowdown are seen mainly in the potential default of payment by a major tenant. Due to the fact that all of the Company's main tenants are public institutions or are still highly rated, the risk of such defaults is currently limited.

The loan agreements of alstria Group allow for loan-to-value (LTV) ratios as outlined by the following table. As represented in the overview, the Group managed to keep its LTV below the LTV of the loan at the relevant date – in some cases significantly. The risk of a breach of covenant is effectively countered.

The following table presents the single-LTV ratios and covenants for the Group's loans as of the end of the reporting period

Existing loan agreements as per December 31, 2015

Liabilities	Maturity	Principal amount drawn as of Dec. 31, 2015 EUR k	LTV as of Dec. 31, 2015 %	LTV covenant %	Principal amount drawn as of Dec. 31, 2014 EUR k
Syndicated loan #1	Sept. 30, 2020	470,556	47.1	70.0	501,070
Syndicated loan #2[1)]	Feb. 22, 2016	331,910	58.6	72.0	0
Syndicated loan #3	Sept. 30, 2018	336,320	58.6	75.0	0
Non-recourse loan #1[2)]	Dec. 31, 2015	0	-	-	68,260
Loan #2[3)]	Dec. 31, 2014	0	-	-	2,617
Loan #3	Sept. 30, 2019	67,000	45.2	65.0	67,000
Loan #4	June 30, 2017	58,868	58.4	n/a	0
Loan #5	Apr. 30, 2021	60,048	50.5	66.0	60,739
Loan #6	Mar. 28, 2024	56,500	50.2	75.0	60,000
Loan #7	Dec. 17, 2018	56,000	45.9	60.0	56,000
Loan #8	Dec. 31, 2018	53,432	57.3	65.0	0
Loan #9	Dec. 30, 2017	18,507	51.1	73.0	0
Loan #10	July 30, 2021	15,423	52.1	60.0	0
Total loans		**1,524,564**	**52.1**	**-**	**815,686**
Bond	Mar. 24, 2021	500,000	-	-	0
Convertible bond	June 14, 2018	79,200	-	-	79,400
Total		**2,103,764**	**63.1**	**-**	**895,086**
Net LTV			**49.3**		

1) Loan agreement terminated; withdrawal occurred on February 22, 2016.
2) Loan agreement terminated as of December 31, 2015.
3) Loan agreement termination took effect on December 31, 2014; withdrawal occurred on January 02, 2015.

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 ending Dec. 31, 2015						
Variable interest						
Syndicated loans alstria	27,401	0	0	0	443,155	470,556
Deutsche Office portfolio loans	342,516	84,094	372,892	155	14,803	814,460
Other loans	1,152	921	56,921	67,921	74,841	201,757
Total	**371,069**	**85,015**	**429,813**	**68,076**	**532,799**	**1,486,773**

EUR k	< 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
Financial year ending 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**

Due to the extensive portfolio of noncurrent financial liabilities with variable interest rates, 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 derivative financial instruments were acquired to secure the interest expense. The derivatives' terms to maturity generally correspond to those of the loans. The derivative financial instruments relate to interest swaps, for which the Company agrees to exchange with contracting partners the difference between the fixed and variable interest rate amounts at specified intervals. The amounts are calculated by reference to an agreed-upon notional principal amount. In addition, the Company acquired interest caps; 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 of December 31, 2015, are presented on page 108.

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

The following table shows the sensitivity of the Company's loans to consolidated profit or loss and equity due to a reasonably possible change in 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 per annum

EUR k	2015	2014
+ 100 bps	7,382	7,103
– 50 bps	-484	-3,552

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 in respective fair market values:

aa) Impact on equity

Financial derivatives qualifying for cash flow hedge accounting

EUR k	2015	2014
+ 100 bps	13,771	21,157
– 50 bps	-3,574	-6,473

ab) Impact on income statements and on equity

Financial derivatives not qualifying for cash flow hedge accounting

Impact from 3-month EURIBOR interest rate changes:

EUR k	2015	2014
+ 100 bps	19,361	11,643
– 50 bps	-8,926	-1,309

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

EUR k	2015	2014
Share price compared to the 2015 year-end price (EUR 9.15)		
+ 10 percent	-8,512	-6,774
– 10 percent	7,587	5,417

b) Credit risk

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

The department responsible for managing the operating business property oversees and analyses credit risks in relation to each re-letting activity, before the standard payment and lease terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, and credit exposures to customers (including outstanding receivables and other compensatory commitments). Only banks and financial institutions 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 tenant's credit quality is assessed, taking into account his or her financial position, past experience, and other factors. Credit limits are generally not provided to tenants. Lease receivables from tenants are settled in bank transfers, which are 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 Group's long-term refinancing strategy ensures that these medium- and long-term liquidity requirements are met. Such forecasting considers the Group's debt financing plans, covenant compliance, compliance with internal balance sheet targets, and, if applicable, external regulatory or legal requirements (i.e., G-REIT equity ratio).

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 of December 31, 2015.

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 ending Dec. 31, 2015							
Interest	32,669	33,369	31,407	23,961	21,868	16,767	160,041
Loans	370,838	85,015	429,813	68,076	444,232	126,359	1,524,333
Corporate Bond	0	0	0	0	0	500,000	500,000
Convertible Bond	0	0	79,200	0	0	0	79,200
Financial derivatives	374	290	-385	-1,613	-2,059	0	-3,393
Trade payables	20,477	0	0	0	0	0	20,477
Other liabilities	47,970	309	309	309	309	309	49,515
	472,328	**118,983**	**540,344**	**90,733**	**464,350**	**643,435**	**2,330,173**

EUR k	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Financial year ending 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**

Details on the loans, borrowings, and bonds can be found in Note 11.2. The maturity profile of the loans is shown on page 20 in the Group Management Report. To secure these liabilities, receivables from rental and property purchase agreements and from insurance and derivative financial instruments were assigned to the lenders; liens were granted on bank accounts, and charges were registered on the land. Obligations arising from floating interest bank loans were fully secured. Land charges for real estate properties with a carrying amount of EUR 3,036,702 k (December 31, 2014: EUR 1,645,840 k) were provided as collateral.

18.2 Capital management

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

The Company actively manages its capital structure and makes adjustments in response to changes in economic conditions. To maintain or adjust the capital structure, the Group can make a capital repayment to its shareholders or issue new shares. No changes had been made to the aims, guide-lines, and processes as of December 31, 2015, or as of December 31, 2014.

