alstria

Annual Report

IFRS financial statements

2020

KEY FIGURES

FIVE-YEAR OVERVIEW

Revenues and earnings	2020	2019	2018	2017	2016
EUR k					
Revenues	177,063	187,467	193,193	193,680	202,663
Net rental income	154,823	162,904	169,068	172,911	179,014
Consolidated profit for the period	168,489	581,221	527,414	296,987	176,872
FFO[1]	108,673	112,572	114,730	113,834	116,410
Earnings per share (EUR)[1]	0.95	3.27	3.02	1.94	1.16
FFO per share (EUR)[1]	0.61	0.63	0.65	0.74	0.76

[1] Excluding minorities.

Balance sheet	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
EUR k					
Investment property	4,556,181	4,438,597	3,938,864	3,331,858	2,999,099
Total assets	5,090,249	5,029,328	4,181,252	3,584,069	3,382,633
Equity	3,252,442	3,175,555	2,684,087	1,954,660	1,728,438
Liabilities	1,837,806	1,853,773	1,497,165	1,629,409	1,654,195
Net asset value (NAV) per share (EUR)	18.29	17.88	15.13	12.70	11.28
Net loan-to-value (Net LTV, %)	27.0	27.1	30.4	40.0	40.9

G-REIT figures	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
G-REIT equity ratio (%)	71.1	70.9	67.2	57.1	56.7
Revenues including other income from investment properties (%)	100	100	100	100	100

EPRA figures[1]	2020	2019	2018	2017	2016
EPRA earnings per share (EUR)	0.61	0.61	0.62	0.68	0.57
EPRA cost ratio A (%)[2]	26.6	26.1	23.0	19.6	20.6
EPRA cost ratio B (%)[3]	22.1	21.7	19.0	16.4	16.6

	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
EPRA NRV per share (EUR)	20.13	19.67	n/a	n/a	n/a
EPRA NTA per share (EUR)	18.34	17.91	15.14	12.71	11.31
EPRA NDV per share (EUR)	17.95	17.61	14.96	12.45	10.81
EPRA net initial yield (%)	3.3	3.3	4.0	4.6	5.0
EPRA ‘topped-up’ net initial yield (%)	3.7	3.8	4.4	5.0	5.4
EPRA vacancy rate (%)	7.6	8.1	9.7	9.4	9.2

[1] For further information, please refer to EPRA Best Practices Recommendations, www.epra.com.

[2] Including vacancy costs.

[3] Excluding vacancy costs.

CONTENT

DETAIL INDEX COMBINED MANAGEMENT REPORT

A. COMBINED MANAGEMENT REPORT

I. ECONOMICS AND STRATEGY

1. STRATEGY

alstria office REIT-AG (alstria) (herein referred to as the “Company”, or “alstria AG”) is a German stock corporation in the legal form of a Real Estate Investment Trust (REIT) that invests in office real estate in major German economic centers. The Company has been listed on the Frankfurt Stock Exchange since 2007 (WKN: A0LD2U). As of December 31, 2020, the alstria group consisted of the parent company alstria AG and 44 direct and indirect subsidiaries (hereinafter “alstria” or the “Group”). The parent company makes operational decisions. As of December 31, 2020, alstria’s real estate portfolio comprised 109 buildings, with a lettable area of 1.4 million m² and a total value of EUR 4.6 billion. The properties are predominantly located in the major German office markets of Hamburg, Düsseldorf, Frankfurt, Stuttgart, and Berlin, where alstria is represented by local and operating offices and which alstria defines as its core market. As a fully integrated and long-term oriented company, alstria’s 167 employees actively manage the buildings over their entire life cycle.

alstria’s corporate strategy is based on the following principles:

- Access to capital through the stock exchange listing and a comprehensive operational knowledge based on an integrated business model are fundamental success factors for alstria.
- By concentrating the real estate portfolio on the major German office markets and focusing on solvent tenants, alstria generates income that forms the basis for the distribution of stable dividends in the long term.
- Continuous investments in the quality of the real estate portfolio secure and increase rental income and property values and improve the energy efficiency of the portfolio.
- Depending on the assessment of the market situation, properties are bought or sold. The goal here is risk-adjusted corporate growth and a continuous improvement in the risk-return situation of the portfolio.
- Low debt financing and a strong balance sheet are of great importance for the long-term stability of a real estate company. It is a declared corporate goal to keep the company’s debt level below 35 % over a complete real estate cycle.

2. CORPORATE MANAGEMENT

alstria proactively controls based on the following key financial performance indicators: revenues and FFO. Revenues mainly comprise rental income derived from the Company's leasing activities. FFO is the funds from operations and is derived from real estate management. It excludes valuation effects and other adjustments, such as noncash expenses / income, gain on disposal and expected nonrecurring effects.*

For 2020, alstria's original revenue and FFO forecasts remained stable. Due to sales of nonstrategic assets and the related lower revenues, revenues for the 2020 financial year were above EUR 177 million, which is slightly below the forecast of EUR 179 million. The FFO totaled approx. EUR 109 million in the reporting year and thus is slightly above the forecast of EUR 108 million.

The Company also monitors the progress of its Net LTV**, G-REIT equity ratio***, net-debt**** / EBITDA, and cash (cash and cash equivalents). For the internal control of the Company, in each case these are not classified as the most relevant performance indicators. alstria's Net LTV was 27.0 % as of December 31, 2020, compared to 27.1 % at the end of the 2019 financial year. The G-REIT equity ratio was 71.1 %, compared to 70.9 % in the previous year and the minimum statutory rate of 45 %. The net-debt / EBITDA was 8.7 as of December 31, 2020, compared to 8.5 as of December 31, 2019.

The management at the level of the Company primarily focuses on the total operating performance. alstria AG strives stable results with low volatility.

3. ECONOMY AND OFFICE MARKETS

3.1. Economic development

The overall economic development already showed signs of an economic slowdown in the first quarter of 2020, but with the harsh lockdown measures in the wake of the COVID-19 pandemic, there was an outright economic collapse. Due to the global decline in economic output, German exports and domestic consumption suffered in particular. On the other hand, significantly rising government spending and unchanged high construction activity had a stabilizing effect. Nevertheless, according to the German federal government, Germany's gross domestic product fell by 5 %***** in 2020, the sharpest decline since German reunification. The unemployment rate rose to 5,9 % (previous year: 5 %)***** due to the economic downturn in 2020. The fact that the increase was not greater is primarily due to the proven instrument of short-time work. At present, the leading indicators***** point to a recovery of the economy in 2021, although the further course of the pandemic will also bring strong uncertainty for the coming months.

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* For further details, please refer to page 13f.

** Net-debt / fair value of immovable assets (deducted by interests in joint ventures).

*** Total equity divided by the carrying amount for immovable assets. The minimum requirement according to G-REIT regulations is 45 %.

**** Total debt deducted by cash positions and short-term financial assets.

***** Annual Economic Report 2021 from the Federal Ministry of Economics and Energy.

3.2. Office markets*

3.2.1. Vacancy slightly up, rents stable

The economic development of an economic area has a direct influence on the corresponding office property market because economic activity, and the resulting increase or decrease in employment, usually has a direct effect on the demand for office space. The sudden outbreak of the COVID-19 pandemic in Germany brought leasing activity to a standstill for large parts of the year, causing office take-up to slump by 31.9 % to 2,588,100 m² year-on-year according to the major commercial brokerage houses ("Big 7" cities: Berlin, Düsseldorf, Frankfurt am Main, Hamburg, Cologne, Munich, and Stuttgart). No sustained recovery was observed here by the end of 2020, as a result of which the average vacancy rate in the "Big 7" rose to 4.0 % (previous year: 3.5 %) over the course of the year. Average rents in the "Big 7" cities, on the other hand, were largely stable. Berlin reached the highest average rent for office space at EUR 28.36/m² (previous year: EUR 26.35/m²), followed by Frankfurt at EUR 23.07/m² (previous year: EUR 21.00/m²), Munich at EUR 21.46/m² (previous year: EUR 20.06/m²), Hamburg at EUR 17.40/m² (previous year: EUR 17.50/m²), Stuttgart at EUR 16.50/m² (previous year: EUR 16.60/m²), Cologne at EUR 15.90/m² (previous year: EUR 15.20/m²), and Düsseldorf at EUR 15.77/m² (previous year: EUR 16.77/m²).

3.2.2. Declining transaction volumes, prices continue an upward trend

The uncertainty regarding the economic consequences of the COVID-19 pandemic also affected the transaction markets. While the first quarter of 2020 was still characterized by record-high transaction volumes in the German office property sector, the rest of the year saw a significant slump, with a recovery trend toward the end of the year.** Over 2020 as a whole, the transaction volume in the "Big 7" cities was EUR 26.5 billion (Berlin: EUR 7.1 million, Frankfurt: EUR 5.5 million, Hamburg: EUR 4.6 million, Munich: EUR 4.2 million, Düsseldorf: EUR 3.0 million, Cologne: EUR 1.1 million, Stuttgart: EUR 1.0 million) and thus 31.7 % below the corresponding previous year‘s level. Despite the weak economic environment, prices for office properties in Germany remained at a high level. The further expansion of the ECB‘s expansive monetary policy in the wake of the COVID-19 pandemic and the associated search for profitable investment opportunities continued to channel liquidity into the real estate markets. In 2020, investors focused more than ever on well-located properties with long-term leases from solvent tenants. Accordingly, prices continued to rise in this segment in particular.

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

** Colliers International Deutschland GmbH, BNP Paribas Real Estate, CBRE GmbH and Jones Lang LaSalle.

4. PORTFOLIO ANALYSIS

4.1. Key metrics of the portfolio and investment locations

alstria owns, manages, and develops office buildings with a total lettable area of 1.4 million m². At the end of 2020, 90.4 % of this was office and storage space and 9.6 % other types of use (retail, hotel, and other). By focusing on the large and liquid German office markets, from the Management Board's perspective, alstria benefits from the fundamental strength of the German economy as a whole and can efficiently manage substantial sub-portfolios from its local offices. Rather than large buildings, alstria typically prefers smaller properties that are geographically close to each other. alstria's management believes that such a portfolio design allows the company to spread the operational risk over a larger number of buildings and thus reduce the overall risk of the real estate portfolio. The buildings in the alstria portfolio have an average lettable area of 13,100 m² and an average market value of EUR 42.0 million.

Key metrics	Dec. 31, 2020	Dec. 31, 2019
Number of properties	109	116
Market value (EUR bn)[1)]	4.6	4.5
Annual contractual rent (EUR m)	199.1	208.3
Valuation yield (%, annual contractual rent / market value)	4.4	4.7
Lettable area (m²)	1,427,800	1,509,200
EPRA vacancy rate (%)	7.6	8.1
WAULT (weighted average unexpired lease term in years)	6.1	6.3
Average value per m² (EUR)	3,205	2,966
Average rent/m² (EUR / month)[2)]	12.93	12.62

[1)] Including fair value of owner-occupied properties.

[2)] Average rent for the office space.

Total portfolio by region (% of market value)	Dec. 31, 2020	Dec. 31, 2019	Change (pp)
Hamburg	33	32	1
Düsseldorf	27	28	−1
Frankfurt	20	19	1
Stuttgart	12	12	0
Berlin	8	7	1
Others	0	2	−2

4.2. Tenants and leases

Public tenants and large national and international companies, in particular, characterize alstria's tenant structure. The following table shows the ten largest tenants as of December 31, 2020:

alstria's main tenants (% of annual rent)	Dec. 31, 2020	Dec. 31, 2019	Change (pp)
Daimler AG	12	11	1
City of Hamburg	12	11	1
Bundesanstalt für Immobilienaufgaben	5	4	1
City of Frankfurt	3	2	1
GMG Generalmietgesellschaft	2	4	–2
HOCHTIEF Aktiengesellschaft	2	3	–1
Commerzbank Aktiengesellschaft	2	2	0
Hamburger Hochbahn AG	2	2	0
Residenz am Dom gem. Betriebsgesellschaft mbH	1	2	–1
Württembergische Lebensversicherung AG	1	1	0
Others	58	58	0

Due to the COVID-19 pandemic and the uncertainty about further economic development, the letting market was in a weak state in 2020. Across the sector, the letting volume in the German office markets was significantly below the corresponding level of the previous year; alstria was not able to escape this trend. With new leases/renewals of leases with a total area of 119.500 m^2, alstria's letting volume was also significantly below the level of the previous year. However, it should also be taken into account that alstria was able to realize a very high letting volume in the previous year with the conclusion of large-volume and long-term leases, particularly in the development properties, and correspondingly, less space was available for new letting in 2020.

Letting metrics (m^2)	2020	2019	Change
New leases	62,000	197,600	–135,600
Renewals of leases	57,500[1)]	171,300	–113,800
Total	**119,500**	**368,900**	**–249,400**

[1)] Option drawings of existing tenants are included.

The following leases were the main contributors to the new letting volume:

Asset	City	Leased area (m²)	Net rent / m² (EUR)	Net rent p.a. (EUR k)[1]	Lease length (years)	Rent free (%)[2]
Bamlerstr. 1-5	Essen	3,100	11.50	500	10.5	5.6
Gasstr. 18	Hamburg	6,100	15.90	1,200	10.0	0.0
Berliner Str. 91–101	Ratingen	9,200	10.20	1,400	6.9	7.2
Heidenkampsweg 99–101	Hamburg	5,000	15.05	1,000	10.0	3.3
Maarweg 165	Cologne	2,000	11.46	280	15.0	3.3
Holzhauser Str. 175–177	Berlin	1,600	10.36	200	5.0	1.7
Corneliusstr. 36	Dusseldorf	2,500	6.00	160	0.7	0.0

[1] Rounded to one hundred thousand Euros.

[2] In % of lease length.

Commercial leases usually have a limited term agreed in the respective lease. The following table summarizes the share of expiring leases as a share of the total portfolio over the next three years:

Lease expiry profile (% of annual rent)	Dec. 31, 2020	Dec. 31, 2019	Change (pp)
2021	9.2	12.7	–3.5
2022	11.3	11.0	0.3
2023	10.3	9.8	0.5

4.3. Capital expenditure into the existing portfolio

In 2020, EUR 145 million was invested in the existing portfolio. The largest part of this amount, EUR 56 million, was invested in development projects, which significantly improved the quality of the spaces to achieve higher rents for new leases. The development capex increased significantly in 2020 because alstria currently sees the best return opportunities here. The buildings to be modernized originate from the investment portfolio and will be transferred back to it after successful completion. The current development portfolio comprises nine projects with a total lettable area of 176,000 m².

Project	Lettable area (m²)	Status	Estimated completion
Besenbinderhof 41, Hamburg	5,000	Under construction	Q3 2021
Carl-Reiss-Platz 1-5, Mannheim	11,800	Under construction	Q2 2022
Deutsche Telekom Allee 7, Darmstadt	22,200	In planning	n/a
Deutsche Telekom Allee 9, Darmstadt	60,700	In planning	n/a
Gartenstr. 2, Düsseldorf	4,800	In planning	n/a
Gustav-Nachtigal-Str. 3+5, Wiesbaden	26,000	Under construction	Q3 2022
Handwerstr. 4 / Breitwiesenstr. 27, Stuttgart	5,700	In planning	n/a
Rotebühlstr. 98-100, Stuttgart	8,900	Under construction	Q3 2021
Solmsstr. 27-37, Frankfurt	30,900	Under construction	Q3 2021
Total	**176,000**		

4.4. Transactions

alstria's investment decisions are based on both analyses of local markets and individual inspections of each asset. The latter focuses on the attributes of location, size, and quality (relative to those of direct competitors' assets) as well as the long-term potential for value growth. alstria's strategy is aimed at both establishing a lucrative portfolio size at the respective locations and retracting from markets that do not adhere to alstria's core investment focus ("Big 7" office markets in Germany). In 2020 alstria used the high demand for German office properties to divest weaker assets in the portfolio. These were mainly located in the periphery of the core markets (non-office markets outside of the "Big 7" cities). Sales proceeds were primarily used for the financing of modernization measures in the portfolio. The reallocation of the invested capital should enable to continuously improve the risk/return profile of the portfolio.

Disposals

Asset	City	Disposal price (EUR k)	Gain to book value (EUR k)[1), 2)]	Signing SPA	Transfer of benefits and burdens
Werner-von-Siemens-Platz 1	Hanover	16,680	-700	Dec. 13, 2019	Mar. 31, 2020
Balgebrückstr. 13	Bremen	2,900	-800	Dec. 19, 2020	Feb. 29, 2020
Earl-Baaken-Platz 1	Meerbusch	20,700	525	Jan. 29, 2020	May 1, 2020
Josef-Wulff-Str. 75	Recklinghausen	32,500	4,800	Jan. 30, 2020	Mar. 12, 2020
D2 Park 5	Ratingen	9,400	180	Feb. 12, 2020	Mar. 31, 2020
Kurze Str. 40	Filderstadt	8,300	275	Sept. 3, 2020	Sept. 30, 2020
Arndtstr. 1	Hanover	33,330	3,785	Sept. 17, 2020	Nov. 30, 2020
Essener Str. 97	Hamburg	2,700	480	Sept. 17, 2020	Oct. 31, 2020
Total Disposals		**126,510**	**8,545**		

1) Different from the position "Net result from the disposal of investment property" in the income statement. This position only contains contracts which were signed in 2020 financial year and their transaction costs as well as capitalizations during the year which were booked until the time of disposal.

2) Rounded to the nearest five thousand Euros.

Acquisitions

Asset	City	Acquisition price (EUR k)[1]	Signing SPA	Transfer of benefits and burdens
Corneliusstr. 36	Düsseldorf	7,000	Nov. 12, 2020	Dec. 24, 2020
Hanauer Landstr.161-173	Frankfurt	30,300	Dec. 17, 2020	March 1, 2021[2]
Total Acquisitions		**37,300**		

[1] Excluding transaction costs.

[2] Expected.

4.5. Portfolio valuation

An external valuer (Savills Advisory Services Germany GmbH & Co. KG) valued alstria's entire real estate portfolio at fair market value as of December 31, 2020 in accordance with the requirements of IAS 40 in connection with IFRS 13. For the entire portfolio, the 2020 valuation resulted in an appreciation of EUR 61.5 million (after deduction of capex and acquisitions). Based on the determined market value as of December 31, 2020, there is an average value of EUR 3,200 per m^2 and a yield, based on the ratio of contractual rent to the market value, of 4.4 % in the total portfolio.

II. FINANCIAL ANALYSIS

1. EARNINGS POSITION

EUR k	2020	2019
Revenues	177,063	187,467
Net rental income	154,823	162,904
Administrative and personnel expenses	–27,028	–27,986
Other operating result	2,486	955
Operating income	**130,281**	**135,873**
Net result from fair value adjustments to investment property	61,522	454,767
Net result from disposal of investment property	8,340	17,350
Net operating result	**200,143**	**607,990**

1.1. Net operating result

alstria closed the 2020 financial year with a net operating result (before financing costs and taxes) of EUR 200,143 k, compared to EUR 607,990 k for the previous year.

Compared to the previous year, alstria had a significantly lower result from fair value adjustments to investment properties.

1.2. Revenues

In the reporting period, revenues totaled EUR 177,063 k (compared to EUR 187,467 k in 2019). This corresponds to a decrease of 5.5 % or EUR 10,404 k. The decrease mainly resulted from the disposal of investment properties as well as lease expiries in 2020.

1.3. Real estate operating expenses

Real estate operating expenses consist of recoverable and non-recoverable operating costs and amounted to EUR 60,607 k (compared to EUR 61,601 k in 2019). The expense ratio of non-recoverable operating costs increased from 13.3 % in 2019 to 13.8 % in 2020. Thus, the Group's net rental income decreased by EUR 8,081 k to EUR 154,823 k (compared to EUR 162,904 k in 2019).

1.4. Administrative and personnel expenses

Administrative expenses decreased by EUR 1,085 k to EUR 8,460 k (compared to EUR 9,545 k in 2019), which was mainly due to lower legal and consulting fees and travel expenses. Personnel expenses were EUR 18,568 k for the reporting period and, therefore, EUR 127 k higher than in 2019 (compared to EUR 18,441 k in 2019). The slight increase was mostly a result of an increase in salaries by EUR 837 k to EUR 10,539 k due to an increased number of employees (the annual average number of employees was 166 in 2020 compared to 156 in the previous year). This was mainly compensated — due to the lower stock price of alstria — by the decrease of the remuneration for virtual shares and stock options by EUR 895 k to EUR 1,240 k in 2020 (compared to EUR 2,135 k in 2019). Thus, overall personnel expenses were only slightly higher than in the previous year. Total administrative and personnel expenditures were approx. 15.3 % of total revenue and 0.6 % of the market value of the portfolio (compared to 14.9 % and 0.6 % in 2019, respectively).

1.5. Other operating result

alstria's other operating results amounted to EUR 2,486 k during the reporting period (compared to EUR 955 k in 2019). A decrease in income of EUR 11,556 k mainly resulted from EUR 11,090 k less income from the release of accrued liabilities. This primarily concerned the release of accrued liabilities in real estate transfer tax obligations of EUR 10,483 k. A EUR 13,087 k decrease in expenses was mainly driven by less expenses for the valuation of limited partner capital (EUR 8,488 k in 2019), as well as taking into account a potential increase in cash compensation for former minority shareholders of EUR 5,183 k in 2019.

1.6. Net result from fair value adjustments to investment property

In the 2020 financial year, the net result from fair value adjustments to investment property was EUR 61,522 k (compared to EUR 454,767 k in 2019). The total of the increases in value amounted to EUR 218,686 k (compared to EUR 474,031 k in 2019), while the total of the decrease in value amounted to EUR 157,164 k (compared to EUR 19,264 k in 2019). Different value developments are recorded on asset level. While assets in prime locations with long-term leases show valuation gains, assets in peripheral locations suffer from a decrease in prices due to less demand.

1.7. Net result from the disposal of investment property

In 2020, alstria was able to achieve a positive result of EUR 8,340 k from the disposal of investment properties (compared to EUR 17,350 k in 2019). The realized disposal gains mainly resulted from the sale of the Josef-Wulff-Strasse asset in Recklinghausen and the Arndtstrasse asset in Hanover.

1.8. Net financial result

EUR k	2020	2019
Interest expenses, corporate bonds	−27,269	−21,960
Interest expenses, other loans	−2,321	−2,376
Interest result Schuldschein	−2,190	−2,577
Other interest expenses	−228	−8
Financial expenses	**−32,008**	**−26,921**
Income from financial instruments	533	575
Other financial expenses	−357	−1,114
Net financial result	**−31,832**	**−27,460**

Financial expenses decreased by EUR 5,087 k to EUR 32,008 k due to higher interest expenses for corporate bonds.

The net financial result for the year increased by EUR 4,372 k to EUR 31,832 k, as compared to the prior year.

For details on the new loans, refer to the 'Noncurrent and current financial liabilities' section starting on page 16.

1.9. Share of the result of companies accounted for at equity

In 2020, alstria's share of the result of companies accounted for at equity was EUR −9 k (compared to EUR −170 k in 2019).

1.10. Net result from fair value adjustments to financial derivatives

To minimize the impact of interest-rate volatility on profits and losses, alstria uses financial derivatives to hedge on floating-interest-rate loans. Because the amount of variable-rate bank loans was reduced in favor of fixed-rate bonds, only one interest-rate cap exists anymore, with the nominal amount of EUR 44,168 k.

The net result from fair value adjustments on these financial derivatives amounted to EUR 0 k in 2020 (with no change from 2019).

Further details can be found in Section 6.5 of the consolidated financial statements.

1.11. Consolidated profit

The consolidated profit amounted to EUR 168,489 k (compared to EUR 581,221 k in 2019) in the reporting period; hence, it decreased by EUR 412,732 k. The main driver of this decrease is the decrease of the net result from fair value adjustments on investment properties by EUR 393,245 k to EUR 61,522 k. Undiluted earnings per share amounted to EUR 0.95 for the reporting period (compared to EUR 3.27 in 2019).

REITs are fully exempt from German corporate income tax and trade tax. However, tax obligations can arise to a minor extent for REIT subsidiaries.

1.12. Funds from operations (FFO)

The economic lockdown due to the COVID-19 pandemic had only a minor impact on alstria's earnings position in 2020. In line with the legal framework, smaller tenants in particular were exercising their right to rent deferral. For very small tenants, who were particularly hard hit by the severe lockdown, alstria declared a temporary rent waiver to enable these tenants to survive economically. Despite these negative influences, alstria's earnings position developed according to plan. Due to the property sales and a corresponding reduction in rental space, net rental income fell by EUR 8.1 million to EUR 154.8 million during 2020. Value adjustments on rent receivables amounted to EUR 1,371 k.

FFO after minority interests amounted to EUR 108.7 million, very close to the forecast figure of EUR 108.0 million. The decrease of EUR 3.9 million compared to the corresponding period of the previous year is directly related to the reduced rental income but was largely offset by lower real estate operating expenses and lower financing costs. The FFO margin rose accordingly to 61.4 % in 2020, 140 basis points above the corresponding period of the previous year. Consolidated net income reached EUR 168.5 million (2019: EUR 581.2 million) and was significantly influenced by the net rental income as well as the valuation result of the real estate portfolio. The adjustments between the income figures in the income statement and FFO are shown in the table on page 14. By eliminating noncash, nonrecurring and nonoperating earnings items, FFO gives a clear picture of the company's operating performance. The most significant adjustments relate to the valuation result (noncash), the net financial result and the gain on disposal (nonrecurring) as well as the other operating income and the administrative expenses. The adjustments in the net financial result mainly relate to the amount of EUR 6,674 k to the interest expense for bond #1, which was due at the beginning of 2021 and was already refinanced by the issue of bond #4 in September 2019, thus no longer serving the operating business. Furthermore, the interest expense of EUR 5,379 k for bond #5, which was incurred toward the end of the second quarter of 2020, were adjusted in the net financial result, as the liquidity inflow is intended for future investments in the portfolio. The adjustments in the operating income relate to the compensation payments by tenants in the amount of EUR 1,961 k. Moreover, depreciation and impairment of fixed and intangible assets in the amount of EUR 1,110 k has been eliminated out of the administrative expenses.

EUR k[1]	IFRS P&L	Adjustments	FFO 2020	FFO 2019
Revenues	177,063	–	177,063	187,467
Revenues from service charge income	38,367	–	38,367	37,038
Real estate operating expenses	–60,607	–	–60,607	–61,601
Net rental income	**154,823**	**–**	**154,823**	**162,904**
Administrative expenses	–8,460	1,110	–7,350	–8,439
Personnel expenses	–18,568	668	–17,900	–15,897
Other operating income	4,629	–2,240	2,389	2,541
Other operating expenses	–2,143	337	–1,806	–1,406
Net result from fair value adjustments to investment property	61,522	–61,522	0	0
Net result from the disposal of investment property	8,340	–8,340	0	0
Net operating result	**200,143**	**–69,987**	**130,156**	**139,703**
Net financial result[2]	–31,832	12,228	–19,604	–24,129
Share of the result of companies accounted for at equity	–9	–	–9	–44
Pretax income	**168,302**	**–57,759**	**110,543**	**115,530**
Income tax expenses	187	–187	0	0
Consolidated profit	**168,489**	**–57,946**	**110,543**	**115,530**
Minority interests	–	–1,870	–1,870	–2,959
Consolidated profit / FFO (after minorities)[3]	**168,489**	**–59,816**	**108,673**	**112,571**
Number of outstanding shares (k)			177,793	177,593
FFO per share (EUR)			**0.61**	**0.63**

[1] Numbers may not sum up due to rounding.

[2] The operating financial result contains interest expenses for financial liabilities, which are used for the financing of the existing portfolio. The nonoperating financial result contains interest expenses for financial liabilities, which are not used for the financing of the existing portfolio. This concerns the interest expenses for already refinanced financial liabilities and financial liabilities, which are intended for future property investments.

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

2. FINANCIAL AND ASSET POSITION

2.1. Investment properties

The total value of investment properties as of December 31, 2020 was EUR 4,556,181 k, compared to EUR 4,438,597 k at the beginning of 2020. This increase in investment property value was mainly due to investments during the year of EUR 144,928 k, as well as the increase in value of the investment portfolio following the revaluation (EUR 61,522 k). A opposite effect resulted from the sale of six assets (EUR 96,650 k).

EUR k	
Investment property as of December 31, 2019	**4,438,597**
Investments	144,928
Acquisitions	7,000
Acquisition costs	784
Disposals	–96,650
Net loss / gain from fair value adjustments to investment property	61,522
Investment property as of December 31, 2020	4,556,181
Carrying amount of owner-occupied properties	16,910
Interests in joint ventures	1,021
Carrying amount of immovable assets	**4,574,112**
Fair value adjustments of owner-occupied properties	7,894
Fair value of immovable assets	**4,582,006**

2.2. Cash and cash equivalents

Cash and cash equivalents increased by EUR 162,741 k, from EUR 298,219 k to EUR 460,960 k, in the reporting period. A positive cash flow of EUR 103,231 k was generated from operating activities, which is close to the funds from operations (FFO). Financing activities have shown net cash outflows of EUR 112,164 k. The cash used for financing activities consists of the dividend payment of EUR 94,125 k and the cash flows from issuing and repayment of loans and bonds, resulting in net cash outflows of EUR –13,800 k. Investing activities amounted to cash inflows of EUR 171,674 k.

2.3. Equity

	Dec. 31, 2020	Dec. 31, 2019	Change
Equity (EUR k)	3,252,442	3,175,555	2.4 %
Number of outstanding shares (k)	177,793	177,593	0.1 %
Net asset value per share (EUR)	18.29	17.88	2.3 %
Equity ratio (%)	63.9	63.1	0.8 pp
G-REIT equity ratio (%)	71.1	70.9	0.2 pp

Compared to December 31, 2019, equity increased by EUR 76,887 k as of December 31, 2020. The period's profit contributed to a higher equity of EUR 168,489 k. On the other hand, dividend payments in October decreased the equity by EUR 94,125 k.*

* See also the consolidated statement of changes in equity on page 62.

2.4. Limited partnership capital noncontrolling interests

Liabilities due to minority interests represent the limited-partner capital of noncontrolling shareholders in the alstria office Prime Portfolio GmbH & Co. KG. In line with IFRS requirements, the share capital owned by minority shareholders in German partnerships is treated as a liability on the Company's balance sheet.

2.5. Noncurrent and current financial liabilities

alstria's financial management is carried out at the corporate level. Individual loans and corporate bonds are taken out at the property and the portfolio levels. alstria's main financial goal is to establish a sustainable long-term financial structure. Therefore, alstria diversifies its financing sources and strives for a balanced maturity profile to enable coordinated and constant refinancing (see following overview of the loan facilities and maturity profile of financial debt on page 17).

On May 6, 2020, a fixed-rate loan share of the Schuldschein was repaid with a notional amount of EUR 37,000 k.

On June 23, 2020, alstria issued its fifth unsecured, fixed-rate bond with a nominal value of EUR 350,000 k. The proceeds from the bond will serve for general corporate purposes, acquisition of real estate, and refinancing of existing debt.

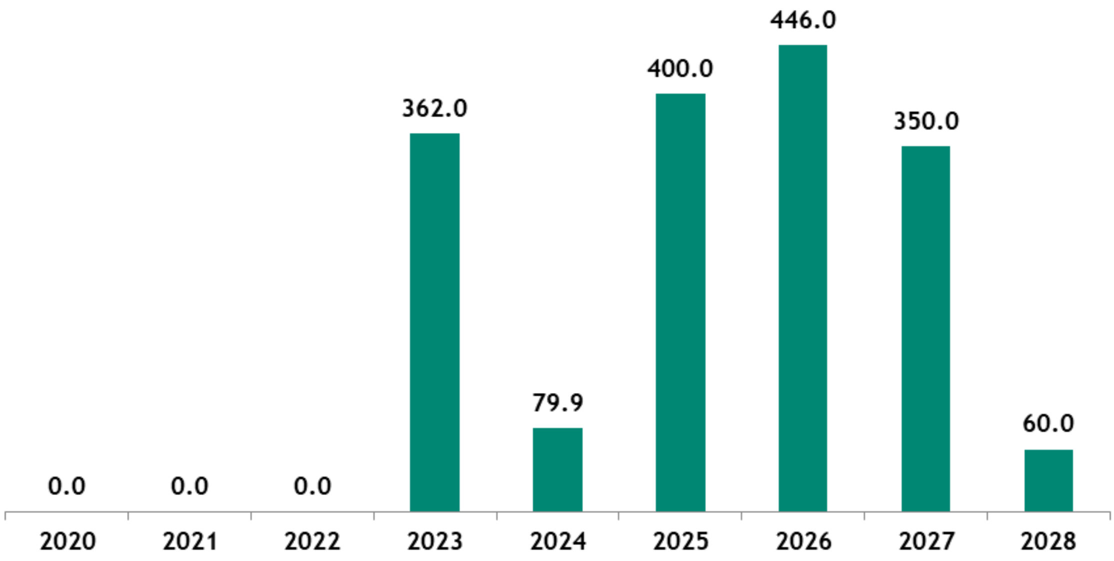
On December 28, 2020, the early in whole redemption of the EUR 500,000 k first unsecured, fixed-rate bond took place which was issued on November 24, 2015, was due in March 2021 and of which EUR 326,800 k were then outstanding.

The loan facilities in place as of December 31, 2020, are as follows:

Liabilities	Maturity	Principal amount drawn as of Dec. 31, 2020 (EUR k)	LTV as of Dec. 31, 2020 (%)	LTV covenant (%)	Principal amount drawn as of Dec. 31, 2019 (EUR k)
Loan #1	June 28, 2024	34,000	13.5	65.0	34,000
Loan #2	Mar. 28, 2024	45,900	29.0	75.0	45,900
Loan #3	June 30, 2026	56,000	26.7	65.0	56,000
Loan #4	Sept. 29, 2028	60,000	31.9	–	60,000
Total secured loans		**195,900**	**24.3**	–	**195,900**
Bond #1	Dec. 28, 2020	0	–	–	326,800
Bond #2	Apr. 12, 2023	325,000	–	–	325,000
Bond #3	Nov. 15, 2027	350,000	–	–	350,000
Bond #4	Sept. 26, 2025	400,000	–	–	400,000
Bond #5	Jun. 23, 2026	350,000	–	–	–
Schuldschein 10y/fixed	May 6, 2026	40,000	–	–	40,000
Schuldschein 7y/fixed	May 6, 2023	37,000	–	–	37,000
Schuldschein 4y/fixed	May 6, 2020	0	–	–	37,000
Revolving credit line	Sept. 15, 2022	0	–	–	0
Total unsecured loans		**1,502,000**	–	–	**1,515,800**
Total		**1,697,900**	**37.1**	–	**1,711,700**
Net LTV			**27.0**		

Cash cost of debt	Dec. 31, 2020			Dec. 31, 2019		
	Nominal amount (EUR k)	Ø cost of debt (%)	Ø maturity (years)	Nominal amount (EUR k)	Ø cost of debt (%)	Ø maturity (years)
Bank debt	195,900	1.0	5.3	195,900	1.1	6.3
Bonds	1,425,000	1.4	4.9	1,401,800	1.5	4.7
Schuldschein	77,000	2.5	4.0	114,000	2.2	3.5
Total	**1,697,900**	**1.4**	**4.9**	**1,711,700**	**1.5**	**4.8**

Maturity profile of financial debt[1] as of December 31, 2020 in EUR m



[1] Excluding regular amortization.

2.6. Compliance with and calculation of the Covenants, referring to § 11 of the Terms and Conditions*

In case of the incurrence of new Financial Indebtedness for purposes other than the refinancing of existing liabilities, alstria needs to comply with the following covenants:

- The ratio of Consolidated Net Financial Indebtedness to Total Assets will not exceed 60 %
- The ratio of Secured Consolidated Net Financial Indebtedness to Total Assets will not exceed 45 %
- The ratio of Unencumbered Assets to Unsecured Consolidated Net Financial Indebtedness will be more than 150 %

In the second quarter of 2020, alstria incurred further financial indebtedness in the amount of EUR 350,000 k primarily to refinance existing secured financial indebtedness in 2020 (for further information, please refer to the loan overview on page 17).

* The following section refers to the Terms and Conditions of the Fixed Rate Notes, as well as to the Terms and Conditions of the Schuldschein (for further information, please refer to www.alstria.com). Capitalized terms have the meanings defined in the Terms and Conditions.

EUR k	Dec. 31, 2020
Consolidated Net Financial Indebtedness as of the reporting date	1,234,714
Net Financial Indebtedness incurred since the reporting date	-
Sum Consolidated Net Financial Indebtedness	**1,234,714**
Total Assets as of the reporting date (less cash)	4,629,289
Purchase price of any Real Estate Property acquired or contracted for acquisition since the reporting date	30,300
Proceeds of any Financial Indebtedness incurred since the reporting date that were not used to acquire Real Estate Property or to reduce Financial Indebtedness	-
Sum Total Assets	**4,659,589**
Ratio of the Consolidated Net Financial Indebtedness over Total Assets (max. 60%)	**26%**

EUR k	Dec. 31, 2020
Secured Consolidated Net Financial Indebtedness as of the reporting date	142,518
Secured Net Financial Indebtedness incurred since the reporting date	-
Sum Secured Consolidated Net Financial Indebtedness	**142,518**
Total Assets as of the reporting date (less cash attributable to secured debt)	5,037,042
Purchase price of any Real Estate Property acquired or contracted for acquisition since the reporting date	30,300
Proceeds of any Financial Indebtedness incurred since the reporting date that were not used to acquire Real Estate Property or to reduce Financial Indebtedness	-
Sum Total Assets	**5,067,342**
Ratio of the Secured Consolidated Net Financial Indebtedness over Total Assets (max. 45%)	**3 %**

EUR k	Dec. 31, 2020
Value of Unencumbered Real Estate Property	3,628,866
Value of all other assets	112,697
Unencumbered Assets as of the reporting date	**3,741,563**
Net Unencumbered Assets recorded since the reporting date	30,300
Sum Unencumbered Assets	**3,771,863**
Unsecured Consolidated Net Financial Indebtedness as of the reporting date	1,092,196
Net Unsecured Financial Indebtedness incurred since the reporting date	-
Sum Unsecured Consolidated Net Financial Indebtedness	**1,092,196**
Ratio of Unencumbered Assets over Unsecured Consolidated Net Financial Indebtedness (min. 150%)	**345%**

Furthermore, alstria needs to maintain a ratio of the Consolidated Adjusted EBITDA over Net Cash Interest of no less than 1.80 to 1.00. The ratio should be calculated and published at every reporting date following the issuance of the bond or the Schuldschein, starting after the fifth reporting date.

EUR k	Cumulative 2020
Earnings Before Interest and Taxes (EBIT)	**200,134**
Net profit / loss from fair value adjustments to investment property	−61,522
Net profit / loss from fair value adjustments to financial derivatives	–
Profit / loss from the disposal of investment property	−8,340
Other adjustments[1)]	12,103
Fair value and other adjustments in joint venture	0
Consolidated Adjusted EBITDA	**142,375**
Cash interest and other financing charges	−31,850
One-off financing charges	–
Net Cash Interest	**−31,850**
Consolidated Coverage Ratio (min. 1.80 to 1.00)	**4.5**

1) Depreciation, amortization, and nonrecurring or exceptional items.