The Company monitors its capital structure by using the performance indicators relevant for its 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 at between 45% and 55%, within the relevant term provided by the REIT law. 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

%	2015	2014	G-REIT covenant
Equity ratio acc. to G-REIT law	49.37	50.25	> 45
Immovable assets	87.21	95.23	> 75
Revenues gained from immovable assets	100.00	100.00	> 75
Income gained from disposal of immovable assets	14.64	18.67	< 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	Nonfinancial assets	Financial assets				
Assets as per balance sheet (EUR k) as of Dec. 31, 2014			**Loans and receivables[1)]**	**Financial assets at fair value through p/l[2)]**	**Fair value derivatives for Hedging[3)]**	**Total**	**Fair value**
Trade receivables	12,578	0	12,578	0	0	12,578	12,578
Accounts receivable from joint ventures	0	0	0	0	0	0	0
Derivatives	8,462	0	0	1,110	7,352	8,462	8,462
Receivables and other assets	10,008	7,305	2,703	0	0	2,703	2,703
Cash and cash equivalents	460,253	0	460,253	0	0	460,253	460,253
Total	**491,301**	**7,305**	**475,535**	**1,110**	**7,352**	**483,996**	**483,996**

Liabilities as per balance sheet (EUR k) as of Dec. 31, 2015	Carrying amount	Nonfinancial liabilities	Financial liabilities			
			Liabilities at fair value through p/l[4]	Financial Liabilities[5]	Total	Fair value
Long-term loans	1,715,590	0	0	1,715,590	1,715,590	1,718,212
Derivatives	23,208	0	23,208	0	23,208	23,208
Short-term loans	376,402	0	0	376,402	376,402	376,402
Trade payables	20,477	0	16,007	4,470	20,477	20,477
Other liabilities	51,670	3,960	30,228	17,481	47,709	49,923
Total	**2,187,347**	**3,960**	**69,443**	**2,113,943**	**2,183,386**	**2,188,222**

Assets as per balance sheet (EUR k) as of Dec. 31, 2014	Carrying amount	Nonfinancial assets	Financial assets				
			Loans and receivables[1]	Financial assets at fair value through p/l [2]	Fair value derivatives for Hedging[3]	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**

Liabilities as per balance sheet (EUR k) as of Dec. 31, 2014	Carrying amount	Nonfinancial liabilities	Financial liabilities			
			Liabilities at fair value through p/l[4]	Financial Liabilities[5]	Total	Fair value
Long-term loans	874,025	0	0	874,025	874,025	882,725
Derivatives	19,686	0	19,686	0	19,686	19,686
Short-term loans	7,702	0	0	7,702	7,702	7,702
Trade payables	4,389	0	0	4,389	4,389	4,389
Other liabilities	12,396	1,305	0	11,091	11,091	11,091
Total	**918,198**	**1,305**	**19,686**	**897,207**	**916,893**	**925,593**

[1] The category "loans and receivables" includes all valued at amortized cost financial assets.
[2] The "fair value - financial assets" does not include the part of a designated hedging relationship, held for trading derivatives, which are valued at fair value.
[3] The "fair value - hedging instruments" includes derivatives designated to be measured at fair value as effective hedging instruments.
[4] The category "fair value - financial liabilities" includes not as part of a designated hedging relationship, held for trading derivatives, which are valued at fair value.
[5] The category "financial liabilities" includes all valued at amortized cost financial liabilities.

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

The net gains and losses from these financial instruments are as follows:

EUR k	2015	2014
Fair value - financial assets	-195	-1,069
Fair value - hedging instruments	-2,890	-22,181
Fair value - financial liabilities	-3,233	4,122
Loans and receivables	-430	-114
Total	**-6,748**	**-27,476**

The net losses during the reporting period resulted from valuation losses and, in the case of loans and receivables, from write-downs of trade receivables.

18.3 Determination of fair value

The fair value of financial instruments that are not traded in an active market (i.e., over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely on entity-specific estimates as little as possible. If all significant inputs that are 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 were estimated at the end of the reporting period based on forward interest rates from observable yield curves and on contractually agreed interest rates. These rates are discounted to reflect the credit risk of the various counterparties.

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

19. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

In November 2015, alstria signed a purchase agreement for the acquisition of an asset in Hamburg. The transfer of benefits and burdens took place on January 1, 2016, after the reporting period had ended.

The Herkules loan was terminated prematurely on December 14, 2015 and repaid in an amount of EUR 330,472 k on February 22, 2016 – after the reporting period.

20. 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

21. DISCLOSURES PURSUANT TO THE WERTPAPIERHANDELSGESETZ [GERMAN SECURITIES TRADING ACT]

21.1 Ad hoc announcement

The following table summarizes the announcements pursuant to Section 15, para. 1 of German Securities Trading Act (WpHG) as the Company published during the reporting period:

Date	Topic
Mar. 24, 2015	Capital increase, up to 7,901,847 new shares to finance further growth
Mar. 24, 2015	alstria office REIT-AG successfully executed capital increase with gross proceeds of EUR 102.7 m
June 16, 2015	Exchange offer and capital increase
July 23, 2015	Extraordinary shareholders' meeting approves capital increase in connection with takeover offer to the shareholders of DO Deutsche Office AG
Oct. 2, 2015	Regarding the takeover offer to DO Deutsche Office AG - minimum acceptance rate exceeded
Oct. 27, 2015	alstria office REIT-AG announces the successful closing of its voluntary public takeover offer to the shareholders of DO Deutsche Office AG
Nov. 3, 2015	alstria office REIT-AG acquires additional 4.00% of DO Deutsche Office AG against issuance of new shares
Nov. 17, 2015	alstria office REIT-AG issues corporate bond with a nominal value of EUR 500 m

21.2 Directors' dealings

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

	1. Transaction	2. Transaction
Name of person subject to the disclosure requirement	Alexander Stuhlmann	Alexander Stuhlmann
Function	Member of the supervisory board	Member of the supervisory board
Classification of the financial instrument	Share	Share
ISIN	DE000A0LD2U1	DE000A0LD2U1
Transaction	Sell	Sell
Place	XETRA	XETRA
Transaction date	Jan. 23, 2015	Feb. 2, 2015
Price per share in EUR	11.33225	11.461545
Number of shares	2,000	1,000
Deal volume in EUR	22,664.50	11,461.55

21.3 Voting right notifications

This information is according to Section 160, para. 1, No. 8 of the German Stock Corporation Act (Aktiengesetz, AktG). The following table shows shareholdings in the Company that were in place on the 2015 balance sheet date and that were communicated to the Company pursuant to Section 21, para. 1 of WpHG and published pursuant to Section 26, para. 1 of WpHG. Moreover, shareholdings were considered if they were in place until the date of the preparation of the financial statements, if they were communicated to us pursuant to Section 21, para. 1 of WpHG and if they were published pursuant to Section 26, para. 1 of WpHG. The Company did not receive any notifications pursuant to Section 20, paras. 1 and 4 of AktG or pursuant to Section 21, para. 1a of WpHG during the reporting period.

No.	Shareholders, registered office	Voting rights (new) (in %)	Strike threshold (in %)	Date of change	Attribution of voting rights	Contains 3% or more of voting rights from
1	BlackRock Advisors Holdings, Inc., New York, NY, USA	2.95	3	Feb. 10, 2015	Yes	-
2	BlackRock Group Limited, London, United Kingdom	2.97	3	Mar. 6, 2015	Yes	-
3	BlackRock International Holdings, Inc., New York, NY, USA	2.9996	3	Mar. 13, 2015	Yes	-
4	BR Jersey International Holdings L.P., St. Helier, Jersey, Cayman Islands	2.9996	3	Mar. 13, 2015	Yes	-
5	Deutsche Bank AG, Frankfurt am Main, Germany	0.00	3 and 5	Mar. 30, 2015	No	-
6	BlackRock, Inc., Wilmington, Delaware, USA	2.9998	3	May 22, 2015	Yes	-
7	BlackRock Holdco 2, Inc., Wilmington, Delaware, USA	2.9998	3	May 22, 2015	Yes	-
8	BlackRock Financial Management, Inc., Wilmington, Delaware, USA	2.9998	3	May 22, 2015	Yes	-
9	BNP Paribas Investment Partners UK Ltd, London, United Kingdom	2.45	3	July 20, 2015	Yes	-
10	BNP Paribas Investment Partners Belgium S.A., Brussels, Belgium	2.45	3	July 20, 2015	No	-
11	FMR LLC, Boston, USA	2.86	3	Oct. 6, 2015	Yes	-
12	OCM Luxembourg EPOF Herkules Holdings S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	3.56	3	Oct. 27, 2015	Yes	-
13	OCM Luxembourg EPOF S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	3.56	3	Oct. 27, 2015	Yes	-
14	OCM European Principal Opportunities Fund, L.P., George Town, Grand Cayman, Cayman Islands	3.56	3	Oct. 27, 2015	Yes	-
15	OCM European Principal Opportunities Fund GP, L.P., George Town, Grand Cayman, Cayman Islands	3.56	3	Oct. 27, 2015	Yes	-
16	OCM European Principal Opportunities Fund GP, Ltd., George Town, Grand Cayman, Cayman Islands	3.56	3	Oct. 27, 2015	Yes	-
17	Oaktree Fund GP I, L.P., Wilmington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
18	Oaktree Capital I, L.P., Wilmington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
19	OCM Holdings I, LLC, Wilmington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
20	Oaktree Holdings, LLC, Wilmington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG

21	Oaktree Capital Group, LLC, Wilmington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
22	Oaktree Capital Group Holdings, LP, Wilmington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
23	Oaktree Capital Group Holdings GP, LLC, Wilmington, Delaware, USA	25.38	3, 5, 10, 15, 20, 25	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
24	OCM Luxembourg POF IV Herkules Holdings S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	5.97	3 and 5	Oct. 27, 2015	Yes	-
25	OCM Luxembourg POF IV S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	5.97	3 and 5	Oct. 27, 2015	Yes	-
26	OCM Principal Opportunities Fund IV, L.P., George Town, Grand Cayman, Cayman Islands	5.97	3 and 5	Oct. 27, 2015	Yes	-
27	OCM Principal Opportunities Fund IV GP, L.P., George Town, Grand Cayman, Cayman Islands	5.97	3 and 5	Oct. 27, 2015	Yes	-
28	OCM Principal Opportunities Fund IV GP Ltd, George Town, Grand Cayman, Cayman Islands	5.97	3 and 5	Oct. 27, 2015	Yes	-
29	OCM Luxembourg OPPS VII Homer Holdings S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	4.63	3	Oct. 27, 2015	Yes	-
30	OCM Luxembourg OPPS VII S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	4.63	3	Oct. 27, 2015	Yes	-
31	OCM Opportunities Fund VII, L.P., George Town, Grand Cayman, Cayman Islands	4.63	3	Oct. 27, 2015	Yes	-
32	OCM Opportunities Fund VII GP, L.P., George Town, Grand Cayman, Cayman Islands	4.63	3	Oct. 27, 2015	Yes	-
33	OCM Opportunities Fund VII GP Ltd., George Town, Grand Cayman, Cayman Islands	4.63	3	Oct. 27, 2015	Yes	-
34	OCM Luxembourg OPPS Herkules Holdings S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	7.31	3 and 5	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
35	OCM Luxembourg OPPS VI S.à.r.l, Luxembourg, Grand Duchy of Luxembourg	7.31	3 and 5	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
36	OCM Opportunities Fund VI L.P., Wilmington, Delaware, USA	7.31	3 and 5	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
37	OCM Opportunities Fund VI GP, L.P., Wilmington, Delaware, USA	7.31	3 and 5	Oct. 27, 2015	Yes	UBS Deutschland AG; UniCredit Bank AG
38	J.P. Morgan Investment Management Inc., New York, USA	1.77	3	Nov. 3, 2015	Yes	-
39	JPMorgan Asset Management (UK) Limited, London, United Kingdom	1.77	3	Nov. 3, 2015	Yes	-

40	JPMorgan Chase Bank, National Association, Columbus, Ohio, USA	1.77	3	Nov. 3, 2015	Yes	-
41	Cohen & Steers Capital Management, Inc., New York, USA	2.20	3	Oct. 27, 2015	Yes	-
42	CNP Assurances SA, Paris, France	2.71	3	Oct. 27, 2015	No	-
43	BNP Paribas Investment Partners S.A., Paris, France	4.51	5	Oct. 27, 2015	Yes	-
44	BNP Paribas Asset Management SAS, Paris, France	2.42	3	Oct. 27, 2015	Yes	-
45	BNP Paribas Investment Partners Luxembourg, Hesperange, Luxembourg	1.96	3	Oct. 27, 2015	Yes	-
46	UBS Finanzholding GmbH, Frankfurt am Main, Germany	0.00	3, 5, 10, 15, 20	Oct. 29, 2015	No	-
47	UBS Beteiligungs-GmbH & Co. KG, Frankfurt am Main, Germany	0.00	3, 5, 10, 15, 20	Oct. 29, 2015	No	-
48	UBS Deutschland AG, Frankfurt am Main, Germany	0.00	3, 5, 10, 15, 20	Oct. 29, 2015	No	-
49	UBS Group AG, Zurich, Switzerland	1.04	3, 5, 10, 15, 20	Oct. 29, 2015	Yes	-
50	UBS AG, Zurich, Switzerland	1.04	3, 5, 10, 15, 20	Oct. 29, 2015	Yes	-
51	UniCredit S.p.A., Rome, Italy	0.00014	3, 5, 10, 15, 20	Oct. 29, 2015	Yes	-
52	UniCredit Bank AG, Munich, Germany	0.00014	3, 5, 10, 15, 20	Oct. 29, 2015	No	-
53	Cohen & Steers, Inc., New York, USA	2.92	3	Feb. 24, 2016	Yes	-
54	Brookfield Investment Management, Inc., New York, USA	2.96	5	Mar. 10, 2016	Yes	-

22. DECLARATION OF COMPLIANCE PURSUANT TO AKTG SECTION 161

The Management Board and the Supervisory Board have submitted the declaration of compliance that is required by AktG Section 161 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) and is included in the declaration of corporate management according to HGB Section 289a.

23. AUDITOR'S FEES

On May 6, 2015, the general meeting elected Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft (Dammtorstrasse 12, Hamburg) as auditors of the separate and consolidated financial statements for the 2015 financial year. The fees for these auditing services amounted to EUR 439 k in 2015. Other consulting services accumulated EUR 364 k in fees.

24. 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 used to define the Management Board's and Supervisory Board's remuneration.