In the 2020 financial year no covenants under the loan agreements and / or the terms and conditions of the bonds and Schuldschein have been breached. The breach of a covenant would lead to liquidity outflow.

2.7. Current liabilities

Current liabilities amounted to EUR 71,555 k (December 31, 2019: EUR 109,431 k) and mainly consisted of short-term loan obligations of EUR 10,325 k (December 31, 2019: EUR 50,590 k) and of limited partnership capital noncontrolling interests of EUR 15 k (December 31, 2019: EUR 24 k). Another EUR 4,780 k of this total was attributable to income tax obligations (December 31, 2019: EUR 5,793 k) that arose at the level of the consolidated alstria office Prime companies. Moreover, current liabilities include trade payables (December 31, 2020: EUR 3,943 k; December 31, 2019: EUR 4,611 k) and other current liabilities (December 31, 2020: EUR 49,948 k; December 31, 2019: EUR 45,451 k). The other current liabilities include value-added tax liabilities (December 31, 2020: EUR 3,359 k; December 31, 20219: EUR 1,535 k), as well as received advance rent payments (December 31, 2020: EUR 3,293 k; December 31, 20219: EUR 692 k). Furthermore, the other current financial liabilities consisted of provisions for outstanding invoices (December 31, 2020: EUR 21,109 k; December 31, 2019: EUR 22,328 k) and tenants' deposits (December 31, 2020: EUR 8,800 k; December 31, 2019: EUR 7,280 k).

3. OVERALL ASSESSMENT OF THE FINANCIAL YEAR BY THE MANAGEMENT BOARD

Even though the economic restrictions due to the COVID-19 pandemic substantially strain the economy, alstria's earnings position in 2020 developed as planned. The slight loss of revenues due to the rent waiver in favor of tenants which were particularly affected by the COVID-19 pandemic could be compensated by operational cost savings. It should be noted regarding the financial and asset position that again the asset values showed slight gains. The liquidity situation also presented very comfortable at any time during the 2020 financial year.

III. EXPECTED DEVELOPMENTS

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

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

1. EXPECTED ECONOMIC DEVELOPMENT

As a result of the COVID-19 pandemic, Germany's gross domestic product fell by 5.0 % overall in 2020, according to the German government. The fact that the decline was not even greater is due not only to the resilience of the German economy, but also to the very extensive packages of measures introduced by the German government to support the economy and stabilize incomes. Until now, the German government, like the economic research institutes, had assumed a significant economic recovery would occur in 2021. However, the second wave of the pandemic and the renewed lockdown harbor major uncertainties here, so no reliable forecast of future economic development is possible at present.[*]

2. DEVELOPMENT OF THE REAL ESTATE MARKET: OUTLOOK FOR 2021

Uncertainty with regard to economic development is also expected to impact the commercial real estate market. The leasing market is expected to remain tight in 2021 as companies are reluctant to sign long-term leases and lease additional space in light of the economic uncertainty. With regard to transaction markets, however, alstria expects that the real estate market will remain low as a result of the persistently low interest rates, and that demand for real estate will remain high.

3. OUTLOOK FOR THE ALSTRIA GROUP

Based on the existing leases and the high proportion of creditworthy tenants, alstria expects a stable business development for 2021 for the alstria Group despite the overall economic uncertainty. Already signed and possible further property sales in the course of 2021 will lead to a slight decrease in rental income. This will, however, be compensated by the impact of already concluded new leases. Against this backdrop, alstria expects stable revenues of around EUR 177 million in 2021 compared to the previous year. The same applies to FFO, which is again expected to be in the range of EUR 108 million due to a stable cost structure. Possible acquisitions or disposals as well as changes in other premises for fiscal 2021 may affect the 2020 forecast in the course of the year.

Because the Company pays out a significant part of its funds from operations as dividends, future external growth depends largely on the Company's ability to raise additional equity. Consequently,

[*] Annual Economic Report 2021 from the Federal Ministry of Economics and Energy.

further portfolio growth is highly dependent on the development of global equity markets and is therefore difficult to predict over a longer period of time.

IV. REPORT REGARDING ALSTRIA AG

1. EARNINGS POSITION

The following table shows the key operating figures of the audited income statements for the 2020 and 2019 financial years:

in EUR k	2020	% of oper. perf.	2019	% of oper. perf.	Change
Total operating performance	129,824	100.0	116,964	100.0	12,860
Other operating income	20,308	15.6	29,736	25.4	-9,428
Cost of purchased services	-24,424	-18.8	-23,678	-20.2	-746
Personnel expenses	-17,983	-13.9	-18,274	-15.6	291
Depreciation	-36,954	-28.5	-35,357	-30.2	-1,597
Other operating expenses	-31,606	-24.3	-42,147	-36.0	10,541
Net financial result	3,283	2.5	15,074	12.9	-11,791
Net result of the year	**42,448**	32.7	**42,318**	36.2	**130**

1.1. Operating performance

The net profit for the 2020 financial year was EUR 42,448 k (compared with EUR 42,318 k in 2019). As the Company has been exempt from income taxes since its conversion into a REIT structure, no tax expenses arose in 2020.

The slight increase in the net result was the result of, an increase of total operating performance by EUR 12,860 k and a decrease of other operating expenses by EUR 10.541 k.These effects were reduced by a reduction of net financial result by EUR 11,791 k and decrease of other operating income by EUR 9,428 k

1.2. Total operating performance

alstria’s total operating performance improved in the 2020 financial year, primarily due to an increase in let revenues as well as an increase in income from real estate-related services passed on to subsidiaries. In the reporting period, revenues amounted to EUR 128,243 k. Together with the changes in inventory amounting to EUR 1.580 k, alstria’s total operating performance amounted to EUR 129,824 k (versus EUR 116,964 k in the previous year).

1.3. Other operating income

The other operating income decreased by EUR 9,428 k to EUR 20,308 k. The decrease compared to the previous year essentially results from a reduction of write-ups on financial assets by EUR 18,528 k as well as write-ups from tangible assets by EUR 3,009 k. While in the previous year a need for a write-up on the fair value of a subsidiary in the amount of EUR 18,528 k next to an appreciation on tangible assets by EUR 3,009 k led to income of the same amount, there was no need for a write-up on financial or tangible assets in the reporting period. Additionally, the income from compensation payments and other recharges decreased by EUR 1,388 k. In contrast, the increase of disposals of investment property by EUR 13.035 k to EUR 13.827 k in the reporting period, is due to a larger sales volume.

1.4. Personnel expenses

Personnel expenses decreased slightly by EUR 291 k compared to the previous year. The decrease results from lower expenses for share-based remuneration due to a lower share price compared to the previous year‘s reporting date (EUR +1,224 k). The effect is partially compensated by additional salary expenses as part of the increase in the average number of employees during the financial year (EUR -958 k).

1.5. Depreciation and amortization

Depreciation increased by EUR 1,596 k compared to the previous year to EUR 36,954 k. The effect is mainly the result of an increase in impairment losses by EUR 170 k and an increase in scheduled depreciation on property, plant and equipment by EUR 1,426 k.

1.6. Other operating expenses

The other operating expenses decreased compared to the previous year by EUR 10,541 k to EUR 31,606 k. The property operating costs decreased by EUR 11,197 k compared to the previous year. This results from a lower volume of new acquisitions, as a result of which the expanses for measures in the context of new lettings decreased by EUR 5,240 k and the expenses for maintenance by EUR 7,249 k. The legal and consulting costs were reduced by a further EUR 2,359 k. In the previous year, legal and consulting costs included expenses of EUR 1,948 k regarding an arbitration proceeding. In contrast, the expenses for impairments on receivables increased by EUR 2,755 k, mainly due to the devaluation of receivables from a subsidiary.

Financial result

in EUR k	2020	2019	Change (%)
Interest expenses, corporate bonds	-24,142	-20,037	20.5
Transaction costs	-2,393	-7,470	-68.0
Interest result “Schuldschein” (“senior unsecured debt“)	-2,140	-2,502	-14.5
Interest expenses from bank loans	-891	-762	16.9
Interest result from financial derivatives	-134	-141	-5.0
Other interest expenses	-314	-267	17.6
Financial expenses	**-30,014**	**-31,179**	**-3.7**
Income from participating interests	27,460	38,559	-28.8
Income from loans to affiliates	5,334	7,255	-26.5
Other interests and similar income	510	507	0.6
Write down on financial assets	-6	-66	-91.2
Net financial result	**3,284**	**15,076**	**-78.2**

Compared to the previous period, financial expenses decreased by EUR 1,165 k to EUR 30,014 k.

The decrease is mainly due to a reduction in investment income by EUR 11,099 k, which results from a lower annual result of a subsidiary. In addition, the interest expenses for bonds rose (EUR +4,105 k) due to the issuance of a corporate bond in the year under review, which exceeded the value of a corporate bond repaid in the year under review. Finally, the interest income from loans decreased due to repayments by EUR 1,921 k.

In contrast, the transaction costs decreased by EUR 5,077 k compared to the previous year. In the previous year, the transaction costs included expenses for placing the corporate bond with a nominal value of EUR 400,000 k.

2. FINANCIAL AND ASSET POSITION

On the balance sheet date, alstria owned 70 real estate properties (in 2019: 73). The following table illustrates alstria’s changes in investment property in 2020:

in EUR m	
Land and Buildings on December 31, 2019	**1,345.8**
Investments	12.2
Adjustments	111.7
Disposals	-48.3
Nonscheduled depreciation	-1.7
Ordinary depreciation	-34.7
Land and Buildings as of December 31, 2020	**1,385.0**

The land and buildings line item increased by EUR 39.1 m. During the reporting period, a property was purchased at a price of EUR 7.0 m in total, and an amount of EUR 5.2 m was invested in the existing portfolio. The disposals concerned the sale of four buildings. Disposal prices of EUR 62.1 m, in total, relating to carrying amounts of EUR 48.3 m in total, resulted in an accounting profit of EUR 13.8 m.

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

Disposals

Asset	City	Sales price (EUR k)	Signing SPA	Transfer of benefits and burdens
Werner-von-Siemens-Platz 1	Hanover	16,680	Dec. 13, 2019	March 31, 2020
D2 Park 5	Ratingen	9,400	Feb. 12, 2020	March 31, 2020
Arndtstr. 1	Hanover	33,330	Sept. 17, 2020	Nov. 30, 2020
Essener Str. 97	Hamburg	2,700	Sept. 17, 2020	Oct. 31, 2020
Total Disposals		**62,110**		

Acquisitions

Asset	City	Sales price (EUR k)[1]	Signing SPA	Transfer of benefits and burdens
Corneliusstr. 36	Düsseldorf	7,000	Nov. 12, 2020	Dec. 24, 2020
Total Acquisitions		**7,000**		

[1] Excluding transaction costs.

The prepayments and constructions in progress decreased by EUR 66,677 k compared to the previous year to EUR 33,091 k. In the year under review, modernization projects with an amount of EUR 111,660 k were reclassified to the item buildings and land after completion. In contrast, EUR 44,984 k was invested in modernization measures in the reporting year that had not yet been completed by the reporting date.

Financial assets decreased by EUR 58,619 k to EUR 1,124,533 k compared to the previous year‘s reporting date. The decrease is primarily based on the repayment of loans to affiliated companies in the amount of EUR 51,125 thousand. Additionally, the investment in alstria office Prime decreased by EUR 7,464 k due to a withdrawal.

The Company’s cash position decreased by EUR 24,312 k to EUR 440,519 k. The cash outflows resulted mainly from the payment of dividends (EUR 94,125 k), investments in fixed assets (EUR 57,369 k) and the repayment of loans of EUR 363,800 k. In contrast, cash inflows resulted primarily from the issue of a corporate bond (EUR 350,000 k), income from rents and property-related services (EUR 128,243 k) and income from the sale of properties (EUR 13,827 k).

Total equity amounted to EUR 1,443,275 k, reflecting an equity ratio of 45.5 %, which is 0.8 percentage point below the prior years ratio of 46.3 %. The decrease in equity by EUR 51,278 k results from the distribution of the dividends for the 2019 financial year of EUR 94,125 k, reduced by the annual surplus of EUR 42,448 k and the capital increase in the course of the conversion of convertible participation rights of EUR 399 k.

Provisions decreased slightly by EUR 315 k compared with the previous balance sheet date to EUR 21,176 k as of December 31, 2020. They mainly include accruals due to outstanding balances (EUR 13,117 k), risks of litigation (EUR 2,849 k), bonuses (EUR 2,323 k), share-based remuneration (EUR 1,301 k), supervisory board compensation (EUR 525 k), tax consulting (EUR 388 k), audit fees (EUR 339 k), and miscellaneous provisions (EUR 334 k).

Additionally, liabilities decreased by EUR 5,079 k compared with the prior year. The reduction results primarily from the repayment of a portion of the Schuldschein Darlehen (a debenture bond) in the amount of EUR 37,000 k. Furthermore, a corporate bond with a total amount of EUR 326,800 k was redeemed in the last quarter of the financial year. On the other hand, a corporate bond in the amount of EUR 350,000 k was issued in the financial year 2020. Finally, the intercompany liabilities increased by EUR 7,480 k, primarily due to a loss of the deposits of subsidiaries in the cash pool, based on annual profits.

3. ADDITIONAL DISCLOSURE REGARDING ALSTRIA AG

3.1. Employees

As of December 31, 2020, alstria AG had 159 employees (December 31, 2019: 159). The annual average number of employees was 158 (previous year: 149). These figures exclude Management Board members.

3.2. Outlook for alstria AG

For the fiscal year 2021 the company expects a stable total operating performance.

V. RISK AND OPPORTUNITY REPORT

1. RISK REPORT

1.1. Risk management

alstria has implemented a Group-wide system for structured risk management and early warning in accordance with Section 91 para. 2 of the German Stock Corporation Act (AktG).

alstria AG is the parent company of the alstria group. The results of alstria AG are influenced to a considerable extent by its directly and indirectly held subsidiaries. The business performance of alstria AG is fundamentally subject to the same risks and opportunities as that of the alstria group is, and therefore the following explanations for the alstria group also apply to alstria AG.

All risks are recorded, evaluated, and monitored on at least a quarterly basis. The aim of alstria's risk management strategy is to minimize – or, where possible, completely avoid – the risks associated with entrepreneurial activity in order to safeguard the Company against losses and risks to its going concerns. The Company's risk identification allows for the early identification of potential new risks on an ongoing basis. Risk mitigation measures are defined so that alstria can undertake the necessary steps to circumvent any identified risks (i.e., to insure, diversify, manage, or avoid those risks).

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

1.1.1. Structure of the risk-management system

Risk management is coordinated independently from individual business divisions. The risk manager prepares a risk report on a quarterly basis and provides it to the Management Board. This report is based on reports from the risk owners — those who are responsible for particular areas of risk. The risk manager also informs the Management Board on matters relating to the implementation, operation, and oversight of the risk and internal control system and assists the Management Board with, for example, reporting to the Audit Committee of the Supervisory Board.

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

- Strategic risks
- Operational risks
- Compliance risks
- Financial risks

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

alstria's areas of risk and risk categories

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

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

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

1.1.2. 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 includes any potential negative deviation from alstria's forecasts and objectives with regard to its total comprehensive income or effects on the overall result of alstria.

Classification according to degree of impact

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

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.

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

Risk classification

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

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

In 2020, the Company's risk-management system was not exposed to any significant changes from the previous year.

1.2. Key characteristics of accounting-related internal controls and risk-management system

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

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

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

The Management Board and Supervisory Board (in particular, the Audit Committee) are involved in the monitoring system. These groups perform various checks independent of the Company's processes. The internal audit function is transferred to an external auditing firm.

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

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

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

1.3. Description and assessment of risks

According to the four risk categories described, alstria differentiates between strategic risks, operational risks, compliance risks and financial risks. All material risks inherent to the future development of the Group's position and performance (including effects on assets, liabilities, and cash flows) and reputation are described in this chapter.

The order in which the risks are presented in each of the four categories reflects the currently estimated relative exposure for alstria associated with these risks and thus provides an indication of the risks' current importance to the Group. Additional risks not known to us or that we currently consider immaterial may also negatively impact alstria's business objectives and operations. Unless otherwise stated, the risks described below relate to all Group companies.

The individual risks described relate to the planning period from 2021 to 2023.

Corporate risks

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

1.3.1. Impact of COVID-19 issues on alstria's risk situation

As a result of the tough lockdown measures in the course of fighting the COVID-19 pandemic, the German gross domestic product fell by 5 % in 2020, according to the federal government. Due to the economic downturn, the unemployment rate rose to 6 % (previous year: 5 %). The spread of COVID-19 increased again around the turn of the year 2019/2020, with the number of new infections rising rapidly in many countries. Current impacts from the pandemic vary considerably between regions and customer industries. Governments and other local authorities are striving to contain the spread of the disease by implementing various countermeasures, ranging from recommending social distancing and new hygiene standards to imposing large-scale lockdowns and restrictions on opening conditions in certain sectors of the economy. Governments are expected to further restrict or extend economic restrictions depending on epidemiological trends and political pressure. As a result, the extent and duration of the individual effects on the letting business are extremely difficult to predict. For example, if containment measures are tightened or take an unpredictably long time, this might significantly impact alstria’s business development in a way that exceeds current expectations and might go beyond already initiated mitigation measures. Key uncertainties of the COVID-19 crisis are its duration, including, for example, potential additional waves of infections or mutations of the virus, and the economic cost of the lockdowns.

Potential consequences include an unsustainable burden of public and private debt that hampers the post-pandemic recovery, severe disruptions in the financial system and bankruptcies among alstria’s customers and suppliers. In the long term, a rollback of globalization could reduce the potential for future growth. Crisis assessment and management measures have been put in place across functions to carefully monitor and mitigate the various impacts of COVID-19, with an emphasis on the health and safety of our employees and business continuity.

That the extent of the recession and unemployment did not turn out to be even higher in Germany is primarily due to the extensive state support payments and the instrument of short-time working. Even if the leading indicators pointed to a recovery in the economy in 2021, the further course of the pandemic will also bring with it great uncertainty for the coming months.

With regard to alstria’s risk situation, this uncertainty has negative effects, in particular on the market environment risks, vacancy risks and rent default risk (see table above). The effects are discussed in detail below in the description of these risks.

1.3.2. Strategic risks

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

Market environment risks

For the Group, market environment risks are derived from macroeconomic developments and their impact on respective real estate markets. An economic downturn in the German market could result in a decreasing number of employees and in lower demand for rental areas in office properties. For alstria, this would lead to a higher risk of vacant space or to lower rental income.

Due to the high dependency of global markets, especially for the German economy, the development of the global economy also has an indirect influence on alstria‘s business development, although alstria’s business activities are limited to the domestic rental market. While the slowdown in global markets’ growth due to the political instability of certain countries in crisis, the continuing low interest rates of the European Central Bank, and discussion about certain states’ high debts as well as the UK’s exit from the EU and the trade policy of the US government have been seen as factors of uncertainty, the effects of the COVID-19 pandemic have surpassed these risks by far and determined the categorization of the market environment risks.

There is considerable uncertainty regarding the global economic outlook. In particular, the renewed and severe escalation of the COVID-l9 pandemic with a sustained, long, globally synchronized shutdown would stall the recovery already underway and lead to a new deep recession. Because the fiscal and monetary policy scope for action appears already largely exhausted, the economic impact could be much greater than in the fiscal year 2020. There is also great uncertainty about the long-term consequences of the pandemic for important industries. In addition, beyond COVID-19, the aforementioned essential trouble spots have not been defused and in some cases even have intensified.

Additionally, the highly interconnected global economy remains vulnerable to natural disasters or further pandemics.

After the severe economic downturn in the 2020 financial year, the uncertainties of further economic development in Germany, the EU and the global economy remain considerable. As a result, the market environment risks are adjusted and, after a low (L) risk level on the previous year's reporting date, now have a high risk level (H).