25. SUPERVISORY BOARD

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

During the 2015 financial year, the members of the Supervisory Board were:

Alexander Stuhlmann **Chairman**	**Hamburg, Germany**	**Management Consultant**
	Alexander Stuhlmann GmbH (i. L.)	Managing Director, (Liquidator)
	Capital Stage AG	Vice-Chairman of the Supervisory Board
since November 4, 2015	DO Deutsche Office AG	Member of the Supervisory Board
	Euro-Aviation Versicherungs AG	Chairman of the Supervisory Board
	Frank Beteiligungsgesellschaft mbH	Chairman of the Advisory Board
	GEV AG (Frank-Gruppe)	Chairman of the Supervisory Board
	HASPA Finanzholding	Member of the Board of Trustees
	HCI Capital AG	Chairman of the Supervisory Board
	Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG	Chairman of the Advisory Board
Hermann T. Dambach **Vice-Chairman** since October 27, 2015	**Bad Homburg, Germany**	**Oaktree GmbH, Managing Director**
until November 3, 2015	DO Deutsche Office AG	Chairman of the Supervisory Board
	Railpool GmbH	Chairman of the Advisory Board
Dr. Johannes Conradi **Vice Chairman** until October 27, 2015	**Hamburg, Germany**	**Lawyer and Partner, Freshfields Bruckhaus Deringer LLP**
	Freshfields Bruckhaus Deringer LLP	Global Head of Real Estate, Member of the German Management Group
	EBS Universität für Wirtschaft und Recht – Real Estate Management Institute	Member of the Board of Trustees
	Elbphilharmonie Hamburg Bau GmbH & Co. KG	Member of the Supervisory Board

Benoît Hérault	**Uzès, France**	**Managing Director, Chambres de l'Artémise S.à r.l**
	Belvédère SA	Chairman of the Board
since April 1, 2015	EUROSIC	Board member, Chairman of the remuneration committee
until April 1, 2015	SIIC de Paris	Board member, Chairman of the audit committee
	Westbrock Partners	Senior advisor for France
Roger Lee until October 27, 2015	**London, United Kingdom**	**Partner, Captiva International Partners LLP**
	Caposition SARL	Director
until February 4, 2015	Captiva Capital Management Ltd	Director
since November 4, 2015	DO Deutsche Office AG	Member of the Supervisory Board
Richard Mully	**Cobham (Surrey), United Kingdom**	**Director, Starr Street Limited**
	Aberdeen Asset Management PLC	Director
until June 8, 2015	Hansteen Holdings PLC	Director
	ISG plc	Director
until September 30, 2015	Praxis Capital Limited	Director
	St. Modwen Properties PLC	Director
Marianne Voigt	**Berlin, Germany**	**Managing Director, bettermarks GmbH**
since November 4, 2015	DO Deutsche Office AG	Member of the Supervisory Board

At the Company's July 23, 2015, Extraordinary General Meeting , the shareholders elected Mr. Hermann T. Dambach, director of Oaktree GmbH, Bad Homburg, as a member of the supervisory board of alstria office REIT-AG, effective with the completion of the exchange offer as described in Note 4.2.

At this same Extraordinary General Meeting, the supervisory board member Mr. Roger Lee declared his resignation from office as a member of the supervisory board, effective with the completion of the exchange offer.

The completion of the exchange offer took place on October 27, 2015, with the registration of the new alstria shares in the commercial register of the local court.

Hamburg, March 18, 2016

alstria office REIT-AG

The Management Board

Olivier Elamine	**Alexander Dexne**
CEO	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, March 18, 2016

alstria office REIT-AG

The Management Board

Olivier Elamine	**Alexander Dexne**
CEO	CFO

INDEPENDENT AUDITOR'S 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, 2015. 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, March 18, 2016

Deloitte & Touche GmbH

Wirtschaftsprüfungsgesellschaft

[seal]

Signed: Reiher
Wirtschaftsprüfer
[German Public Auditor]

Signed: Deutsch
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 and report on changes in the supervisory board.

MAIN POINTS OF DISCUSSION

During financial year 2015, the centers of discussion within the Supervisory Board and its committees were the takeover of DO Deutsche Office AG and the capital increases executed in this connection. After comprehensive assessment of the takeover offer, including the exchange ratio and the agreement entered with the majority shareholders of DO Deutsche Office AG, the Company published its decision to submit a voluntary public-takeover offer (in the form of an exchange offer) of alstria office REIT-AG to the shareholders of DO Deutsche Office AG on June 16, 2015. As consideration for each share of DO Deutsche Office AG, 0.381 new shares of alstria office REIT-AG were offered. The Extraordinary General Meeting of the Company on July 23, 2015 approved the necessary capital increase against contribution in kind in order to create the shares in alstria office REIT-AG to be offered within the exchange offer. On August 21, 2015, the Company published the offer document for the exchange offer. After expiry of the acceptance period and the additional acceptance period, the exchange offer was accepted, corresponding to approximately 90.6% of the share capital and voting rights in DO Deutsche Office AG. The exchange offer was completed with registration of the capital increase against contribution in kind in the Company's commercial register on October 27, 2015. On the basis of the agreement entered with the majority shareholders of DO Deutsche Office AG, in November 2015, alstria office REIT-AG acquired further shares in DO Deutsche Office AG, corresponding to a share of approximately 4% of the share capital of DO Deutsche Office AG. Thus, now alstria office REIT-AG holds a share of approximately 94.6% of the share capital of DO Deutsche Office AG. The consideration for the acquisition amounted to each 0.381 new share of alstria office REIT-AG for each share of DO Deutsche Office AG. The new shares of alstria office REIT-AG were granted by partially using the Company's Authorized Capital 2015 against contributions in kind and excluding subscription rights.

Additional main points of the discussions of the Supervisory Board and its committees were the execution of a capital increase against cash contributions with the exclusion of subscription rights in March 2015 and the issuance of a bond by alstria office REIT-AG with a total nominal amount of EUR 500 million in November 2015.

SUPERVISION AND ADVISING OF THE COMPANY'S MANAGEMENT BOARD

During reporting period 2015, 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 its 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 about issues concerning the Company's planning, important business events and on current risks, risk management and 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.

MEETINGS OF THE SUPERVISORY BOARD

In financial year 2015, the Supervisory Board held four ordinary and four 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 approximately 96% on average. Additionally, we passed written resolutions on six issues based on detailed documents. In 2016, the Supervisory Board met for two additional meetings and passed one written resolution prior to the finalization of this report.

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

During its financial meeting in February 2015, the Supervisory Board dealt with the consolidated financial statements, the financial statements as of December 31, 2014 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 of December 31, 2014, and confirmed the Management Board's proposal regarding the appropriation of the profit for financial year 2014. The Supervisory Board passed a resolution on its report to the

Annual General Meeting for financial year 2014 and on the corporate governance statement, the latter of which included the declaration of compliance with the recommendations of the German Corporate Governance Code. The Supervisory Board and the Management Board discussed matters of company strategy, and the Supervisory Board approved the entrance into all necessary advisory and service agreements in connection with a possible capital increase against contribution in cash of up to 10% of the share capital using the Authorized Capital 2014 of the Company and excluding the subscription rights of the shareholders. In this connection, the Supervisory Board established a special committee and authorized it to make any and all necessary approvals and declarations required in connection with the execution of this capital increase. The Management Board and Supervisory Board also discussed the agenda and proposals for resolution for the Annual General Meeting of the Company and possible real-estate transactions. 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 2011 and of the short-term variable remuneration for financial year 2014, 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 2015.