Risks in relation to changes in the legal environment

Risks related to the Company's legal environment result from changes to regulations and laws. These may in turn have an impact on key regulatory requirements and on the corporate constitution of the alstria companies. These include alstria's classification as an REIT and other regulations concerning publicly listed companies. New laws and regulations may result in new regulatory requirements and thus in higher expenses. Overall, risks regarding the legal environment are, as in the previous year, classified as low (L).

Risk caused by inefficient organizational structures

Within the scope of the business organization's strategic direction, there are further risks caused by 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 transition from work in an office to digital work in locally decentralized structures could thus be implemented without friction losses. The risk of strategic corporate organization therefore remains low (L).

1.3.3. Operational risks

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

Refurbishment project risks

alstria realizes a significant number of refurbishment projects. All risks related to these projects are managed through extensive project control and through a related budget-management process. Potential risks include those of delayed completion, budget overrun, and deficiencies in construction. The still strong economy in the construction industry places increasing demands on the on the procurement and execution of contracts due to the limited availability of craftsmen and construction companies. Even if these cyclical bottlenecks should ease somewhat in the future against the backdrop of the COVID-19 pandemic, the volume of construction projects planned for the three financial years after the reporting period has increased. Due to the increase in project volume, the basis for the extent of the potential damage has increased. For this reason, the risk resulting from refurbishment projects is now classified as high (H), while at the end of the previous reporting period it was still considered to be a moderate (M) risk.

Shortfall of rental payment risks

An operational risk is a potential shortfall of rental payments from one or more major tenants; it could be realized as a result of an economic downturn or of a particular case. Due to the described consequences of the COVID-19 pandemic on the economic situation of many market participants, the risk has increased that tenants of alstria could also experience difficulties in meeting their rental payment obligations. alstria's main tenants are predominantly public institutions or companies with a high rating. Actual defaults were limited during the year following the initial lockdown. Precautions have been taken by write-downs of receivables. The extent to which the new lockdown and the ongoing restrictions will affect the future payment behavior of tenants cannot be conclusively assessed at the moment. As a result, the risk of default on rent payments has increased and is now classified as a medium risk (M) after it was still considered a low risk (L) on the previous year's reporting date.

Vacancy risk

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

alstria's budgeting is based on the assumption that rental areas can be re-let within a defined period following the end of a lease. As a result of the COVID-19 countermeasures, there were the economic downturns described and also an increased trend towards home office. Both factors are currently causing many market participants to be very reluctant to demand office and commercial space, although this does not have a major impact on existing letting agreements. Due to long-cycle development of the demand for office rental areas, there is usually a time lag between changes in macroeconomic conditions and their impact on alstria's letting results. Vacancy risks are to be expected if tenants move out because they can no longer pay their rents, if the leases of the rental space are not extended after the lease agreement has expired or if the space can no longer be re-let after tenants have moved out because the demand due to economic situation or a sustainable trend towards home office no longer exists to a comparable extent.

On the other hand, tenancies are of a long-term nature, so that rental income does not usually fall away spontaneously. For some tenants, the uncertainty also leads to maintaining the status quo and, due to the unclear entrepreneurial perspective, not looking for new rental space but rather extending the existing lease with alstria. It was thus possible to enable new lettings and lease extensions in the past financial year. Overall, the volume of lettings was lower than in previous years and due to the longer planning and decision-making phases regarding the leasing of office space by companies, a longer lasting lag effect is to be expected. As a result, the vacancy risk has increased, but is still classified as medium risk (M).

Maintenance risks

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

HR risks

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

IT risks

The majority of alstria's business processes are supported by IT systems. Any fault affecting the reliability or security of the IT systems could lead to delays or interruptions in operating activities. alstria protects itself against IT risks through constant examination and enhancement of the information technology that it deploys. In addition, it has installed modern hardware and software solutions and safeguards against attacks. In view of attempted hacker attacks, measures to combat such cyberattacks were implemented. Structural security measures are in place to protect the computer center. All data are backed up daily in an internal depository and once per week in a separate data depository. Workstations have access restrictions so that employees are only able to access the systems that they need for their work. During the transition from office work to decentralized digital work in home offices, the IT security measures were transferred as far as possible to distance work. The effectiveness of IT security in the home offices was confirmed in a review by an external IT consultant. Therefore, overall IT risks are assessed to be unlikely to materialize; as in the prior year, their possible consequences are considered to be low (L).

Risks relating to property transactions

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

From a purchasing perspective, alstria is exposed to risks that hidden deficiencies on land and/or property may not be observed and that unfavorable contractual agreements may be transferred to the Company, resulting in additional future costs.

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

1.3.4. Compliance risks

Risks resulting from not complying with G-REIT legislation

alstria is registered in the commercial register as a German REIT-AG (G-REIT). The German REIT segment allows alstria to offer an attractive profile to investors and to distinguish itself in the capital markets as an REIT. The REIT shares are traded on the Frankfurt Stock Exchange. The G-REIT status does not have any influence on 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: A 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 million. All shares must be voting shares of the same class. Free float must be at least 15 %, and no investor may directly hold 10 % or more of the shares or shares that represent 10 % or more of the voting rights. Furthermore, at least 75 % of assets must consist of real estate, and at least 75 % of gross income must be generated from real estate. At least 90 % of annual profits as resulting under German GAAP-accounting must be distributed to shareholders, and the G-REIT's equity may not fall below 45 % of the fair value of its real estate assets as recorded under IFRS.

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

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

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

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

The G-REIT equity ratio is 71.1 % as of the balance sheet date. Accordingly, alstria complies with the minimum G-REIT equity ratio requirement according to Section 15 of the G-REIT Act (REITG). 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, 2023.

Risks resulting from fraud or noncompliance

alstria depends on all employees and management respecting the compliance standards in place. alstria's business expects employees and members of management to comply with documented laws, policies, and procedures. If alstria's senior management fails to document and reinforce the Company's policies and procedures, or if employees commit criminal, unlawful, or unethical acts (including corruption), such actions could have an adverse material effect on alstria's business, financial condition, and results of operations. They would also harm alstria's reputation in the real estate market, thereby negatively affecting future business opportunities. The General Data Protection Regulation (Datenschutzgrundverordnung), which came into force in the financial year 2019, provides significantly higher fines in the event of infringement. The data protection measures already in place at alstria, as well as newly introduced guidelines and processes, are in line with the requirements of the General Data Protection Regulation. 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.

In doing so, the Company has established central behavioral principles in the areas of

- Anti-corruption,
- Avoiding conflicts of interest,
- Handling confidential information and insider knowledge, and
- Anti-discrimination, equality, and diversity concerns.

The materialization of compliance risks is assessed to be low (L), which is unchanged from the assessment of the previous year.

Litigation risks

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

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

Some shareholders of former DO Deutsche Office AG who declared an objection during the office's general meeting on July 12, 2016 and their intention to exit the limited partnership alstria office Prime Port-folio GmbH & Co. KG have taken the view that the EUR 4.68 cash compensation offered to them was set too low. For this reason, these shareholders used the opportunity to have the fairness of the cash compensation reviewed in a judicial arbitration proceeding and filed the necessary application to initiate such a proceeding. If the court rules in a final decision that the Company must improve the cash compensation, such a decision will, in accordance with Section 13 of the German Arbitration Proceedings Act, be effective for and against all the shareholders of former DO Deutsche Office AG who are entitled to cash compensation (e. g., all shareholders who declared an objection during the Annual General Meeting of DO Deutsche Office AG on July 12, 2016). This means that the additional cash compensation fixed by the court will also be paid to shareholders who have not filed applications in the arbitration proceeding and/or have already declared their exits from the limited partnership. As of the date of the transformation notice published with the commercial register of the local court in Hamburg, the additional cash compensation will have to be made with an annual interest of five percentage points above the base lending rate effective at that time. This right to an additional cash compensation of an unlimited amount with interest might result in a financial burden and hence have an adverse impact on the net assets, financial position, and operations results of the Group. Prior to the transformation, the Company obtained an expert opinion with the aim of establishing the enterprise value and adequate cash compensation. Subsequently, the adequate cash compensation was subject to a mandatory audit by an independent expert, as prescribed by law. In addition to measures implemented before the litigation to reduce the risk of additional cash compensation, the Company receives legal support from external advisors in the current proceeding.

In its decision on September 26, 2019, the Hamburg Regional Court set the cash compensation to be paid to entitled shareholders leaving the company with regard to the legal form change at EUR 5.58 (plus interest at 5 percentage points above the base interest rate). alstria office Prime Portfolio GmbH & Co. KG as a defendant, as well as several applicants, have filed an appeal against this decision, which is therefore not yet effective.

The effects of the described lawsuit on the risk of litigation as well as the general risk situation have been taken into account by the establishment of liabilities.

Apart from this lawsuit, neither alstria AG nor any of its group companies 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 development projects implemented over the last few years. The respective group companies have accounted for appropriate provisions to cover any potential financial charges from further court or arbitration proceedings.

Since none of the Group's companies are currently exposed to any further civil rights proceedings or other kinds of legal disputes and none are expected to occur, the risk of legal disputes is classified as low (L), as it was in the previous year.

Climate-related risks

Considering the long-term nature of the real estate business and the immovable nature of the assets, it is of key importance to take into account the effect of climate change on the prospects. The specific risks related to climate change that the Company faces are the following:

Physical risks - acute: alstria's property portfolio is subject to extreme weather events, such as flooding, storms, and hail, that may weaken building structures and threaten tenants' safety. Such phenomena will intensify in the coming years. alstria's control process includes the following:

- Use of risk assessments from insurance companies to determine which buildings need to be upgraded.
- Insurances covering the portfolio from the loss of rent due to fire, storms, hail, or any act of God with a total insured value at least as high as our assets' balance sheet value.

Transition risks - regulatory: After the Paris Agreement, new regulations, notably regarding energy efficiency restrictions, are to be anticipated. These might impose more stringent obligations on the building sector, resulting in a need for more renovations per year. alstria's control process includes the following:

- Ongoing environmental monitoring and compliance with applicable laws and standards.
- Participation in industry bodies to monitor emerging legislation early on.

Transition risks - market: Climate change has shaped tenants' behavior in requiring flexible office space often associated with energy-efficient solutions. Failing to respond to the growing demand for sustainability services can result in a lack of attractiveness of assets, implying a subsequent decline in their rental potential. The prevention measures alstria takes are as follows:

- Offering additional services to help tenants run their offices efficiently.
- Recognizing early the financial requirements to upgrade and modernize buildings.

Similarly to in the previous year, environmental risks are assessed at a low (L) level.

Risk of noncompliance with human rights

There is a risk that alstria's activities will trigger activities or have an impact that violates human rights, for instance, as a result of unworthy working conditions at construction sites or the production of products or services used in business activities. alstria is fully committed to its responsibility to respect human rights. Efficient management guidelines and the compliance organization, which is particularly geared toward legal compliance, anti-discrimination, and diversity, support the goal that the behavior of alstria's legal representatives and employees always correspond to high ethical standards. These standards also apply to the drafting of contracts with contractors or customers, which should be done with the aim of minimizing the riskof noncompliance with human rights along the value chain. Throughout the group, we especially respect the UN Guiding Principles on Business and Human Rights, which are grounded in the recognition that states and companies must to respect human rights. States are primarily responsible for protecting their citizens' human rights, and it is their obligation to translate their international human rights duties into national regulations and laws that ensure human rights are protected. In situations where national laws do not cover internationally recognized human rights, or the implementation of such laws is weak the UN Guiding Principles clearly expect companies to operate according to a higher international standard.

In Germany, the degree to which the government respects and protects human rights is rather high. As a German real estate company focusing solely on German office properties, alstria operates within the framework of German law and, accordingly, obeys its human rights rules and regulations. Overall, the risk of noncompliance with regard to human rights is classified as low (L), as in the previous year.

1.3.5. Financial risks

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

Valuation risks

The fair value of the real estate properties owned by the Company reflects their market value as determined by independent appraisers, which could 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 beoutisde alstria's control. These factors include declining rent levels, decreasing demand, and increasing vacancy rates. Many qualitative factors are also decisive in the valuation of a property, including its conditions, expected market rents, and 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 to reflect new developments or for other reasons, subsequent valuations of the respective property may result in a diminished market value. If such valuations reveal significant decreases in market value compared to prior valuations, the Company may incur significant revaluation losses with respect to such properties.

Factors such as economic changes, interest rate fluctuations, and inflation may adversely affect properties' value. To minimize these risks, regional diversification of investment portfolios, consistent focus on the individual needs of tenants, and detailed market research and analysis (broker reports) are applied. In addition, the market value of all of alstria's assets is determined at the end of each year by independent, internationally recognized experts. The consequences of the COVID-19 pandemic have not yet had negative effects on the current assessment. In summary, the risk of unexpected devaluations is therefore classified as moderate (M), as in the previous year.

Breaches of covenants

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

Tax risks

REITs are completely exempt from corporate income tax and trade tax. As a result, tax risks can only arise in the case of loss of REIT status or at a subsidiary level. Additionally, the Group as a whole faces risks from value-added tax, real transfer tax, and property tax. Furthermore, changes in tax laws or their interpretations may result in higher tax liability for prior tax periods that have not yet been approved. As a consequence of the takeover of the alstria office Prime Group, companies are included in the consolidated financial statements that are not subject to the regulations of the REIT legislation. The restructuring, which was implemented during the 2016 financial year, particularly the conversion of these companies' legal forms into limited partnerships, resulted in the taxation of hidden reserves and hidden liabilities within the acquired companies. Subsequently, the companies are tax transparent.

Due to the income tax exemption as a REIT and consistent monitoring of tax relevant issues by internal and external tax experts, the probability of a tax loss is considered limited. Because certain tax-related issues, such as real estate transactions or valuations of assets and liabilities as well as reentry into a tax liability status could result in high tax obligations over the three-year risk period, the risk impact is considered to be significant.

As a result of the Federal Constitutional Court judgment, the German legislature passed a new regulation on property tax at the end of 2019. From January 1, 2022, new property tax values will apply; these will be the new tax base for property taxes beginning January 1, 2025. Basically, the new model is value-based. At the same time, an amendment to the Basic Law (Grundgesetz) grants German states the right to deviate from the federal regulation and go their own ways, such as by use of an area model. In the case of nonresidential properties relevant to alstria — particularly business properties — the so-called real value method is used in principle. The property value is thereby determined from the building value, which is calculated based on standard production costs, usable space, and year of construction, as well as land value, which results from the multiplication of the land area by the standard land value. It is therefore not necessary to determine standard rents. Even if the new concept is to be revenue-neutral, an increase in the property tax for alstria's real estate cannot be ruled out. Basically, changes in property tax may affect tenants through higher service charge costs, as the passing on of costs to tenants was not restricted. The Federal Constitutional Court will allow the application of the current property tax rates until the end of 2024. Therefore, higher property tax rates are not expected for the next three years.

This results in an overall moderate (M) tax risk level, which is unchanged from the previous year's average tax risk.

Interest rate risks

Interest rate risks result from fluctuations in market interest rates, which 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 for using a combination of plain vanilla caps and swaps if applicable to limit the Company's exposure to interest rate fluctuations. It still provides enough flexibility to allow for the disposal of real estate assets, avoiding any costs associated with an over-hedged situation. The interest base for the financial liability (loan) is the EURIBOR, which is adjusted every three months. The maturity of the derivative financial instruments is linked to the term of maturity of the loans. Derivative financial instruments relate to interest caps in order to cap the interest at a set maximum. As of the balance sheet date, the majority of funding consists of long-term fixed-interest loans and bonds and is therefore not subject to interest rate risk up to its maturity. The floating interest rate loans are mainly hedged by an interest rate cap. As a result of the refinancing in the 2019 financial year of a bond that would have matured in 2021 through a new bond with a term extending to 2025, the interest rate risk on the balance sheet date is classified as a low risk (L), as on the previous year's reporting date.

Liquidity risk

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

Due to refinancing activites in recent years, such as the placement of several corporate bonds with diversified maturity profiles, the substantial liquidity risk arising from the repayment of all or most of alstria's credit commitments in one sum ("balloon repayment") has been managed successfully. Because the majority of the loans and bonds will not be due until 2023, the liquidity risk resulting from repayment obligations is currently low (L), as in the previous year.

Refinancing risks

The Group's main financial instruments are fixed-interest bonds. In addition, there are mortgage-backed bank loans and derivative financial instruments. The main purpose of the bonds and bank loans is to finance alstria's business activities. Derivative financial instruments consist of an interest rate cap and have the purpose of hedging against interest risks arising from the Company's business activities and financing sources. The main risks arising from the Group's financial instruments are cash flow risks, interest rate risks, and liquidity risks. alstria Group's current Net LTV is 27.0%, which is a low value compared to the average LTV of the real estate companies listed in the DAX segment of Deutsche Börse AG (DAX, MDAX, and SDAX). The Group's bank loan LTVs on the balance sheet date are well below the LTVs permitted under the respective loan agreements (see an overview of loan facilities on page 17). The risk of a covenant breach was thus encountered effectively. The credit rating agency Standard and Poor's classified alstria's creditworthiness as unchanged at BBB ("Investment Grade") at the end of the reporting period. The refinancing of the majority of alstria's bonds and bank loans is not required before the 2023 financial year, when one of four bonds matures. The other three have varying maturities up to the 2027 financial year, so a diversified maturity profile exists and the refinancing of all loans in one amount can be avoided (see the maturity profile of the loans on page 17). As a result, the risk of refinancing on unfavorable terms was classified as low (L), as it was at the end of the previous year.

Counterparty risks

alstria hedges a portion of its risk by applying third-party instruments (interest rate derivatives, property insurance, and others). alstria's counterparties in these contracts are internationally recognized institutions that are rated by the leading rating agencies. alstria regularly reviews the ratings of its counterparties to mitigate any risk of default. The 2007 financial crisis raised doubts regarding the reliability of rating agencies' assessments. In response to this concern, alstria uses other information sources to verify rating agencies' assessments. The COVID-19 crisis has not yet affected the creditworthiness of alstria's major contractual partners. The determination of fiscal policy and monetary policy to support industries and particularly affected companies, as well as systemically important institutions such as banks and insurance companies may also contribute to this.

alstria is otherwise exposed to no significant credit risks. Hence, counterparty risk can be classified as low (L), just as it was last year.

1.4. Overall risk assessment by the Management Board

alstria AG consolidates and aggregates all risks reported by the different business units and functions adhering to its risk management policy. The most significant challenges have been mentioned first in each of the four risk categories: strategic, compliance, operational and financial.

Compared to the previous year, alstria's risk situation was influenced by the COVID-19 pandemic. For the 2020 financial year, compared to 2019, there were changes were to be noted in alstria's risk level matrix for risks categorized as high (H) or medium (M). At the end of the year, high risks accounted for 10,0% (December 31, 2019: 0.9%) of all identified risks, whereas medium risks accounted for 32.7% (December 31, 2019: 35.5%). This is based on the described deterioration of the economic situation and the resulting increase in the likelihood of a decline in demand for new office rental space and the possibility of payment difficulties and even bankruptcy among alstria's tenants. Due to the high proportion of government agencies, public-sector companies, and companies with high credit ratings, the Management Board assesses the risk situation as manageable. The COVID-19-related risks did not pose a threat to the company's existence.

From the Management Board's point of view, the steady refinancing position, the conservative LTV and the solid REIT equity ratio are stabilizing factors. The long-term refinancing position minimizes the risk of higher borrowing costs in the event of rising interest rates or margins. The low LTV ratio reduces the risk that could arise if the property valuations come under pressure (e. g., as a result of interest rate hikes).

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 for a period of three years. The assessed amount of liquidity amounted to EUR 45.9 million as of the balance sheet date, compared to EUR 34.9 million as per December 31, 2019.

In our view, the risks described in our aggregated risk report do not threaten, whether individually or cumulatively our ability to continue as a going concern, given their likelihood of occurrence and potential levels of impact.

2. REPORT ON OPPORTUNITIES

2.1. Management of opportunities

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

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

The Company's financing activities safeguard the necessary funding to implement these activities. Here, opportunities are based on ensuring sustainable financing, including equity funding, on 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 market opportunities related to the properties held in the portfolio. This analysis includes assessing criteria such as tenant needs, property categories, and regulatory changes. Regular reporting addressing the Management supports the monitoring of growth initiatives within the budget and planning-approval processes.

The alstria Management Board is regularly updated on the status and progress of the initiatives being implemented. The real estate operations department receives monthly reports in which the planned costs and revenues are compared to the actual budget consumption and revenues. In addition, financial and liquidity planning and forecasts are updated, and changes to the project scope are clarified.

2.1.1. 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, location results in opportunities for long-term capital appreciation. alstria's acquisition strategy is aimed at identifying properties with the described opportunity structure. Its investment strategy therefore focuses on acquiring properties and portfolios with higher vacancy rates, which are thus open to additional growth opportunities through the stabilization of the properties' leases. An important task to preserve these opportunities is the possibility of turning COVID-19 challenges into opportunities, for example by implementing pandemic-proof space expansions and intelligent area use concepts with the integration of home offices with tenants and potential tenants. Furthermore, negotiations with tenants to avert acute bottlenecks can not only include a moratorium on rent payments, but in return an extension of the lease agreement and thus secure the chance of long-term rental income.

Acquisitions will only be performed if the investment volume offers the prospect of achieving a sustainable increase in value. In particular, the low LTV debt ratio offers opportunities in the form of greater flexibility for acquiring real estate.

2.1.2. 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 flexible response to existing or potential tenants' needs. The Company has the knowledge and resources to provide solutions and implement tenants' requirements, which gives rise to opportunities to generate sustainable, long-term leases.

2.1.3. 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 properties opens up the opportunity for value creation by reshaping assets for the next 20 to 30 years and strengthening their future attractiveness in the market and for tenants. The implementation of development projects is becoming increasingly important, especially against the background of historically low purchase yields on real estate.

2.1.4. Opportunities from sustainable management

The alstria Management Board sees opportunities for a long-term strategy in supporting measures to comply with and achieve the goals of the International Climate Change Agreement in Paris. This consists of using a favorable political and regulatory environment, including sustainability, in order to shape the basis for business activity in a sustainable manner. To this end, projects are actively initiated and implemented with the aim of reducing the high CO_2 emissions generated in the real estate sector and neutralizing them in the long term. Examples of this are the promotion of reliable, industry-compatible CO_2 reporting or the investigation of CO_2-neutral building materials and solutions in the context of construction and renovation projects.

2.1.5. 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, which requires implementing long-term and flexible funding at favorable conditions and safeguarding financial covenants at all times. Significant opportunities also arise out of a low debt ratio (the Net LTV of bank loans is currently 27.0%; see the overview of loan facilities on page 17, which represents a comfortable base for future funding and growth. Funding options include mortgage loans, corporate bonds, and equity funding. Opportunities arise from the diversification of funding sources and with regard to the rating obtained.

2.2. Overall summary of the Opportunities Report

alstria's current financial situation involves a stable financial position at favorable interest rates until 2023. The rating 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 approx. 6.1 years and potential increases in rents due to decreasing vacancy rates. In addition, the Company possesses a range of properties that offer attractive and value-adding refurbishment opportunities. alstria's portfolio is well-balanced and has high-quality properties with tenants with good credit ratings. The low LTV debt ratio offers a chance for greater flexibility to acquire real estate in the event that spontaneous opportunities arise.

alstria sees itself - also against the background of the COVID-19 effects - well positioned to successfully continue its strategy of acquisition, property development, letting and property management and to recognize and implement its future market opportunities in this regard.

alstria's core competence is asset management. The asset repositioning and refurbishment that alstria continues to pursue and implement provide a strong basis for further organic increases in value within the portfolio.

VI. SUSTAINABILITY REPORT*

In November 2020, alstria published its annual sustainability report for financial year 2019. The report provides insights into alstria's decarbonization strategy and the environmental impact of its operations. It is prepared in accordance with the GRI Standards and EPRA real estate specific guidelines and has obtained a third-party limited assurance for all disclosed environmental and social information.

alstria's major sustainability accomplishments for financial year 2019 include the following:

- Setting of science-based targets to reduce corporate and portfolio's GHG emissions by at least 30 % by 2030 from base year 2018.
- Responding to Task Force on Climate-related Financial Disclosures (TCFD) providing its stakeholders with greater transparency into how the business deals with climate-related risks and opportunities.
- Making an initial attempt to account for the embedded carbon emissions from its current development pipeline.
- Introducing low-carbon design principles to provide alstria's developers and service providers with a framework for low-carbon refurbishment and thus help reducing carbon emissions across its portfolio.
- Reducing market based operational GHG emissions by 63 % compared to base year 2013, mainly as an effect of the renewable energy supply of its portfolio and increased engagement with tenants.

alstria's sustainability performance was recognized most recently by S&P Global through inclusion in the DJSI Europe Index. Furthermore, the company's approach to gender diversity gained it an additional recognition by the Bloomberg Gender-Equality Index.

For further information on the company's sustainability engagement and performance on ESG ratings, please refer to alstria's Sustainability Report 2019/20.

VII. DISCLOSURES REQUIRED BY TAKEOVER LAW

Disclosures and the explanatory report pursuant to Sections 289a and 315a of the German Commercial Code *(Handelsgesetzbuch, HGB)*

1. COMPOSITION OF SUBSCRIBED CAPITAL

On the balance sheet dated December 31, 2020, the share capital of alstria amounted to EUR 177,792,747.00, divided into 177,792,747 no-par value bearer shares. All shares are fully paid in

* This section is an unaudited statement.

and have equal rights and obligations. Each share entitles the bearer to one vote at the Annual General Meeting and is decisive for the shareholder's share in the profits of the Company. The individual rights and duties of the shareholders result from the provisions of the German Stock Corporation Act (*Aktiengesetz*, AktG), particularly Sections 12, 53a *et seq.*, 118 *et seq.*, and 186.

2. RESTRICTIONS ON VOTING RIGHTS OR THE TRANSFER OF SHARES

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

3. SHAREHOLDINGS EXCEEDING 10 % OF VOTING RIGHTS

On the balance sheet date as of December 31, 2020, alstria was not aware of any shareholders directly holding more than 10 % of voting rights.

4. SHARES WITH SPECIAL RIGHTS

There are no shares with special rights of control.

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

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

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

alstria's Management Board consists of one or more members who may be appointed or dismissed in accordance with Sections 84 and 85 of the AktG. The Articles of Association do not contain any special provisions in this respect. Pursuant to Section 84 of the 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 the AktG. Pursuant to Section 12, para. 2 of the Articles of Association, the Supervisory Board is also authorized to make changes and amendments to the Articles of Association that merely affect the wording without passing a shareholder resolution in at General Meeting. In addition, the Supervisory Board is, by resolution of the Annual General Meetings on May 16, 2017, and September 29, 2020, authorized to adapt the wording of the Articles of Association to the utilization of the Company's authorized and conditional capitals and after expiration of the applicable authorization periods.

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

The Articles of Association were last amended in the reporting year by a resolution passed by the Supervisory Board on December 8, 2020: Section 5, paras. 1, 2, and 7 of the Articles of Association were formally adapted to a capital increase executed from the Company's Conditional Capital III 2017. Section 5, para. 6 of the Articles of Association was deleted because Conditional Capital III 2015 had become obsolete.

7. AUTHORITY OF MANAGEMENT BOARD REGARDING THE ISSUE AND BUYBACK OF SHARES

7.1. Authorized Capital

On December 31, 2020, there were three authorized capitals (pursuant to Sections 202 et seq. of the German Stock Corporation Act), which are regulated in Section 5, paras. 3, 4, 4 a, 4 b, and 4 c.

7.1.1. Authorized Capital I 2020

The Articles of Association authorize the Management Board, with the approval of the Supervisory Board, to increase the share capital on or before September 28, 2025, by issuing new no-par value bearer shares against contributions in cash and/or in kind one or more times, up to a total amount of EUR 35,198,684.00. Further details are governed by Section 5, paras. 3, 4, and 4a of the Articles of Association.

7.1.2. Authorized Capital II 2020

The Articles of Association authorize the Management Board, with the approval of the Supervisory Board, to increase the share capital on or before July 1, 2021 one or more times by up to a total of EUR 260,000.00 through the issuance of new no-par value bearer shares against contributions in kind. Further details are governed by Section 5, para. 4b of the Articles of Association.

7.1.3. Authorized Capital III 2020

The Articles of Association authorize the Management Board, with the approval of the Supervisory Board, to increase the share capital on or before July 1, 2021 one or more times by up to a total amount of EUR 60,000.00 through the issuance of new no-par value bearer shares against contributions in kind. Further details are governed by Section 5, para. 4c of the Articles of Association.

7.2. Conditional Capital

alstria holds three conditional capitals (pursuant to Sections 192 et seq. of the AktG), which are regulated in Section 5, paras. 5, 7, and 8 of the Company's Articles of Association.

7.2.1. Conditional Capital I 2020

The share capital is conditionally increased by up to EUR 16,750,000.00 by issuing up to 16,750,000 no-par value bearer shares. The conditional capital is to be carried out to the extent that the holders of option or conversion rights or persons obliged to conversion under option or conversion bonds, profit participation rights or participating bonds which were issued by alstria AG on the basis of the authorization resolved by the shareholders in the Annual General Meeting on September 29, 2020, under item 11 of the agenda exercise their option or conversion rights or, if they are obliged to conversion or exercise of the option, fulfill their conversion obligation or, as the case may be, their obligation to exercise the option and that no cash settlement is granted and no own shares are being used to satisfy such claims. Further details are governed by Section 5, para. 5 of the Articles of Association.

7.2.2. Conditional Capital III 2017

The share capital is conditionally increased by an amount of up to EUR 800,675.00 by issuing up to 800,675 no-par-value bearer shares. The conditional capital increase shall be used exclusively to grant shares to the holders of convertible profit participation certificates issued by the Company through May 15, 2022, in accordance with the authorization of the General Meeting held on May 16, 2017. The conditional capital increase is only carried out to the extent that issued convertible profit participation certificates are converted into shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company’s profits from the beginning of the financial year in which they come into existence as a result of converting of certificates.

7.2.3. Conditional Capital III 2020

Furthermore, the share capital is conditionally increased by an amount of up to EUR 1,000,000.00 by issuing up to 1,000,000 no-par-value bearer shares. The conditional capital increase shall be used exclusively to grant shares to the holders of convertible profit participation certificates issued by the Company on or before September 28, 2025, in accordance with the authorization of the General Meeting held on September 29, 2020. The conditional capital increase is only carried out to the extent that issued convertible profit participation certificates are converted into shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company’s profits from the beginning of the financial year in which they come into existence as a result of conversion of certificates.

7.3. Purchase of treasury shares

In the General Meeting held on September 29, 2020, the shareholders authorized the Management Board, subject to the approval of the Supervisory Board, to acquire their own shares of the Company of up to a total of 10 % of the share capital in place at the time of the authorization’s issuance on or before September 28, 2025. The acquired shares and other treasury shares in the possession of, or to be attributed to, alstria (pursuant to Sections 71a et seq. of the AktG) may at no time amount to more than 10 % of the share capital. Shares may be purchased through a stock exchange, by means of a public offer to all shareholders, or by making use of financial derivatives (put or call options, or a combination of both).

8. SIGNIFICANT AGREEMENTS OF ALSTRIA AG THAT TAKE EFFECT UPON A CHANGE OF CONTROL FOLLOWING A TAKEOVER BID

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

The terms and conditions of the fixed-interest bonds issued by the Company in the 2016, 2017, 2019, and 2020 financial years entitle each bond holder to request the Company to redeem or purchase its bond for 101 % of the principal amount plus unpaid interest accrued if any person, company, or group of persons should acquire (directly or indirectly) more than 50 % of the voting rights in alstria and if, within 120 days of such change of control, the rating for the Company or the bond is downgraded.

The total volume of obligations under those agreements with corresponding change of control clauses amounted to approx. EUR 1,563 million on the balance sheet date.

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

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

All these takeover 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.

VIII. ADDITIONAL GROUP DISCLOSURE

1. REMUNERATION REPORT

Management Board members' compensation comprises fixed and variable components 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 181 to 191), which contains details of the principles for the remuneration of the Management Board and Supervisory Board, forms an integral part of the audited combined management report.

2. CORPORATE GOVERNANCE GROUP DECLARATION PURSUANT TO SECTIONS 289F AND 315D HGB (“HANDELSGESETZBUCH”: GERMAN COMMERCIAL CODE)

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

3. EMPLOYEES

As of December 31, 2020, alstria had 167 employees (compared to 165 on December 31, 2019). The annual average number of employees was 166 (compared to 156 in the previous year). These figures exclude Management Board members.

4. DIVIDEND

At the Annual General Meeting, the Managing Board intends, in agreement with the Supervisory Board, to submit the following proposal to allocate the unappropriated net income of alstria AG for the 2020 financial year:

To distribute a dividend of EUR 0.53 for each share of no par value that is entitled to the dividend for the 2020 financial year and existed at the date of the Annual Shareholders’ Meeting, with the remaining amount to be carried forward. Payment of the proposed dividend is contingent upon approval by alstria shareholders at the Annual General Meeting on May 6, 2021. The proposed dividend of EUR 0.53 per share for the 2020 financial year represents a total payment of EUR 94.2 million based on the number of shares entitled to the dividend at the balance sheet date.

Hamburg, February 19, 2021

alstria office REIT-AG

The Management Board

Olivier Elamine	**Alexander Dexne**
CEO	CFO

DETAIL INDEX CONSOLIDATED FINANCIAL STATEMENTS

B. CONSOLIDATED FINANCIAL STATEMENTS

I. CONSOLIDATED INCOME STATEMENT

For the period from January 1 to December 31, 2020

EUR k	Anhang	2020	2019
Revenues	5.1	177,063	187,467
Revenues from service charge income	5.1	38,367	37,038
Real estate operating expenses	5.2	-60,607	–61,601
Net rental income		**154,823**	**162,904**
Administrative expenses	5.3	-8,460	–9,545
Personnel expenses	5.4	-18,568	–18,441
Other operating income	5.5	4,629	16,185
Other operating expenses	5.6	-2,143	–15,230
Net result from fair value adjustments to investment property	6.1	61,522	454,767
Net result from the disposal of investment property	5.7	8,340	17,350
Net operating result		**200,143**	**607,990**
Net financial result	5.8	-31,832	–27,460
Share of the result of companies accounted for at equity	2.2.3	-9	–170
Pretax result		**168,302**	**580,360**
Income tax expenses	5.9	187	861
Consolidated profit		**168,489**	**581,221**
Attributable to:			
Shareholders of alstria office REIT-AG		168,489	581,221
Earnings per share in EUR			
Basic earnings per share	10	0,95	3,27
Diluted earnings per share	10	0,95	3,27

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from January 1 to December 31, 2020

EUR k	Notes	2020	2019
Consolidated profit for the period		**168,489**	**581,221**
Other comprehensive income for the period		**0**	**0**
Total comprehensive income for the period		**168,489**	**581,221**
Total comprehensive income attributable to			
Shareholders of alstria office REIT-AG		168,489	581,221

III. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2020

ASSETS

EUR k	Notes	Dec. 31, 2020	Dec. 31, 2019
Noncurrent assets			
Investment property	6.1	4,556,181	4,438,597
Equity-accounted investments	6.2	1,021	1,070
Property, plant, and equipment	6.3	18,360	19,055
Intangible assets	6.3	55	232
Financial assets	6.4	39,108	39,108
Total noncurrent assets		**4,614,725**	**4,498,062**
Current assets			
Trade receivables	6.6	4,572	3,877
Financial assets	6.4	0	199,750
Income tax receivables		1,230	1,231
Other receivables	6.6	8,762	8,601
Cash and cash equivalents	6.7	460,960	298,219
Assets held for sale	6.8	0	19,588
Total current assets		**475,524**	**531,266**
Total assets		**5,090,249**	**5,029,328**

EQUITY AND LIABILITIES

EUR k	Notes	Dec. 31, 2020	Dec. 31, 2019
Equity	7.1		
Share capital		177,793	177,593
Capital surplus		1,356,907	1,448,709
Retained earnings		1,714,257	1,545,768
Revaluation surplus		3,485	3,485
Total equity		**3,252,442**	**3,175,555**
Noncurrent liabilities			
Limited partnership capital noncontrolling interests	7.2	68,275	70,504
Long-term loans and bonds, net of current portion	7.3	1,685,349	1,661,080
Other provisions	7.4	0	1,226
Other liabilities	7.5	12,628	11,532
Total noncurrent liabilities		**1,766,252**	**1,744,342**
Current liabilities			
Limited partnership capital noncontrolling interests	7.2	15	24
Short-term loans	7.3	10,325	50,590
Trade payables	7.5	3,943	4,611
Profit participation rights	5.4; 13.2	514	457
Income tax liabilities	7.6	4,780	5,793
Other provisions	7.4	2,030	2,505
Other current liabilities	7.5	49,948	45,451
Total current liabilities		**71,555**	**109,431**
Total liabilities		**1,837,807**	**1,853,773**
Total equity and liabilities		**5,090,249**	**5,029,328**

IV. CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ending December 31, 2020

EUR k	Notes	2020	2019
1. Cash flows from operating activities			
Consolidated profit or loss for the period		168,489	**581,221**
Interest income	5.8	-533	–575
Interest expense	5.8	32,365	28,035
Result from income taxes	5.9	-187	–861
Unrealized valuation movements		-61,769	–445,940
Other noncash income (–)/expenses (+)	8.3	7,181	663
Gain (–)/loss (+) on disposal of investment properties	5.7	-8,340	–17,350
Depreciation and impairment of fixed assets (+)	6.3	1,110	1,106
Increase (–)/decrease (+) in trade receivables and other assets not attributed to investing or financing activities		-2,342	867
Increase (+)/decrease (–) in trade payables and other liabilities not attributed to investing or financing activities		-182	–1,093
Cash generated from operations		**135,792**	**146,073**
Interest received		649	814
Interest paid		-32,383	–24,674
Income taxes paid		-827	–520
Net cash generated from operating activities		**103,231**	**121,693**
2. Cash flows from investing activities			
Acquisition of investment properties		-153,162	–164,915
Proceeds from the sale of investment properties		126,510	139,777
Payment of transaction cost in relation to the sale of investment properties		-1,482	–179
Acquisition of other property, plant, and equipment		-238	–287
Proceeds from the equity release of interests in joint ventures		46	7,350
Payments for investment in financial assets	6.4	-50,000	–238,864
Proceeds from disposal of financial assets	6.4	250,000	36,567
Net cash generated from/used in investing activities		**171,674**	**–220,551**

EUR k	Notes	2020	2019
3. Cash flows from financing activities			
Cash received from cash equity contributions	7.1	400	0
Payments for the acquisition of shares in limited partnerships of minority interests	7.1	-9	–73
Distributions on limited partnerships of minority shareholders		-1,949	–1,947
Proceeds from the issuing of corporate bonds	7.3	350,000	393,596
Payments of transaction costs for taking out loans		-2,204	–698
Payments for the redemption portion of leasing obligations		-477	–443
Payments of dividends	11	-94,125	–92,257
Payments due to the redemption of bonds and borrowings		-363,800	–34,000
Net cash used in/generated from financing activities		**-112,164**	**264,178**
4. Cash and cash equivalents at the end of the period			
Change in cash and cash equivalents (subtotal of 1 to 3)		162,741	165,320
Cash and cash equivalents at the beginning of the period		298,219	132,899
Cash and cash equivalents at the end of the period *thereof restricted: EUR 0 k; previous year: EUR 0 k*	6.7	**460,960**	**298,219**

V. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from January 1 to December 31, 2020

EUR k	Notes	Share capital	Capital surplus	Retained earnings	Revaluation surplus	Total equity
As of Dec. 31, 2019		**177,593**	**1,448,709**	**1,545,768**	**3,485**	**3,175,555**
Changes in the financial year 2020						
Consolidated profit		0	0	168,489	0	**168,489**
Other comprehensive income		0	0	0	0	**0**
Total comprehensive income		**0**	**0**	**168,489**	**0**	**168,489**
Payments of dividends	11	0	-94,125	0	0	**-94,125**
Share-based remuneration	5.4; 13.2	0	2,123	0	0	**2,123**
Conversion of convertible participation rights	13.2	200	200	0	0	**400**
As of Dec. 31, 2020	7.1	**177,793**	**1,356,907**	**1,714,257**	**3,485**	**3,252,442**

For the period from January 1 to December 31, 2019

EUR k	Notes	Share capital	Capital surplus	Retained earnings	Revaluation surplus	Total equity
As of Dec. 31, 2018		**177,416**	**1,538,632**	**964,554**	**3,485**	**2,684,087**
First-time adoption from IFRS 16	2.1	0	0	–7	0	**–7**
As of Jan. 1, 2019		**177,416**	**1,538,632**	**964,547**	**3,485**	**2,684,080**
Changes in the financial year 2019						
Consolidated profit		0	0	581,221	0	**581,221**
Other comprehensive income		0	0	0	0	**0**
Total comprehensive income		**0**	**0**	**581,221**	**0**	**581,221**
Payments of dividends	11	0	–92,257	0	0	**–92,257**
Share-based remuneration	5.4; 13.2	0	2,157	0	0	**2,157**
Conversion of convertible participation rights	13.2	177	177	0	0	**354**
As of Dec. 31, 2019	7.1	**177,593**	**1,448,709**	**1,545,768**	**3,485**	**3,175,555**

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

alstria office REIT-AG (the Company) is a listed real estate property corporation under the scope of the G-REIT Act. The main objectives of the Company and its subsidiaries (the Group or alstria) are the acquisition, management, operation, and sale of owned real estate property and the holding of participations in enterprises that acquire, manage, operate, and sell owned property.

alstria prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with the additional requirements set forth in Section 315e para. 1 of the German Commercial Code (HGB). The Management Board authorized for issue the consolidated financial statements on February 19, 2021.

alstria office REIT-AG's registered office and address is Steinstrasse 7, 20095 Hamburg, Germany. The Company is entered in the commercial register at the local court of Hamburg under HRB No. 99204.

alstria prepares and reports its consolidated financial statements in Euro (EUR), the Group's functional currency. Due to rounding, the numbers presented may not add up precisely to the totals provided.

The financial year ends on December 31 of each calendar year. The consolidated financial statements presented in this report were prepared for the period from January 1 to December 31, 2020.

2. BASIS OF PREPARATION

Apart from investment property (land and buildings) and certain financial instruments that are measured at fair values at the end of each reporting period, 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 and for management to exercise its judgement when 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 2.3.

The consolidated income statement is prepared using the total cost method. 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 1 year and vice versa for noncurrent items.

2.1. Changes in accounting policies and mandatory disclosures

Effects of new and amended IFRSs

The Company adopted the following new amendments to existing standards for the first time for the financial year beginning January 1, 2020:

EU Endorsement	Standard/ interpretation	Content	Applicable for FY beginning on/after	Effects
Apr. 21, 2020	Amendments to IFRS 3	Business combinations: Definition of a business	Jan. 1, 2020	None
Jan. 15, 2020	Amendments to IFRS 9, IAS 39, and IFRS 7	Interest Rate Benchmark Reform, requiring additional disclosures in IFRS 7 around uncertainty arising from the interest rate benchmark reform	Jan. 1, 2020	None
Oct. 9, 2020	Amendment to IFRS 16	Leases: COVID-19 - Related Rent Concessions	June 1, 2020	None
Dec. 10, 2019	Amendments to IAS 1 and IAS 8	Definition of “material”	Jan. 1, 2020	None
Dec. 06, 2019	Amendments to IFRS Framework		Jan. 1, 2020	None

The changes to standards and to the framework concept did not have any material effects on the Group's net assets, financial position, and results of operations.

New and amended IFRSs and interpretations to existing standards that are not yet effective and that the Group has not adopted early

EU Endorsement	Standard/ interpretation	Content	Applicable for FY beginning on/after	Effects
Not yet endorsed	IFRS 17	New standard “Insurance contracts”	Jan. 1, 2023	None
Not yet endorsed	Amendments to IFRS 3	Business Combinations: Update of an outdated reference in IFRS 3 without significantly changing its requirements.	Jan. 1, 2022	None
Dec. 15, 2020	Amendments to IFRS 4	The effective date of IFRS 17, which will replace IFRS 4, is now Jan. 1, 2023; the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 has been deferred to Jan. 1, 2023	Jan. 1, 2021	None
January 13, 2021	Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16	Interest Rate Benchmark Reform - Phase 2	Jan. 1, 2022	None
Not yet endorsed		Annual Improvement 2018-2020	Jan. 1, 2023	None
Not yet endorsed	Amendments to IAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent	Jan. 1, 2022	None
Not yet endorsed	Amendments to IFRS 10 and IAS 28	Selling or depositing assets in associates or joint ventures	tbd	None
Not yet endorsed	Amendments to IAS 16	Property, plant, and equipment	Jan.1, 2022	None
Not yet endorsed	Amendments to IAS 37	Provisions, Contingent Liabilities, and Contingent Assets	Jan.1, 2022	None

No significant impact on financial reporting is expected from the other new standards and amendments to the existing standards listed above.

The Group did not adopt any new or amended standards or interpretations early in the 2020 financial year.

2.2. Basis of consolidation

2.2.1. 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

- exercises authority over the investee;
- is exposed or has rights to variable returns from its involvement with the investee; and
- can use its authority to affect the amount of its returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the 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 when the Company gains control until the date when the Company ceases to control the subsidiary.

The profit or loss and each component of the other comprehensive income are attributed to the Company's owners and noncontrolling interests. The total comprehensive income of the subsidiaries is attributed to the Company's owners and 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 upon consolidation.

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 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 the 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 any 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).

Business combinations

Acquisitions of businesses within the meaning of IFRS 3 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 acquired assets and the assumed liabilities are recognized at their fair value.

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. After reassessment, if 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 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 and reported under liabilities. 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 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.

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.

The acquisition of real estate property companies that do not represent a business in the sense of IFRS 3 is shown as a direct purchase of real estate (asset deal). The acquisition costs of the property company are assigned to the individually identifiable assets and liabilities on the basis of their fair values. In this case, there is no goodwill.

2.2.2. Fully consolidated subsidiaries

The Group of consolidated companies, including alstria office REIT-AG, comprised 48 companies in the financial year (2019: 51). As of the balance sheet date, 45 companies (prior-year balance sheet date: 48 companies) existed. In addition, two joint ventures and one noncontrolling interest have been accounted for using the equity method.

In the consolidated financial statements of alstria office REIT-AG, the following companies are included (statement according to Section 313 para. 2 and Section 315 (e) HGB):

No.	Company	Headquarters	Equity interest (%)	Held by no.	Business activity
1	alstria office REIT-AG	Hamburg	Parent company		Asset management; holding
2	alstria Bamlerstraße GP GmbH	Hamburg	100.0	1	General Partner
3	alstria Englische Planke GP GmbH	Hamburg	100.0	1	General Partner
4	alstria Gänsemarkt Drehbahn GP GmbH	Hamburg	100.0	1	General Partner
5	alstria Halberstädter Straße GP GmbH	Hamburg	100.0	1	General Partner
6	alstria Ludwig-Erhard-Straße GP GmbH	Hamburg	100.0	1	General Partner
7	alstria Mannheim/Wiesbaden GP GmbH	Hamburg	100.0	1	General Partner
8	alstria office Bamlerstraße GmbH & Co. KG[1)]	Hamburg	100.0	1	Own property
9	alstria office Englische Planke GmbH & Co. KG[1)]	Hamburg	100.0	1	Own property
10	alstria office Gänsemarkt Drehbahn GmbH & Co. KG[1)]	Hamburg	100.0	1	Own property
11	alstria office Insterburger Straße GmbH & Co. KG[1)]	Hamburg	100.0	1	Own property
12	alstria office Mannheim/Wiesbaden GmbH & Co. KG[1)]	Hamburg	100.0	1	Own property
13	alstria office Steinstraße 5 GmbH & Co. KG[1)]	Hamburg	100.0	1	Own property
14	alstria Portfolio 1 GP GmbH	Hamburg	100.0	1	General Partner
15	alstria Portfolio 3 GP GmbH	Hamburg	100.0	1	General Partner
16	alstria Prime Portfolio 2 GP GmbH	Hamburg	100.0	1	General Partner
17	alstria Prime Portfolio GP GmbH	Hamburg	100.0	1	General Partner
18	alstria solutions GmbH	Hamburg	100.0	1	Service company
19	alstria Steinstraße 5 GP GmbH	Hamburg	100.0	1	General Partner
20	beehive GmbH & Co. KG[1)]	Hamburg	100.0	1	Service company
21	alstria office Prime Portfolio GmbH & Co. KG[1)]	Hamburg	94.0	1	Intermediate holding
22	alstria office PP Holding I GmbH & Co. KG[1)]	Hamburg	94.0	21	Intermediate holding
23	alstria office Kampstraße GmbH & Co. KG[1)]	Hamburg	94.0	22	Own property
24	alstria office Berliner Straße GmbH & Co. KG[1)]	Hamburg	94.0	22	Own property
25	alstria office Hanns-Klemm-Straße GmbH & Co. KG[1)]	Hamburg	94.0	22	Own property
26	alstria office Maarweg GmbH & Co. KG[1)]	Hamburg	94.0	22	Own property
27	alstria office Heerdter Lohweg GmbH & Co. KG[1)]	Hamburg	94.0	22	Own property
28	alstria office Solmsstraße GmbH & Co. KG[1)]	Hamburg	94.0	22	Own property
29	alstria office PP Holding II GmbH & Co. KG[1)]	Hamburg	94.0	21	Intermediate holding
30	alstria office Wilhelminenstraße GmbH & Co. KG[1)]	Hamburg	94.0	29	Own property
31	alstria office Hauptstraße GmbH & Co. KG[1)]	Hamburg	94.0	29	Own property
32	alstria office Mergenthaler Allee GmbH & Co. KG[1)]	Hamburg	94.0	29	Own property
33	alstria office Am Hauptbahnhof GmbH & Co. KG[1)]	Hamburg	94.0	29	Own property
34	alstria office Kastor GmbH & Co. KG[1)]	Hamburg	94.0	29	Own property
35	alstria office Heidenkampsweg GmbH & Co. KG[1)]	Hamburg	94.0	29	Own property
36	alstria office Stiftsplatz GmbH & Co. KG[1), 2)]	Hamburg	94.0	29	Own property
37	alstria office An den Dominikanern GmbH & Co. KG[1)]	Hamburg	94.0	29	Own property

38	alstria office Carl-Schurz-Straße GmbH & Co. KG[1]	Hamburg	94.0	29	Own property
39	alstria office Pempelfurtstraße GmbH & Co. KG[1]	Hamburg	94.0	29	Own property
40	alstria office Josef-Wulff-Straße GmbH & Co. KG[1), 2)]	Hamburg	94.0	29	Own property
41	alstria office Frauenstraße GmbH & Co. KG[1]	Hamburg	94.0	29	Own property
42	alstria office Olof-Palme-Straße GmbH & Co. KG[1]	Hamburg	94.0	29	Own property
43	alstria office Region Nord GmbH & Co. KG[1]	Hamburg	94.0	29	Own property
44	alstria office Region Süd GmbH & Co. KG[1]	Hamburg	94.0	29	Own property
45	alstria office Region Mitte GmbH & Co. KG[1]	Hamburg	94.0	29	Own property
46	Balgebrückstraße GmbH & Co. KG[1), 3)]	Hamburg	94.0	29	Own property
47	alstria office PP Holding III GmbH & Co. KG[1]	Hamburg	94.0	21	Intermediate holding
48	alstria office Vaihinger Straße GmbH & Co. KG[1]	Hamburg	94.0	47	Own property

1) The Company has made use of the exemption from the obligation to prepare annual financial statements in accordance with the provisions applicable to corporations in accordance with Section 264b HGB.

2) Terminated as a result of a step-up merger in financial year 2020.

3) Disposal in financial year 2020.

Alongside alstria office REIT-AG, the consolidation comprised companies in which the Company directly or indirectly held the majority of voting rights. The consolidated group at the balance sheet date consisted of the Company, 20 domestic subsidiaries, and 25 domestic second-tier subsidiaries. Three subsidiaries were terminated as a result of a step-up merger.

The reporting date for the consolidated financial statements is the same as the reporting date for the Company and consolidated subsidiaries.

There were no further changes to the consolidated group in the 2020 financial year in comparison to the consolidated financial statements as of December 31, 2019. All of the Group's companies are property management, holding, or general partner companies.

2.2.3. Interests in joint ventures and noncontrolling interests

As of the balance sheet date, the Group held investments in a joint venture and an associated company. As of the previous year's reporting date, there were investments in two joint ventures. The companies are or were accounted for using the equity method. The carrying value of EUR 1,020 k relates to the associated company with EUR 915 k and the joint venture with EUR 105 k.

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

in %			Proportion of ownership, interest, and voting rights held by the Group	
Name of joint venture	**Principal activity**	**Place of incorporation and business**	**Dec. 31, 2020**	**Dec. 31, 2019**
Kaisergalerie General Partner GmbH i.L	n/a	Hamburg, Germany	49.0	-
Terminated in financial year 2020				
Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG	Hold and manage real estate	Hamburg, Germany	-	49.0
Alte Post General Partner GmbH i.L	n/a	Oststeinbek, Germany	-	49,0

The following table provides the aggregated information for joint ventures whose individual carrying amounts are not material:

EUR k	2020	2019
The Group's share of profit (loss) from continuing operations	–9	–145
The Group's share of total comprehensive income	**–9**	**–145**

EUR k	Dec. 31, 2020	Dec. 31, 2019
Aggregate carrying amount of the Group's interests in these joint ventures	105	155

There were no unrecognized shares of joint venture's losses or any significant restrictions as to the ability of joint ventures to transfer cash funds to the Group.

Furthermore, alstria holds a noncontrolling interest in an affiliate amounting to EUR 915 k. The Company was acquired in the 2016 financial year and is considered immaterial. Its business is the investment in innovative real estate technology concepts. The Company recorded a result of EUR 0 k in the reporting period.

2.3. Key judgments and estimates

To a certain degree, estimates, assessments, and assumptions must 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 overall period. The major items that such estimates, assessments, and assumptions affect 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.

2.3.1. Judgements

Management has made the following discretionary decisions 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—the 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.

Equity-settled share-based payment transactions

As part of its remuneration, the Management Board was granted share-based payments (see Note 13.1). While the virtual shares issued in business year 2017 were cash-settled share-based payments, in the 2018 financial year, share-based payments were for the first time equity settled.

All conditions of the share-based payment conditions were settled in advance by the parties involved. The predominant value-determining parameters are objectively observable market parameters, such as the share price performance of the alstria share or the performance of a benchmark index. At the end of the term, the number of equity instruments to be granted can be adjusted by the Supervisory Board of the Company in a narrow band (so-called discretionary factor). This leads to the question of whether the grant date is in the current financial year or only at the time when the Supervisory Board determines the discretionary factor. In the first case, the virtual shares are measured at fair value at their issue. The amount of the valuation is to be recognized pro rata in equity over the term until conversion. If the grant date falls to the end of the term, the value of the virtual shares must be revalued at each reporting date and recognized as a liability.

The terms of the agreement on which the equity instruments were granted were already fixed when the virtual shares were issued during the reporting period. The main value drivers are observable market parameters. Therefore, the issue date of the virtual shares is considered the date of granting the share-based payment with the result that the virtual shares were valued at the issue date and recognized pro rata as personnel expenses and in the equity of the Group. The Supervisory Board's option to exercise a discretionary factor does not exclude this judgement, since it is not a change in the terms of the contract. Furthermore, based on previous practices, a reduction in the number of equity instruments is not to be assumed.

2.3.2. Estimates and assumptions

Significant key sources of estimation uncertainty and key assumptions concerning the future as of the balance sheet date relate to the following balance sheet items. 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 particularly necessary to

- determine the fair value of investment property (see Note 6.1);
- determine the amortized cost of limited partnership capital of noncontrolling interests (see Note 7.2);
- determine the fair value of other provisions (see Notes 7.4) and
- determine the fair value of virtual shares granted to management (see Note 13.1)

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, 2020	Dec. 31, 2019
Investment property and properties held for sale, without prepayments made	4,556,725	4,458,185
Limited partnership capital of noncontrolling interests	68,290	70,527
Other provisions	2,031	3,731
thereof virtual shares	*1,301*	*2,941*

2.4. 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.

2.4.1. Fair value measurement

The Group measures financial instruments, such as derivatives, and nonfinancial 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 that 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 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 liability, or
- in the most advantageous market for the asset or liability if no principal market exists.

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

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a 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 IFRS 16 “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.”

Market prices are not always available to determine the fair value. It must often 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.

Level 3 inputs require more extensive disclosures.

2.4.2. Investment property

Investment properties are properties held to earn rental income and/or for capital appreciation (including property under construction for such purposes). They are not used in production or 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, insofar as these contribute to an increase in the fair value of the property.

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 described above, only inputs from Levels 2 and 3 are applicable for property. The majority is categorized as Level 3. Inputs used in the valuation approach that the Group has adopted for all of its properties include rental revenues, adjusted yield figures (e.g., property-based capitalization rates), and vacancy periods. These inputs are not observable in markets and are considered significant. Therefore, the fair value measurement used by the Group for valuation of all investment properties is generally categorized as Level 3. Information about the significant unobservable inputs used and their sensitivities to the fair values of the Group’s investment property is presented in Note 6.1.

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

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising from this remeasurement is recognized in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized in OCI and presented in the revaluation reserve.

Any loss is recognized in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognized in other comprehensive income and reduces the revaluation surplus within equity.

Leases of land and buildings in which the Group acts as a lessee and which it sublet are also classified as financial investments and subsequently measured at fair value. The investment properties are shown with the addition of the leasing liabilities.

2.4.3. Valuation process for investment properties

The fair value hierarchy gives no information about the applied valuation techniques.

The basis for deriving fair value, 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 there was no sufficient number of official comparable transactions to derive any market values. Therefore, fair value was determined based on an income approach in accordance with IFRS 13.61.

In estimating the fair value of the properties, their current use of the property is the highest and best option. No fundamental change to the valuation method has occurred during the year.

As in the previous year, external real estate experts conducted the valuation of investment property at fair value on December 31, 2020, using the “hardcore-and-top-slice” method, according to internationally accepted valuation methods in accordance with IFRS. An accredited, external, and independent expert performed the fair value measurement (Savills Advisory Services Germany GmbH & Co. KG, Frankfurt am Main, Germany).

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 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 the independent experts is also appropriate and suitable for determining market values in accordance with the provisions of the International Valuation Standards (IVS, or the *White Book*).