In the extraordinary meeting in March 2015, which was held as a telephone conference, the Supervisory Board decided on its proposals for resolution for the Annual General Meeting.

In April 2015, the Supervisory Board joined, by way of written circular resolution, the Management Board's amendment of the proposal for resolution to the Annual General Meeting on the appropriation of the annual net profit. The proposal was amended against the background of an increase of shares entitled to the dividend for financial year 2014 due to a conversion regarding a part of the convertible bonds issued in 2013 and to the issuance of new shares against the background of the capital increase executed in March 2015.

In the ordinary meeting in May 2015, the Management Board and Supervisory Board discussed the Company's strategic orientation, and the Supervisory Board consented to the commencement of negotiations with the majority shareholders of DO Deutsche Office AG on the execution of an acquisition of DO Deutsche Office AG by the Company. In this connection, the Supervisory Board established a special committee in order to make the decisions necessary for this transaction efficient and, in the short term, available.

Topics of the extraordinary meeting in May 2015, which was held as a telephone conference, were the planned takeover of DO Deutsche Office AG, the corresponding negotiations with the majority shareholders of DO Deutsche Office AG, the structure of the transaction and the corporate governance of the Company after the completion of the exchange offer. Subject to the approval of the special committee for the execution of the transaction, the Supervisory Board resolved its proposals for resolution to the Extraordinary General Meeting of the Company in July 2015 as well as on the conclusion of and approved a bridge financing in the amount of EUR 1.1 billion in order to allow the repayment DO Deutsche Office AG's loans in case the lending banks declared them due with reference to change-of-control clauses.

In June 2015, the Supervisory Board resolved again—subject to the approval of the special committee for the execution of this transaction—by way of written circular resolution, the amendment of the proposals for resolution to the Extraordinary General Meeting and elected Mr. Dambach, subject to his election as member of the Supervisory Board by the Extraordinary General Meeting of the Company, as Vice Chairman of the Supervisory Board.

In July 2015, the Supervisory Board resolved how to deal with possible procedural motions during the Extraordinary General Meeting by way of written circular resolution.

Topics of the extraordinary meeting subsequent to the Extraordinary General Meeting in July 2015 were further steps with regard to the takeover of DO Deutsche Office AG and, relatedly, the takeover document to be prepared.

In August 2015, the Supervisory Board resolved the consent to the conclusion of an amendment agreement for the agreement entered with the majority shareholders of DO Deutsche Office AG by way of written circular resolution. Moreover, the Supervisory Board decided to use the Authorized Capital 2015 of the Company under exclusion of subscription rights of the shareholders within the framework of a possible right to sell out in connection with the takeover offer to the shareholders of DO Deutsche Office AG and servicing the option to tender more shares outside of the exchange offer agreed upon with the majority shareholders of DO Deutsche Office AG.

In September 2015, the Supervisory Board resolved the conclusion of a reorganization agreement with DO Deutsche Office AG by way of written circular resolution.

In its ordinary meeting in September 2015, the Supervisory Board discussed topics in connection with the takeover of DO Deutsche Office AG and approved that the CFO of the Company acts as a member of the Management Board of DO Deutsche Office AG and Managing Director of its subsidiaries. In addition, the Management Board and Supervisory Board discussed the issuance of bonds. The Supervisory Board established a special committee that was authorized to make all necessary approvals and declarations in connection with the issuance of bonds. The Supervisory Board further approved the disposal of a real-estate asset and the conclusion of an amendment agreement to a loan agreement of the Company. The Supervisory Board discussed and resolved target quotas for women in the Supervisory Board and Management Board of the Company and dealt with the succession planning for the Supervisory Board and the amendments of the German Corporate Governance Code.

After intensive discussion with the Management Board, the Supervisory Board passed resolutions regarding business and budget planning for financial year 2016 in its ordinary meeting in November 2015 and approved a loan grant in the amount of EUR 500 million and a credit line in the amount of

EUR 40 million to DO Deutsche Office AG or its subsidiaries, respectively. The Supervisory Board discussed and resolved the detailed objectives regarding the composition of the Supervisory Board (Diversity Statement), the composition of the committees of the Supervisory Board and editorial amendments to the Company's Articles of Association due to conditional capital increases of EUR 176,382 executed during 2015. The Supervisory Board discussed the succession planning for the Supervisory Board and reviewed the positive result of the efficiency check of its work, which the Supervisory Board members had performed with the support of an external advisor by means of questionnaires and one-on-one interviews. Finally, employees of the first management level below the Management Board, the departments for which they are responsible and their projects were introduced to the Supervisory Board during this reporting period.

In its financials meeting in March 2016, the Supervisory Board particularly dealt with the consolidated financial statements and financial statements for the year ending on December 31, 2015. It further reviewed the Management Board's recommendation for profit appropriation. The Supervisory Board passed a resolution on its report for the Annual General Meeting for financial year 2015, as well as the Corporate Governance Report. The Supervisory Board also dealt with 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 157 to 166 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 that 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 2015, the Supervisory Board's committees focused on the following topics:

The audit committee held three meetings in financial year 2015. 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 financial statements as of December 31, 2014, 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 for the Annual General Meeting for the choice of the auditors, the auditors' independence and any additional services to be performed by them. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch was appointed as an 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.

The nomination and remuneration committee, which also carries out the tasks of a nomination committee, met six times during financial year 2015. The committee discussed the amount of variable remuneration for the members of the Management Board. In light of this discussion, each Management Board member's individual performance was discussed. The committee furthermore discussed the target quota for including women in the Supervisory Board and Management Board and the objectives regarding the composition of the Supervisory Board, providing the Supervisory Board with corresponding resolution proposals. The nomination and remuneration committee dealt with the succession planning for the Supervisory Board and, with regard to the remuneration of the Supervisory Board and election of Supervisory Board members, prepared proposals for resolution to the Annual and the Extraordinary General Meeting for the Supervisory Board.

In financial year 2015, the investment committee deliberated with the Management Board on a real-estate transaction in two meetings and resolved twice by way of written circular resolution. It gave its approval for one acquisition carried out in financial year 2015 and for advisory services from the law firm Freshfields Bruckhaus Deringer LLP, of which a member of the Supervisory Board, Dr. Johannes Conradi, is a partner.

During financial year 2015, the Supervisory Board established overall three special committees:

In February 2015, the Supervisory Board additionally established a special committee that was comprised of four members. The committee was authorized to grant all necessary approvals and make all other declarations required in connection with the execution of a capital increase of up to 10% of the share capital against cash contributions under exclusion of subscription rights. The special committee came together in March in two meetings and discussed matters of executing the capital increase under exclusion of subscription rights and approved the execution of the capital increase against cash contributions and all actions and resolutions connected to it. Dr. Johannes Conradi could only participate in one of the two meetings due to an important competing appointment.

In May 2015, the Supervisory Board established a special committee that was comprised of three members. The committee was authorized to grant all necessary approvals and make all other declarations required in connection with the takeover of DO Deutsche Office AG. The special committee came together in five meetings between May and November and intensively discussed the execution and economic conditions of the exchange offer while increasing the share capital of the Company under exclusion of subscription rights of the shareholders, as well as the agreement with the majority shareholders of DO Deutsche Office AG, with the Management Board, complementing the discussions in the Supervisory Board. The special committee approved the conclusion of an agreement with the majority shareholders of DO Deutsche Office AG, the publication of the decision to make an exchange offer, the execution of a capital increase against contribution in kind under exclusion of subscription rights of the shareholders and resolved editorial amendments of the Articles of Association due to the increase in the share capital.

In September 2015, the Supervisory Board established a special committee that was comprised of four members. The committee was authorized to grant all necessary approvals and make all other declarations required in connection with the issuance of bonds. The special committee came together in November over two meetings and approved the issuance of a bond, as well as all connected actions and resolutions. Benoît Hérault could only participate in one of the two meetings due to an important competing appointment.

The composition of the special committees is also described in the Company's Corporate Governance Statement on pages 158 to 166 of the annual report.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch, audited the financial statements and 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, 2015. 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, the auditors' report and 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 to answer questions. The audit committee conducted the Supervisory Board's audit and reported to the plenary Supervisory Board in the presence of the auditors of the financial statements of alstria office REIT-AG and its consolidated financial statements. 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 fulfilled 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 2016, 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 2015, we were able to conclude that the composition of the Supervisory Board met these objectives as of December 31, 2015, with the exception of the women quota of 30% in the Supervisory Board, which has to be achieved by June 30, 2017. No conflicts of interest arose during financial year 2015, concerning both members of the Supervisory Board and the Management Board.

CHANGES IN THE SUPERVISORY BOARD

Mr. Roger Lee, who has belonged to the Supervisory Board since 2009, resigned from his office with the completion of the exchange offer to the shareholders of DO Deutsche Office AG on October 27, 2015. The Supervisory Board would like to thank Mr. Lee for his long-term and valuable commitment to the Company.

In the Extraordinary General Meeting 2015, Mr. Hermann Dambach was elected as a member of the Supervisory Board, effective with the completion of the exchange offer. Mr. Dambach has been elected Vice Chairman of the Supervisory Board.

The Supervisory Board would like to thank the Management Board and all employees for their dedication and their successful work in financial year 2015.

Hamburg, March 2016

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 other ways, 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 a description of the composition of the Company's Management Board and Supervisory Board as well as its corporate governance structures, information on the target quota for women's participation in the Supervisory Board, Management Board and the first management level below the Management Board and information on corporate governance practices as well as the declaration of compliance according to Section 161 of the German Stock Corporation Act.

MANAGEMENT BOARD AND 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.

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 contracts with regard to such business transaction during the reporting period.

The members of the Management Board are appointed by the Supervisory Board, who 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 (modernization 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.

Supervisory Board

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

Member	Profession	Appointed until[1]
Alexander Stuhlmann (Chairman)	Management consultant	2016
Hermann Dambach (Vice-Chairman)	Managing Director, Oaktree GmbH	2016
Dr Johannes Conradi	Lawyer and Partner, Freshfields Bruckhaus Deringer LLP	2019
Benoît Hérault	Managing Director, Chambres de l'Artémise S.à r.l	2020
Richard Mully	Director, Starr Street Limited	2019
Marianne Voigt	Managing Director, bettermarks GmbH	2020

[1] each until the end of the Annual General Meeting.

The following changes took place in the composition of the Supervisory Board in 2015: Roger Lee resigned as member of the Supervisory Board, effective October 27, 2015. As his successor, Hermann Dambach was elected to the Supervisory Board, also on October 27, 2015. Effective the same date, Hermann Dambach took over the position as Vice-Chairman from Dr Johannes Conradi.

A list on all memberships of the Supervisory Board members in supervisory or similar controlling bodies in companies external to the Company group pursuant to Section 285 No. 10 of the HGB is presented on pages 143 to 145 of the annual report.

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, 2015, 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 2015.

With due consideration of the specific situation of alstria, the Supervisory Board specified the following goals for its composition in November 2015, 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 should have the knowledge, skills and expert experience required to successfully complete their tasks, especially in the capital market and the German real estate market.
2. Women
   For the female representation in the Supervisory Board a quota of at least 30% is determined. This target quota must be achieved by June 30, 2017.
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, which could cause a substantial and not temporary conflict of interest, with the Company, its executive bodies, a controlling shareholder or an enterprise associated with the latter.
5. Independent financial expert
   At least one independent member of the Supervisory Board should have expertise in accounting or the audit of annual statements.
6. Other conflicts of interest
   At least three members of the Supervisory Board shall not have any consulting or representation duties with main tenants, lenders or other business partners of the Company.
7. Age limit
   Members of the Supervisory Board shall not be older than 70 years of age.
8. Length of membership
   The membership in the Supervisory Board is limited to 20 years.

In November 2015, the Supervisory Board assessed the implementation of these targets and came to the conclusion that all of them are currently met with the exception of the women quota in the Supervisory Board, which has to be achieved by June 30, 2017.

Beside the objectives for its composition, the Supervisory Board also regularly reviews its efficiency. Therefore, the work of the entire Supervisory Board and its committees is analyzed in a structured and transparent manner in order to sustainably improve the processes and structure.

In its report to the Annual General Meeting, the Supervisory Board reports on its activities undertaken in financial year 2015. The report is presented on pages 149 to 156 of the annual report.

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 the complete financial year 2015, the audit committee was comprised of Marianne Voigt as Chair and Dr Johannes Conradi as member. In addition, Roger Lee was a member of the audit committee until he resigned from the Supervisory Board on October 27, 2015. Benoît Hérault has been elected as his successor to become a member of the audit committee, effective December 1, 2015.

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 of the German Stock Corporation Act (*Aktiengesetz*, AktG). In the complete financial year 2015, the investment committee was comprised of Richard Mully as Chair and Benoît Hérault as a member. In addition, Alexander Stuhlmann was a member of the investment committee until November 30, 2015. As of December 1, 2015, Hermann Dambach was elected as his successor to become a member of the investment committee.

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 the complete financial year 2015 the nomination and remuneration committee was comprised of Alexander Stuhlmann as Chair and Dr Johannes Conradi and Richard Mully as members.

By resolution dated February 24, 2015, the Supervisory Board additionally established a special committee, which was comprised of four members. The committee was authorized to grant all necessary approvals and make all other declarations required in connection with the execution of a capital increase of up to 10% of the share capital against cash contributions under exclusion of subscription rights. The committee was comprised of Alexander Stuhlmann as Chair and Dr Johannes Conradi, Benoît Hérault and Richard Mully as members.

By resolution dated May 6, 2015, the Supervisory Board established a special committee, which was comprised of three members. The committee was authorized to grant all necessary approvals and make all other declarations required in connection with the takeover of DO Deutsche Office AG. The committee was comprised of Dr Johannes Conradi as Chair as well as Benoît Hérault and Richard Mully as members.

By resolution dated September 24, 2015, the Supervisory Board established a special committee, which was comprised of four members. The committee was authorized to grant all necessary approvals and make all other declarations required in connection with the issuance of bonds. The committee was comprised of Dr Johannes Conradi as Chair and Benoît Hérault, Richard Mully and – effective October 27, 2015 - Hermann Dambach as members.