To determine the fair values, the hardcore-and-top-slice method takes into account the following points:

- the contractual rent for the remaining term of the lease (in the case of open-ended leases, a residual term of 1 year to half of the previous rental period is assumed);
- a vacancy period of between 0 and 30 months following the expiry of the lease;
- the necessary maintenance costs to relet the properties;
- relets at market rents (accounting for the difference between market and contractual rent);
- capitalization rates reflecting the individual risk of the property and market activity (comparable transactions);
- management costs between 1 and 4% of the market rent;
- nonallocable costs of ongoing maintenance between EUR 3.00/m^2 and EUR 11.00/m^2 depending on the property standard; and
- the net selling price as comparable.

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 6.1.

The valuation method described also applies to investment properties in which development projects are realized.

Gains or losses arising from changes in the fair values of investment properties 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 been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

2.4.4. Assets held for sale

Noncurrent assets intended for disposal under an asset deal are reported separately as being 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 until the end of the reporting period. If the disposal is to take the form of a share deal, noncurrent 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 each subsequent reporting date. Gains or losses from measuring individual assets held for sale and disposal groups are reported under gain or loss on the disposal of investment property until they have been sold.

2.4.5. Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Further information on leases can be found in sections 5.3 Administrative expenses, 5.8 Financial and valuation results, 6.1 Investment property, 6.3 Intangible assets and property, plant and equipment and 7.5 Trade payables and other obligations.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the contractually agreed fee is to be allocated on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, minus any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and is discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain that it will not terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant, and equipment" and lease liabilities in "loans and borrowings" in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes the lease payments associated with these leases as an expense in a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the asset's economic life. The Group has classified the sublease contracts on the basis of the right of use and not the underlying asset, and it has come to the conclusion that the leases are operating leases in accordance with IFRS 16.

Lease payments from operating leases are recognized by the Group on a straight-line basis as income in sales over the term of the lease.

In addition, alstria office REIT-AG is also a lessee to a small extent in the context of operating leases.

2.4.6. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as revenues. Revenue and expense recognition

Revenues and other operating expenses are generally only recognized when the entity satisfies a performance obligation by transferring a promised good or service to a customer. An asset is transferred when the customer obtains control of the asset.

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, according to IFRS 16, recognized on a straight-line basis over the terms 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.

Revenues from service charge income are, according to IFRS 15, realized over the period of performance, which essentially corresponds to the time at which service charge expenses are recorded. With regard to the service charge costs of letting, alstria has a principal position. In this respect, the operating costs charged to the tenants must be shown as sales. The costs incurred relating to the provision of services in this context are presented as real estate operating expenses.

Proceeds from the sale of investment properties are recognized when the risks and opportunities associated with ownership of the property have passed to the buyer (transfer of ownership, benefits, and burdens of the property).

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

Interest expenses and interest income are recognized using the effective interest method.

2.4.7. Income taxes

Income tax expense is recognized in profit or loss, except when it relates to items recognized in other comprehensive income or directly in equity, in which case, current taxes are also recognized in other comprehensive income or directly in equity, respectively.

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

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. To take effect, the determination of the amount is based on the tax rates and laws applicable on the reporting date or soon after.

2.4.8. 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 financial year. Diluted earnings per share are calculated based on the assumption that all potentially dilutive securities and share-based payments are converted or exercised.

2.4.9. Impairments of assets according to IAS 36

Assets are tested for impairment when triggering events or changes in circumstances indicate that the carrying amount may no longer be recoverable. The consequences of the COVID-19 pandemic gave no indication that the carrying amounts of the assets for which IAS 36 is to be applied could no longer be achieved.

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, but not above the maximum value that would have resulted if normal amortization had been charged.

2.4.10. Property, plant, and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation and impairment losses. They include owner-occupied real estate, right-of-use assets according to IFRS 16, and operating and office equipment. Such costs include the cost of replacing part of the property, plant, and equipment at the time the cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognized in profit or loss as incurred.

The depreciation of operating and office equipment is calculated on a straight-line basis over the estimated useful life of the asset (3 to 13 years). The useful life of owner-occupied property is estimated at 33 to 50 years. While the building is depreciated on a scheduled basis, the land is not subject to depreciation.

2.4.11. Intangible assets

The Group amortizes intangible assets with finite useful lives on a straight-line basis over their respective estimated useful lives. Estimated useful lives for patents, licenses, and other similar rights generally range from 3 to 10 years. Currently, the Company does not have intangible assets with indefinite useful lives.

2.4.12. Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- FVOCI — debt investment;
- FVOCI — equity investment;
- or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise to specified dates for cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms provide an increase of specified dates for cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost are measured at FVTPL. This includes all derivative financial assets (see Note 6.5.). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

With respect to financial assets, the Group pursues a business model with the objective of holding assets in order to collect the contractual cash flows.

Financial assets – Assessment of whether contractual cash flows are solely payments of principal and interest

In assessing whether contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

A prepayment feature is consistent with the exclusive payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the outstanding principal amount, which may include reasonable additional compensation for early termination of the contract.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities - Classification, subsequent measurement, and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as being at FVTPL if it is categorized as held-for-trading, it is a derivative, or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value; net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss. All financial liabilities are currently classified at amortized cost.

Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which all significant risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains all significant risks and rewards of ownership and does not retain control of the financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, are cancelled, or expire. The Group also derecognizes a financial liability when its terms are significantly modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Upon derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any noncash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

Derivative financial instruments, such as interest rate swap contracts, are measured at fair value and classified as being held for trading unless they are designated as hedging instruments, for which hedge accounting is applied. At the end of the reporting period and on the same date in the previous year, the Group used derivative financial instruments in the form of interest cap hedging relationships, the market values of which were of a negligible magnitude, because the guaranteed interest rate cap is far above the underlying yield curve. Due to the large gap between the yield curve and the secured interest rate cap, there were no valuation effects, and they are no longer expected in the future (see Section 6.5).

Cash flow hedges

The effective portion of changes in the fair value of derivative instruments designated as cash flow hedges is recognized in the line item other comprehensive income, and any ineffective portion is recognized immediately in net income. Amounts accumulated in equity are reclassified to net income during the same periods in which the hedged item affects net income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated, or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a nonfinancial item, it is included in the nonfinancial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods in which hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in the hedging reserve and the cost of the hedging reserve are immediately reclassified to profit or loss.

Other hedges

The Group uses neither 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

The Company considers all highly liquid investments with less than three months' maturity from the date of acquisition to be cash equivalents.

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

2.4.13. Impairment

Nonderivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost.

The Group generally measures loss allowances at an amount equal to the 12-month ECLs if the default risk (for example, the credit default risk) has not increased significantly since the initial recognition.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs unless they are trade receivables from alstria's main tenant.

Value adjustments on trade receivables are always based on the amount of the ECL over the term. The Group applies the simplified approach in accordance with IFRS 9.5.5.15. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment as well as forward-looking information. The effects of the COVID-19 pandemic were taken into account and led to a higher risk of failure (see section 6.6).

The Group assumes that the credit risk of a financial asset other than trade receivables measured at an amount equal to lifetime ECLs will have significantly increased if it is more than 30 days past due. For trade receivables, the number of days past due could be significantly higher due to the fact that service charge invoices are regularly under investigation on the tenants' side, causing a delay in acceptance by alstria until consent has been met. The same applies for rental receivables not paid by the tenants in case of other disputes relating to the tenancy.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held). This usually does not apply to rental receivables for which the usual security deposit of two months' net rent is included in the assessment of whether a rental claim is deemed canceled.

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade." The Group considers this to be Baa3 or higher per Moody's Corporation, New York, USA or BBB- or higher per Standard & Poor's Corporation, New York, USA.

Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs for financial assets are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial problems of the borrower or issuer;
- a breach of contract, such as a default; or
- probability that the borrower will enter bankruptcy or other financial restructuring.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in whole or in part. For tenants, the Group makes assessments individually with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities.

2.4.14. Noncontrolling interests of limited partners

In addition to alstria office REIT-AG, other limited partners are minority shareholders in the subsidiary alstria office Prime Portfolio GmbH & Co. KG ("alstria office Prime"), which is included in the consolidated financial statements. From the Group's point of view, the equity of these limited partners is to be reported as debt capital in accordance with IFRS. They are shown in the consolidated balance sheet under the item "limited partnerships of noncontrolling interests." The limited partner contributions are shown at amortized cost in accordance with the articles of association.

2.4.15. Provisions

Provisions are recognized when a present obligation to third parties exists as a result of a past event, a future outflow of resources is probable, and 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 not current, they are discounted. Provisions are not offset with reimbursements.

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

2.4.16. 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 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 or loss for the service period and which, in turn, increases equity (paid-in capital) by the same amount. Equity-settled awards are granted to the Group's employees in the form of convertible profit participation certificates, the fair value of which is estimated at the respective grant dates by applying a binary barrier-option model based on the Black-Scholes model; assumptions include an automatic conversion once the barrier is 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 therefore subject to uncertainty. Furthermore, share-based compensation plans with compensation through equity instruments were issued to the Company's Management Board for the first time in the 2018 financial year (so called „long term Incentive plan 2018“ or „LTIP 2018“). The fair value of these stock awards at the grant date was calculated using a 100,000-path Monte Carlo simulation based on the terms of the LTIP 2018.

Cash-settled liability awards are related to the virtual shares granted to the Management Board until the 2017 financial year. The virtual shares are measured at each balance sheet date and are accounted for as provisions. The proportional expense incurred in the period comprises the addition to and 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 75 k (December 31, 2019: EUR 1,867 k) and a provision of EUR 1,301 k, as reported in the consolidated financial statements as of December 31, 2020 (December 31, 2019: EUR 2,941 k).

Further details on the share-based payment schemes are given in Note 13 and the remuneration report.

3. 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, demographics, and other factors inherent to the market. Changes in interest rates might lead to a modified valuation of the investment property and derivatives.

4. SEGMENT REPORTING

IFRS 8 requires a management approach, under which information on segments is presented to the Management Board on the same basis used for internal-reporting purposes.

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

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

A larger number of tenants generate revenues. Total revenues amount to EUR 215,430 k (2019: EUR 224,505 k), of which EUR 29,020 k (2019: EUR 29,376 k) and EUR 25,966 k (2019: EUR 25,164 k) are related to leases to the Group's two largest customers. No other single customer has contributed 10 % or more to the consolidated revenues in the 2019 or 2020 financial years.

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

5.1. Revenues

EUR k	2020	2019
Revenues from investment properties	177,063	187,467
Revenues from service charge income	38,367	37,038
Revenues	**215,430**	**224,505**

Revenues from investment properties mainly comprised rental income. The rental income includes effects totaling EUR 4,058 k (2019: EUR 3,162 k), which are attributable to rent-free periods. Due to the granting of rent relief in connection with the COVID-19 pandemic, rental income in the amount of EUR 753 k was waived. The reduced rental income was spread over the remaining term of the respective rental agreement. In addition, revenues from investment properties include income from asset management services in relation to the leased real estate properties in the amount of EUR 2,617 k (2019: EUR 2,470 k).

Rental income from property leases contains variable rental income amounting to EUR 6,686 k (2019: EUR 8,476 k). These are rental agreements in which the rental payments are linked to the operating results of the tenants.

5.2. Real estate operating expenses

EUR k	2020	2019
Operating costs that can be charged to tenants	36,173	36,683
Maintenance and refurbishment	8,429	8,476
Vacancy costs	7,803	8,077
Ongoing repairs	5,598	5,095
Legal and advisory fees	842	1,133
Electricity costs	252	260
Insurance expenses	190	40
Property management	177	184
Rent expenses	86	337
Other expenses	1,057	1,316
Total	**60,607**	**61,601**

5.3. Administrative expenses

EUR k	2020	2019
Legal and consulting fees	2,563	3,222
Depreciation	1,110	856
IT maintenance	705	606
Communication and marketing	653	729
Audit fee (audit and audit-related services)	584	518
Supervisory Board compensation	525	525
Leasing payments and rents	484	143
Insurance expenses	302	233
Office area costs	296	272
Recruitment	218	349
Travel expenses	183	532
Office equipment	172	227
Contributions	160	100
Training & workshops	148	230
Other	357	1,003
Total	**8,460**	**9,545**

The lease payments and rents in the 2020 financial year amounting to EUR 484 k are related to short-term and low-value leases.

5.4. Personnel expenses

EUR k		2020		2019
Salaries and wages		10,539		9,701
Social insurance contribution		1,873		1,708
Bonuses		2,402		2,410
Expenses for share-based compensation		3,132		4,033
thereof relating to virtual shares	*1,240*		*2,135*	
thereof relating to the convertible profit participation certificates	*1,892*		*1,898*	
Amounts for Management Board retirement provisions and disability		162		148
Other		460		441
Total		**18,568**		**18,441**

The increase in salaries and wages is based on a higher average number of employees. The decrease in expenses from share-based payments had the opposite effect, so that overall personnel expenses were only slightly higher than in the previous year.

Convertible profit participation rights granted to employees grant the right not only to a conversion when the conditions apply but also to an annual payment equivalent to the dividend amount paid out per share.

The employer's contribution to statutory pension insurance, included in wages and salaries, amounts to EUR 897 k for the 2020 financial year.

On average, the Group employed 166 employees in 2020 (2019: 156).

5.5. Other operating income

EUR k	2020	2019
Compensation payments and other recharges	3,365	3,280
Revaluation of the limited partnership capital noncontrolling interests	279	0
Reversal of allowance on financial assets	250	0
Property management services	107	77
Income from the reversal of accrued liabilities	99	11,189
Collection of security deposits	75	204
Payments on provisions on doubtful debts	0	106
Other	454	1,329
Total	**4,629**	**16,185**

Compensation payments and other charges result from early termination of leases and refurbishment activities conducted by alstria. The latter refers to refurbishments the tenants had originally committed to carry out themselves upon conclusion of the leasing contracts. The income from the release of accrued liabilities in the financial year 2019 amounted to EUR 10,483 k in real estate transfer tax obligations, which were released as the obligation ceased to exist.

5.6. Other operating expenses

EUR k	2020	2019
Impairment on trade receivables	1,371	850
Final settlement of sales based rents from previous years	459	0
Legal and advisory fees	39	122
Revaluation of the limited partnership capital noncontrolling interests	0	8,488
Allocation to provisions for the compensation of former minority shareholders	0	5,183
IFRS 9 impairment on financial assets	0	250
Settlement agreements	0	191
Other operating expenses	274	146
Total	**2,143**	**15,230**

Impairment to receivables is mainly related to tenants subject to insolvency or eviction proceedings. This item also includes valuation allowances related to disputed invoicing of ancillary costs. The increase in value adjustments is related to higher defaults on rental claims as a result of the COVID-19 pandemic.

In the previous year, a potential increase in cash compensation for former minority shareholders was taken into account. This compensation is related to former shareholders of the former DO Deutsche Office AG, which was taken over in the 2015 financial year (see Section 7.5).

5.7. Net results of the disposal of investment property

EUR k	2020	2019
Proceeds from the disposal of investment property - transferred to buyer	126,510	147,915
Carrying amount of investment property disposed of - transferred to buyer	-116,687	−128,422
Costs in relation to the sale of investment properties - transferred to buyer	-1,483	−152
Gain on disposal of investment property - transferred to buyer	**8,340**	**19,341**
Agreed selling price of held-for-sale investment properties	0	19,462
Carrying amount of investment property at the time of reclassification to held-for-sale	0	−21,426
Costs in relation to the sale of investment properties - held for sale	0	−27
Valuation result of held-for-sale investment properties	**0**	**−1,991**
Gain on disposal of investment property	**8,340**	**17,350**

In the 2020 financial year, no properties were sold below their book value. In the 2019 financial year, the sale of properties that were sold below their book value resulted in a loss of EUR 1,991 k.

5.8. Net financial result

The financial result breaks down as follows:

EUR k	2020	2019
Income from financial instruments	**533**	**575**
Interest expenses, corporate bonds	−27,269	−21,960
Interest result "Schuldschein"	−2,321	−2,376
Interest expenses, other loans	−2,190	−2,577
Other interest expenses	−228	−8
Financial expenses	**−32,008**	**−26,921**
Commitment fees	−254	−367
Financial expenses lease liability IFRS 16	−95	−94
Agency fees	0	−11
Other	−8	−642
Other financial expenses	**−357**	**−1,114**
Net financial result	**−31,832**	**−27,460**

The 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 3,261 k (interest expenses, 2019: EUR 2,173 k).

In neither of the two former financial years did the Group hold any financial assets available for sale. Therefore, the net result from the disposal of financial assets available for sale amounted, as in the previous year, to EUR 0.

There was no net gain or loss from the change in the fair values of derivative financial instruments, either in the 2020 financial year or the previous year.

Further details and explanations on derivatives are presented in Note 6.5.

5.9. Income tax expenses

On January 1, 2007, alstria office REIT-AG obtained G-REIT status. At that time, it was subject to final taxation and has been effectively tax exempt with regard to corporate and trade tax 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 alstria office Prime Portfolio GmbH & Co. KG, however, companies were included in the consolidated financial circle that are not subject to the REIT exemption. This resulted in expenses for income taxation at the level of the alstria office Prime Portfolio GmbH & Co. KG subgroup.

Income tax expense comprises essentially current tax expenses from previous years. A deferred tax result is no longer expected due to the de facto tax exemption of the Group.

6. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

6.1. Investment property

This item, comprising investment properties held by the Company, breaks down as follows:

Fair values in EUR k	2020	2019
As of January 1	**4,438,597**	**3,938,864**
Property acquisition	7,784	47,891
Capital expenditure	144,928	116,268
Disposals	–96,650	–103,814
Transfers to held for sale	0	–20,586
Net result from the adjustment of the fair value of investment property	61,522	454,767
Effect from the first-time adoption of IFRS 16	0	5,207
As of December 31	**4,556,181**	**4,438,597**

Eight properties were sold in the 2020 financial year, two of which were included in assets held for sale at the end of the previous period.

	Acquisition		Disposal	
Property transaction	**Number of properties**	**Transaction amount in EUR k**	**Number of properties**	**Transaction amount in EUR k**
Contract signed until 2019, transferred in 2020	0	0	2	19,580
Contract signed and transferred in 2020	1	7,000	6	106,930
Contract signed in 2020, transferred 2021	1	30,300	0	0
Total	**2**	**37,300**	**8**	**126,510**

Capital expenditure (EUR 144,928 k) comprises subsequent acquisition and production costs relating to property acquisitions and refurbishment projects.

The investment property includes rights-of-use assets from leases, which are shown in the amount of the leasing liabilities of EUR 5,042 k.

Borrowing costs that would have had to be capitalized as construction costs were not incurred during the reporting period (2019: 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 2.4.

The item “net result from fair value adjustments on investment property” on the income statement in the amount of EUR 156,892 k is attributable to a change in unrealized losses.

Furthermore, the net result from fair value adjustments on investment property includes devaluations in the amount of EUR 272 k that relate to properties sold in the reporting period. The total of the increases in value amounted to EUR 218,686 k.

As in the previous year, all real estate held as investment property measured at fair value is classified as Level 3 in the fair value hierarchy.

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 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: offices.
b) The geographical location of all properties is Germany.
c) The level of fair value hierarchy for all investment properties is Level 3.
d) There are large differences between the contractual lease terms. This also affects the weighted average unexpired lease term (**WAULT**) for each investment property. A distinction is made between objects with a short, medium, and long WAULT.