The Supervisory Board reports on the activities of the committees of the Supervisory Board during financial year 2015 in its report to the Annual General Meeting on pages 149 to 156 of the annual report.

TARGET QUOTAS FOR WOMEN'S PARTICIPATION

The Management Board pays attention to diversity in filling its management positions and aims to adequately consider women for these positions. In September 2015 the Management Board determined that the women quota for the first management level below the Management Board shall not fall below 27.3%. This target quota has already been achieved as per December 31, 2015 and applies for the time being until June 30, 2017. A target quota of women's participation for the second management level was not to be determined, since the Company has no further management level with decision-making competence and budget responsibility.

Also in September, 2015, the Supervisory Board determined a target quota of 0% for the participation of women in the Management Board. This quota has been achieved and applies until June 30, 2017. Since both Management Board members are appointed until December 31, 2017, no changes in the composition of the Management Board are foreseeable until June 30, 2017 from today's perspective. The Supervisory Board is of the opinion that the appointment of another Management Board member or the dismissal of a Management Board member solely to comply with a women quota is not in the best interest of the Company and its shareholders.

A quota of 30% was determined for the Supervisory Board, which must be achieved until June 30, 2017. On December 31, 2015, the woman quota in the Supervisory Board amounted to 16.67%.

COMMUNICATION AND TRANSPARENCY

A transparent corporate governance and good communication with the shareholders and public contribute to strengthening investor and public trust in alstria's work.

Communication with the public

When 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. The alstria 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 (Directors' Dealings). Moreover, alstria's financial reports and website include a financial calendar that indicates all dates of importance to shareholders. The announcements and pieces of information are additionally published in the English language.

Relationship to the shareholders

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 participation in our Annual General Meeting. Shareholders have the option of exercising their voting rights personally, via an authorized 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 authorizing a proxy, shareholders now 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 General Meetings to the shareholders electronically upon request. The invitation and the documents are to be made available for viewing prior to the upcoming Annual General Meetings pursuant to the legal provisions that 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.

Financial reporting

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 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 negotiate 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 2015. 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.

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 it considers the 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. 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.

COMPLIANCE

It is one of alstria's most important principles to comply with the legal provisions and treat business partners and competitors fairly. In doing so, alstria regards itself as not only being bound to the law. In accordance with Section 4.1.3 of the German Corporate Governance Code, the Management Board ensures the compliance with the legal provisions and Company guidelines throughout all of the Group's companies. The entire Company shares the understanding that the trust of alstria's shareholders, tenants, employees and business partners crucially depend on the behavior of each individual employee.

For this reason, alstria has developed a code of conduct, listing guidelines for behavior and providing orientation to resolve conflicts (e.g. conflicts of interest), thereby serving as a model for correct behavior 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 organization 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.

GERMAN CORPORATE GOVERNANCE CODE

alstria's value-oriented corporate management has already implemented many of the principles of the most recent version of the German Corporate Governance Code (dated May 5, 2015) to an extent beyond 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 recognized 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 25, 2016:

DECLARATION OF COMPLIANCE DATED FEBRUARY 25, 2016

“Since the prior declaration of compliance dated February 24, 2015, 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 5, 2015 and until then as 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 May 5, 2015 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 incentivized 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 authorized by the Supervisory Board, the Supervisory Board is given the opportunity to discuss the figures with the Management Board before they are published. The Management Board and Supervisory Board consider this approach to be appropriate and adequate.”

All other recommendations of the German Corporate Governance Code dated May 5, 2015 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 the future.

March 2016

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 it 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 of AktG – and 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, include 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 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 REMUNERATION OF MANAGEMENT BOARD MEMBERS

The Supervisory Board determines the target remuneration for each board member. The target remuneration for each Management Board member is comprised of a fixed basic salary, short-term and long-term variable components, and ancillary benefits (benefits in kind). The majority of the target remuneration is made up of variable components that are dependent on achieving annual or multi-year targets as described below. The system also establishes 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 is paid as a salary on a *pro-rata* basis each month. The fixed element of the remuneration amounts to approximately 40% of the total target remuneration, excluding any ancillary benefits for the financial year.

Variable Remuneration

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

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

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

Performance target FFO for STI

As the amount of the STI for a financial year is mainly based on the achievement of 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 incentivized to enter into transactions to achieve any personal short-term benefits.

Min./Max. target achievements

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

Discretionary factor

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

Deferred component

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

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

The table below summarizes the number of virtual shares granted under the existing STI and LTI programs in the reporting period and outstanding as of December 31, 2015.

				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 2013	2014	9.57	2016	5,914	4,839
STI 2014	2015	10.97	2017	5,370	4,393
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
LTI 2015	2015	10.97	2019	40,109	32,817

Ancillary Benefits

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

2. REMUNERATION OF THE MANAGEMENT BOARD IN THE FINANCIAL YEAR 2015

In the last financial year, the total target remuneration for the members of the Management Board amounted to EUR 2,192 k. The total amount paid to the Management Board in that financial year amounted to EUR 1,930 k (including pay-outs on multi-year remuneration elements). The correctness of the calculation of the pay-out amounts for the multi-year variable remuneration elements was confirmed by an independent remuneration expert.

Remuneration for the members of the Management Board for financial years 2014 and 2015

The remuneration of individual Management Board members is presented based on model tables pursuant to the German Corporate Governance Code as amended on May 5, 2015.

The table "benefits granted" shows the fixed remuneration and the target values of the variable remuneration elements granted in the respective business year as well as hypothetical minimum and maximum amounts of a future payout of the variable remuneration elements. 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 2015" occur at the same time.

in EUR k

Benefits granted	Olivier Elamine				Alexander Dexne			
	CEO				CFO			
	2014	2015	2015 (Min)	2015 (Max)[10]	2014	2015	2015 (Min)	2015 (Max)[10]
Total amount of fixed compensation and ancillary benefits	**454**	**450**	**450**	**450**	**369**	**380**	**380**	**380**
Fixed compensation[1]	440	440	440	440	360	360	360	360
Ancillary benefits[2]	11	10	10	10	9	20	20	20
Total amount of one-year variable compensation	**173**	**173**	**0**	**312**	**142**	**142**	**0**	**255**
One-year variable compensation (STI 2014)	173[3]	-	-	-	142[3]	-	-	-
One-year variable compensation (STI 2015)	-	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 2014 (1 plus 2 years)	58[5]	-	-	-	47[5]	-	-	-
STI 2015 (1 plus 2 years)	-	58[5]	0	260[6]	-	47[5]	0	213[6]
LTI 2014 (4 years)	440[7]	-	-	-	360[7]	-	-	-
LTI 2015 (4 years)	-	440[7]	0	1,980[8]	-	360[7]	0	1,620[8]
Total amount of fixed and variable compensation	**1,125**	**1,121**	**450**	**3,002**	**918**	**929**	**380**	**2,468**
Service costs[9]	85	84	84	84	58	58	58	58
Total	**1,210**	**1,205**	**534**	**3,086**	**976**	**987**	**438**	**2,526**

1) Annual base salary according to service contracts.
2) Includes benefits for company car.
3) 75% of the STI target value for the respective financial year.
4) Maximum attainable pay-out amount for 75% of the STI after 1 year: (target value STI x 0.75 x 1.5 x 1.2).
5) 25% of the STI target value for the respective financial year.
6) Maximum attainable pay-out amount for 25% of the STI after 1 plus further 2 years: ((target value STI x 0.25 x 1.5 x 1.2) x 2.5).
7) LTI target value for the respective financial year.
8) Maximum attainable pay-out amount for the LTI after the holding period of 4 years: (1.5 x granted virtual shares x (2.5 x share price on grant date) x 1.2).
9) Includes benefits for insurance 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.

Conditions to attain maximum amounts for variable remuneration elements granted in 2015	
One-year variable compensation	**1.** Stand-alone alstria FFO 2015 = EUR 73,628 m (budgeted FFO of EUR 49.085 m is achieved by 150%)
and	**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
and	**2.** Relative TSR (TSR vs. EPRA) ≥ 25%, i.e. alstria overperforming EPRA/NA-REIT Europe Index Ex UK by 25%
and	**3.** Company share price increases by 250% (share price of EUR 10.97 on granting date --> share price of EUR 27.43 on payment date after 4 years)
and	**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 22.50 on payment date after 2 years)

The table “allocation/benefits paid out” shows the fixed remuneration and the amounts paid out in the respective business year as variable remuneration element.

in EUR k

Allocation/benefits paid out	Olivier Elamine CEO		Alexander Dexne CFO	
	2015	2014	2015	2014
Total amount of fixed compensation and ancillary benefits	**450**	**454**	**380**	**369**
Fixed compensation1)	440	440	360	360
Ancillary benefits2)	10	14	20	9
Total amount of one-year variable compensation	**177**	**170**	**145**	**139**
One-year variable compensation (STI 2013)3)	-	170	-	139
One-year variable compensation (STI 2014)3)	177	-	145	-
Total amount of multi-year variable compensation	**350**	**911**	**286**	**745**
STI 2011 (1 plus 2 years)4)	-	75	-	61
STI 2012 (1 plus 2 years)4)	86	-	70	-
LTI 2011 (4 years)5)	264	-	216	-
LTI 2010 (4 years) 5)	-	836	-	684
Other	0	0	0	0
Total amount of fixed and variable compensation	**977**	**1,535**	**811**	**1,253**
Service cost6)	84	85	58	58
Total	**1,061**	**1,620**	**869**	**1,311**

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.

In 2015, the LTI 2011 was paid out. Over the four-year holding period, the Absolute Total Shareholder Return of the alstria share was 5.8% *per annum,* and the average Relative Total Shareholder Return of the alstria share was -10.9% *per annum*. The threshold for the performance target of the Relative Total Shareholder Return was missed. As a result, a total of approximately 48% of the virtual shares vested leading to a final LTI payout amounting to approximately 60% of the target value for the LTI 2011.

In 2014, the LTI 2010 was paid out. Over the four-year holding period, the Absolute Total Shareholder Return of the alstria share was 11.1% *per annum*, and the performance target Absolute Total Shareholder Return was capped at 150%. The average Relative Total Shareholder Return of the alstria share was 1.2% *per annum*. As a result, a total of approximately 135% of the virtual shares vested leading to a final LTI payout amounting to approximately 190% of the target value for the LTI 2010.

3. OTHER MANDATORY DISCLOSURES

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-month 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 will remain entitled to their remuneration claims during the remaining term of the service contract. These are, however, capped at a value of two years' worth of remuneration. If the appointment is terminated due to the board member's death, the benefits to be paid by the Company amount to the fixed salary for the month in which the member died in addition to an equal payment for the following three months. The incentive payment for this period shall be paid *pro rata* up to and including the month of death. The Management Board contracts do not include any change of control clauses.

No individual member of the Management Board was granted or rendered any benefits by third parties with regard to Management Board's work in the financial year 2015.

REMUNERATION OF THE SUPERVISORY BOARD MEMBERS

1. Structure of the Supervisory Board Remuneration

On May 6, 2015, the Annual General Meeting of the company resolved upon a slight modification of the Supervisory Board remuneration. Before that, the Supervisory Board remuneration had not been changed since 2007. As of January 1, 2015, the members of the Supervisory Board each receive an annual fixed remuneration of an amount of EUR 42 k (formerly EUR 40 k). The Chairman of the Supervisory Board receives an additional annual amount of EUR 21 k (formerly EUR 20 k), the Vice-Chairman receives an additional amount of EUR 10.5 k (formerly EUR 10 k). Membership in the audit committee entitles the member to an additional remuneration of EUR 10 k, wheras the chair of the audit committee receives EUR 15 k per year. Membership in the nomination and remuneration committee as well as the investment committee entitles the member to an additional annual remuneration of EUR 5 k. The chairmen of these committees are compensated with another EUR 2.5 k per year. Members who sit on the Supervisory Board for only part of a year receive a remuneration *pro rata temporis*.

2. Remuneration of the Supervisory Board in the Financial Year 2015

The total remuneration for the Supervisory Board members in 2015 amounted to EUR 353 k. The remuneration for the individual Supervisory Board members for the financial years 2015 and 2014 is as follows:

in EUR k

Supervisory Board member	Function on the Supervisory Board	Function on the Committees[1] in 2015	Remuneration for 2015	Remuneration for 2014
Alexander Stuhlmann	Chairman	B (ch), C[2]	75.08	60.00
Hermann Dambach	Vice Chairman[2]	C[2]	9.92	-
Dr Johannes Conradi	Vice Chairman[2]	A, B	65.63	60.00
Benoît Hérault	Member	A[2], C	47.85	40.00
Roger Lee	member[2]	A[2]	42.74	50.00
Richard Mully	member	B, C (ch)	54.50	40.00
Marianne Voigt	member	A (ch)	57.00	55.00
Total			**352.72**	**305.00**

[1] A= audit committee, B=nomination and remuneration committee, C= investment committee, ch=chair.
[2] Temporarily.

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, 2015, 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, 62.48% 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 3,357,957 k which equals to 87.21% 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 435 k and therefore 0.01%.
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 2015, the entire sales revenues of the Group plus other earnings from immovable assets amounted to EUR 125.8 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 149 k in the financial year 2015. This equals 0.12% of total revenue plus other earnings from immovable assets.

5. In the financial year 2015, a dividend payment of EUR 43,470 k for the prior financial year was distributed to the shareholders. The financial year 2014 resulted in a net income amounted to EUR 3,380 k 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 2011, the Group has realised 14.64% 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 1,657.7 m. This equals to 49.37% of the value of the immovable assets which are shown in the consolidated financial statements in conformance with Section 12 paragraph 1 REIT Act.

Hamburg, March 18, 2016

alstria office REIT-AG

The Management Board

Olivier Elamine	**Alexander Dexne**
CEO	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, 2015, 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, 2015 (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, 2015 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, 2015 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, 2015 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, March 18, 2018

Deloitte & Touche GmbH

Wirtschaftsprüfungsgesellschaft

(Seal)

Signed: Reiher	Signed: Deutsch
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

OTHER INFORMATION

FINANCIAL CALENDAR

Events 2016	
May 10	Publication of Q1 Interim report
August 9	Publication of Q2 Half-year interim report
November 8	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).

Contact Investor Relations

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