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

- Germany – Office – Level 3 – short WAULT (0–5 years);
- Germany – Office – Level 3 – medium WAULT (> 5–10 years); and
- 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 on Dec. 31, 2020	Valuation technique	Unobservable inputs	Range Min.	Range Max.	Weighted average
German offices	4,556,181	Hardcore and top slice	Estimated rental value (EUR/m²/mo.)	7.0	23.8	14.2
Number of properties:			Adjusted yield	2.7 %	8.7 %	4.3 %
109			Void period of office leases expiring within the next 5 years [months]	0.0	32.0	14.8
0 ≤ WAULT ≤ 5 Years						
German offices	2,233,511	Hardcore and top slice	Estimated rental value (EUR/m²/mo.)	7.0	23.8	14.4
Number of properties:			Adjusted yield	2.9 %	8.7 %	4.6 %
62			Void period of office leases expiring within the next 5 years [months]	0.0	32.0	14.8
5 < WAULT ≤ 10 Years						
German offices	2,034,220	Hardcore and top slice	Estimated rental value (EUR/m²/mo.)	8.2	23.7	13.9
Number of properties:			Adjusted yield	2.9 %	6.0 %	4.2 %
42			Void period of office leases expiring within the next 5 years [months]	0.0	30.0	15.0
WAULT > 10 Years						
German offices	288,450	Hardcore and top slice	Estimated rental value (EUR/m²/mo.)	10.7	19.3	14.0
Number of properties:			Adjusted yield	2.7 %	3.2 %	2.8 %
5			Void period of office leases expiring within the next 5 years [months]	6.0	9.0	6.8

Sensitivity of measurement to variance of significant unobservable input

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

An increase in the vacancy period decreases the fair value.

An increase in the adjusted yield decreases the fair value.

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

A decrease in the vacancy period increases the adjusted yield; an increase in the vacancy period decreases the adjusted yield.

In the following, the influence of changes in the capitalization rates (adjusted return) on the market values is indicated. As of December 31, 2020, the valuation report contains an indication that the market disruption in view of the COVID-19-pandemic resulted in a reduction in the transaction values and liquidity of the markets. This note implies that there are currently significantly greater uncertainties than would be the case under normal market conditions. Against the background of the increased uncertainty due to the COVID-19 pandemic, the intervals have been extended this year.

Fair value of investment properties (EUR m)

Capitalization rate	Dec. 31, 2020	Dec. 31, 2019
−0.50 %	5,353	n/a
−0.25 %	4,924	4,771
0.00 %	4,556	4,439
0.25 %	4,236	4,147
0.50 %	3,954	n/a

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 1 and 21 years. Most leases include an indexation clause allowing rental charges to be raised annually according to prevailing market conditions.

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

EUR k	Dec. 31, 2020	Dec. 31, 2019
Within 1 year	196,220	198,622
After 1 year but not longer than 5 years	562,729	599,105
Longer than 5 years	452,403	517,792
Total	**1,211,352**	**1,315,519**

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

- EUR 215,430 k (2019: EUR 224,505 k) in revenues from investment properties, of which EUR 331 k is related to subleases of rights-of-use assets;
- EUR 52,804 k (2019: EUR 53,524 k) in operating expenses (including repairs and maintenance) directly allocable to investment properties from which rental income was generated during the period under review; and
- EUR 7,803 k (2019: EUR 8,077 k) in operating expenses (including repairs and maintenance) arising from investment properties that did not generate rental income during the period under review.

Investment properties, held-for-sale properties, and own used properties amounting to EUR 807,100 k (December 31, 2019: EUR 754,700 k) served as collateral for bank loans.

6.2. Equity-accounted investment

As of the balance sheet date, alstria held shares in an investment with a book value of EUR 915 k and shares in a joint venture with a book value of EUR 105 k. Further details on the investments accounted for using the equity method can be found in section 2.2.3 of these notes.

At the end of the reporting period 2019, two companies in which alstria office REIT-AG holds a 49.0 % share were treated as joint ventures and accounted for using the equity method. The carrying amount of the joint ventures amounted to EUR 155 k. One of the two companies was liquidated in the 2020 financial year, the other company was merged with its general partner.

6.3. Intangible assets and property, plant, and equipment

The intangible assets consist of software licenses and licenses to other rights with carrying amounts of EUR 37 k and EUR 18 k, respectively. The useful life of the intangible assets is estimated to be between 1 and 10 years.

The alstria office REIT-AG occupies areas for its own use in four of its office buildings in Hamburg, Berlin, Düsseldorf, and Frankfurt. Therefore, the owner-occupied areas of the properties are categorized as “Property, plant, and equipment” according to IAS 16, and amortized according to plan.

The following table shows the development of property, plant, and equipment.

EUR k	Plant	Furniture and fixtures	Owner-occupied property	IFRS 16 right-of-use assets	Total 2020
Acquisition and production cost					
As of January 1, 2020	**1,266**	**3,348**	**17,929**	**787**	**23,330**
Additions	0	172	15	20	207
Disposals	0	-682	0	0	-682
As of December 31, 2020	**1,266**	**2,838**	**17,944**	**807**	**22,855**
Accumulated amortization, depreciation, and write-downs					
As of January 1, 2020	**1,215**	**2,097**	**713**	**250**	**4,275**
Additions	12	272	321	280	885
Disposals	0	-665	0	0	-665
As of December 31, 2020	**1,227**	**1,704**	**1,034**	**530**	**4,495**
Net book values as of December 31, 2020	**39**	**1,134**	**16,910**	**277**	**18,360**

EUR k	Plant	Furniture and fixtures	Owner-occupied property	IFRS 16 right-of-use assets	Total 2019
Acquisition and production cost					
As of January 1, 2019	**1,266**	**3,155**	**17,977**	**0**	**22,398**
Additions	0	193	0	787	980
Disposals	0	0	–48	0	–48
As of December 31, 2019	**1,266**	**3,348**	**17,929**	**787**	**23,330**
Accumulated amortization, depreciation, and write-downs					
As of January 1, 2019	**1,202**	**1,832**	**392**	**0**	**3,426**
Additions	13	265	321	250	849
As of December 31, 2019	**1,215**	**2,097**	**713**	**250**	**4,275**
Net book values as of December 31, 2019	**51**	**1,251**	**17,216**	**537**	**19,055**

As in the previous year, two of these properties were pledged with a mortgage to secure loans from the Group.

6.4. Financial assets

EUR k	Dec. 31, 2019	Repayments	Investment in financial assets	Valuation	Dec. 31, 2020
Noncurrent financial assets	**39,108**	0	0	0	39,108
Current financial assets	**199,750**	-50,000	250,000	250	0

The financial assets of EUR 39,108 k (December 31, 2019: EUR 39,108 k) are related to long-term deposits in the amount of EUR 38,864 k and a term up to the end of the 2032 financial year. A further amount of EUR 244 k is attributable to a below -3 % share in a stock corporation on which alstria cannot exert any significant influence.

Current financial assets are bank deposits with a term of between 90 and 365 days.

There were no value adjustments for financial assets as of the balance sheet date.

6.5. Derivative financial instruments

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

			Dec. 31, 2020		Dec. 31, 2019	
Product	**Strike p.a. (%)**	**Maturity date**	**Notional (EUR k)**	**Fair value (EUR k)**	**Notional (EUR k)**	**Fair value (EUR k)**
Cap	3.000	Apr. 30, 2021	44,168	0	45,090	0
Financial derivatives - cash flow hedges			**44,168**	**0**	**45,090**	**0**
Total			**44,168**	**0**	**45,090**	**0**

Derivative financial instruments that are not designated for a cash flow hedge relationship were not held on the balance sheet date or during the year. The notional amount of the financial derivatives qualifying for cash flow hedging, effective at the end of the reporting period, was EUR 44,168 k (December 31, 2019: EUR 45,090 k).

Because the value of the derivatives on the balance sheet date, the previous balance sheet date, and during the financial year was EUR 0, there was no impact from the change in value of derivative financial instruments in the 2020 financial year.

The ineffective portion to be recognized in profit or loss that arises from cash flow hedges amounted to a fair value loss of EUR 0 (2019: EUR 0 k). A net result from fair value adjustments to financial derivatives is therefore no longer shown in the income statement.

6.6. Receivables and other assets

Due to the specific nature of the business, the Group considers receivables with a remaining term of up to 1 year to be current. The following table presents an overview of the Group's receivables:

EUR k	Dec. 31, 2020	Dec. 31, 2019
Trade receivables		
Rent receivables	**4,572**	**3,887**
Other receivables		
Cash in transit	314	206
Maintenance reserves	268	295
Receivables against employees	222	206
Creditors with debit balance	174	205
Security deposits and other deposits granted	36	47
Receivables and other assets	128	37
Financial assets	**1,142**	**993**
Deductible capital gains taxes	4,578	4,578
VAT receivables	2,677	2,378
Prepayments made	365	652
Non financial assets	**7,620**	**7,608**
Other receivables	**8,762**	**8,601**

The deductible capital gains taxes are related to the taxation on hidden reserves in the course of the change of legal form in subsidiaries in the 2016 financial year. Affected are companies of the Prime Portfolio subgroup, which, following the takeover of the former DO Deutsche Office Group, changed from the legal form of a limited liability company to the legal form of a limited partnership.

All receivables are due within 1 year from the balance sheet date. The fair value of all receivables is equal to their carrying amount.

The expected credit losses are calculated in two ways. For alstria's key tenants, default probabilities observed on the market made available by Bisnode Deutschland GmbH, Darmstadt, Germany, are used. For its receivables from the remaining (non-key) tenants, alstria uses an impairment matrix. The receivables of these other tenants are valued based on historical probabilities of default. Future developments or macroeconomic indicators are monitored, and adjustments are made if necessary.

Based on various regulations applied by the state to mitigate the medical risks of the COVID-19 pandemic, the expectation of a cooling business climate was considered in the valuation of assets. The clustering of receivables was refined in accordance with the internal monitoring of the effects of the pandemic. In addition, adjustments were made for the calculation of the expected credit loss according to IFRS 9 for trade receivables, which should cover the possible effects of the pandemic on the respective customers. As a result, the risk provision for tenants who are not classified as key tenants (other tenants) increased by EUR 381 k.

On this basis, alstria estimates the following default rates:

EUR k	0-30 days overdue	31-90 days overdue	91-180 days overdue	More than 180 days overdue
Default rate	9.63 %	16.20 %	31.77 %	100.00 %

Trade receivables from tenants of alstria are valued as follows:

EUR k	Gross amount	Provision made for default of receivables over the entire term	Provision made for default of receivables over 12 months	Net amount
0-30 days overdue	1,685	-162	–	1,523
31-90 days overdue	789	-128	–	661
91-180 days overdue	526	-167	–	359
More than 180 days overdue	1,256	-1,256	–	0
Total other tenants	**4,256**	**-1,713**	**–**	**2,543**
Key tenants	2,052	–	–23	2,029
Total	**6,308**	**–1,713**	**–23**	**4,572**

The allowance for trade receivables developed as follows:

EUR k	2020	2019
As of January 1	436	**134**
Additions	1,371	850
Net revaluation of allowances	-71	–548
As of December 31	**1,736**	**436**

Receivables from rental agreements and property disposals, as well as insurance receivables and derivative financial instruments, have been assigned to the lenders (Note 7.3) to secure the Group's mortgage-backed loans.

6.7. Cash and cash equivalents

EUR k	Dec. 31, 2020	Dec. 31, 2019
Bank balances	460,960	298,219

Current accounts held with banks attract variable interest rates for on-call balances. As of the reporting date, no cash amounts were subject to restrictions. Due to the very low credit default probabilities of the banks for the daily available bank balances, there was no impairment of cash and cash equivalents. The credit rating was based on observable market parameters.

In addition, cash and cash equivalents include EUR 8,800 k in rent deposits received from tenants (December 31, 2019: EUR 7,280 k). These tenant deposits, recognized under cash and cash equivalents, are offset by an item included under Other Liabilities.

6.8. Assets held for sale

At the end of the reporting period, alstria did not have any properties held for sale.

The previous year's assets held for sale comprised two properties. Benefits and burdens for both properties were transferred in the first quarter of the financial year 2020. The sale of properties resulted in disposal revenues of EUR 19,575 k.

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

7. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION - EQUITY AND LIABILITIES

7.1. Equity

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

Share capital

EUR k	Dec. 31, 2020	Dec. 31, 2019
Ordinary shares of EUR 1 each	**177,793**	**177,593**

The conversion of profit participation rights (Note 13.2) in the third quarter of 2020 resulted in the issuance of 199,325 new shares by making use of the conditionally increased capital provided for such purposes. The share capital of alstria office REIT-AG increased by EUR 199,325.00 as compared with December 31, 2019, and as of December 31, 2020, it is represented by 177,792,747 no-par value bearer shares.

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

Number of shares	2020	2019
Shares outstanding on January 1	**177,593,422**	**177,416,497**
Conversion of convertible participation rights	199,325	176,925
As of December 31	**177,792,747**	**177,593,422**

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

Capital reserve

The capital reserve changed as follows during the financial year:

EUR k	2020	2019
As of January 1	**1,448,709**	**1,538,632**
Payment of dividends	−94,125	−92,257
Share-based remuneration	2,124	2,157
Conversion of convertible participation rights	199	177
As of December 31	**1,356,907**	**1,448,709**

The share premium resulting from the conversion of 199,325 profit-participation rights resulted in an increase in capital reserves of EUR 199 k.

Revaluation surplus

Following the relocation of the headquarters within Hamburg in the first quarter of the financial year 2018, the office space that had previously been used as owner-occupied property again became investment property and was remeasured at fair value. The fair value revaluation resulted in an increase in the carrying amount of the property in the amount of EUR 3,485 k. The increase in value was recognized in other comprehensive income and allocated to the revaluation surplus.

Treasury shares

As of December 31, 2020, the Company held no treasury shares.

By resolution of the Annual General Meeting held on September 29, 2020, 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 September 28, 2025. There is no intention to make use of this authorization at present.

Retained earnings

Retained earnings as of December 31, 2020, totaled EUR 1,714,257 k (December 31, 2019: profit carried forward of EUR 1,545,768 k). At the dividend’s due date, alstria office REIT-AG’s stand-alone positive retained earnings were not high enough for the payment of the dividend according to German GAAP (HGB). Therefore, the amount of the dividend payouts was released from the available capital reserve in 2020.

Authorized capital

By resolution of the Annual General Meeting on September 29, 2020, the Company’s Authorized Capital 2019 in the amount of EUR 35,483 k was renewed through the Authorized Capital I 2020 and supplemented by the Authorized Capital II 2020 and Authorized Capital III 2020.

The Authorized Capital I 2020 authorizes the Management Board, with the Supervisory Board’s approval, to increase the Company’s share capital by September 28, 2025, by up to a total of EUR 35,199 k. The Authorized Capital II 2020 authorizes the Management Board, with the Supervisory Board’s approval, to increase the Company’s share capital by July 1, 2021, by up to a total of EUR 260 k to issue shares to the members of the Management Board against contribution in kind. The Authorized Capital III 2020 authorizes the Management Board, with the Supervisory Board’s approval, to increase the Company’s share capital by July 1, 2021, by up to a total of EUR 60 k to issue shares to the members of the Supervisory Board against contribution in kind.

Conditional capital

The Company's share capital has been conditionally increased to grant convertible profit participation rights to the employees of the Company and its subsidiaries and to issue bearer convertible or option bonds, profit participation rights, or participating bonds. As of December 31, 2020, the conditional capital amounted to EUR 18,551 k. This was divided into Conditional Capital I 2020 (EUR 16,750 k), Conditional Capital III 2017 (EUR 801 k), and Conditional Capital III 2020 (EUR 1,000 k).

In the year under review, Conditional Capital III 2017 was used in the amount of EUR 199 k.

7.2. Noncontrolling interests of limited partners

In the 2017 financial year, alstria office REIT-AG acquired 2,128,048 limited partner shares. A further 3,593,463 limited partner shares were redeemed against cash compensation by alstria office Prime. In the financial years 2018 to 2020, a further 47,781 limited partner shares were acquired.

In the reporting period, the change in value of the existing limited partnership shares of noncontrolling interests resulted in a gain of EUR 279 k (2019: expenses of EUR 8,488 k). The fair value of the limited partnerships of noncontrolling interests reported as of the balance sheet date amounted to EUR 68,290 k, whereby EUR 68,275 k are to be classified as long term and EUR 15 k as short term.

7.3. Financial liabilities

	Noncurrent	Current			Total
EUR k		**Loan**	**Accrued interest**	**Total current**	**Dec. 31, 2020**
Loans					
Corporate bonds	1,412,849	0	8,964	8,964	1,421,813
Mortgage loans	195,635	0	94	94	195,729
Schuldschein	76,865	0	1,267	1,267	78,132
Total	**1,685,349**	**0**	**10,325**	**10,325**	**1,695,674**

	Noncurrent	Current			Total
EUR k		**Loan**	**Accrued interest**	**Total current**	**Dec. 31, 2019**
Loans					
Corporate bonds	1,388,701	0	11,871	11,871	**1,400,572**
Mortgage loans	195,551	0	84	84	**195,635**
Schuldschein	76,828	37,000	1,635	38,635	**115,463**
Total	**1,661,080**	**37,000**	**13,590**	**50,590**	**1,711,670**

The table presents the long-term loans and the net of the current portion as stated under noncurrent liabilities. Furthermore, it shows the current amount due within 1 year, recorded as an item in short-term loans in current liabilities.

As of December 31, 2020, the total repayable amount of the corporate bonds, the bank loans, the Schuldscheindarlehen, and the convertible bond drawn by alstria (as of the prior year's balance sheet date) was EUR 1,697,900 k (December 31, 2019: EUR 1,674,700 k). The carrying amount of EUR 1,695,674 k (EUR 1,685,349 k, noncurrent, and EUR 10,325 k, current) considers interest liabilities and accrued transaction costs. Financial liabilities with a maturity of up to 1 year are recognized as current loans.

The following table shows the changes in financial liabilities:

EUR k	December 31, 2019	Payments of the period	Reclassification noncurrent/ current	Changes in fair value	December 31, 2020
Long-term loans and bonds, net of current portion	1,661,080	350,000	-326,800	1,069[1)]	1,685,349
Short-term loans	50,590	-363,800	326,800	-3,266[2)]	10,325
Total	**1,711,670**	**-13,800**	**0**	**-2,197**	**1,695,674**

1) Changes in deferred loan costs (effective interest).

2) Changes in the accrued interest.

The cash changes in borrowings shown in the column "Payments of the period" include, in addition to the cash inflows and outflows from loans and corporate bonds, the payments of transaction costs for taking out loans.

Corporate bonds

To finance its debt financing, the group predominantly uses corporate bonds. The following table contains a summary of the corporate bonds in existence in the financial year:

Corporate Bond	Issu-ance	Maturity	Notional in EUR k	Coupon in %	Utilization as of 31.12.2020 in EUR k	Book Value as of 31.12.2020 in EUR k	Fair Value as of 31.12.2020 (hierarchy level 1) in EUR k	Accrued interests as of 31.12.2020 in EUR k
Corporate Bond I	IV 2015	24.03.2021	500,000	2.250	0	n/a	n/a	
Corporate Bond II	*II 2016*	12.04.2023	500,000	2.125	325,000	323,522	337,301	4,995
Corporate Bond III	*IV 2017*	15.11.2027	350,000	1.500	350,000	346,940	363,090	676
Corporate Bond IV	*III 2019*	26.09.2025	400,000	0.500	400,000	394,390	400,760	532
Corporate Bond V	*II 2020*	23.06.2026	350,000	1.500	350,000	347,997	367,448	2,762

Corporate bond I was redeemed on December 28, 2020, before the end of the regular term.

Mortgage loans

These are property-related bank loans, most of them with variable interest rates. The loans are secured by mortgages and other collateral customary for bank loans.

Schuldschein

As of May 6, 2016, alstria issued a Schuldschein (a debenture bond) with a nominal value of EUR 150,000 k. The Schuldschein has an average coupon of 2.07 % p.a. payable according to end-of-year convention and a staggered term of between 4 and 10 years (see table on page 123). In the meantime, loan shares in the amount of EUR 73,000 k were repaid before the end of their term, so that the Schuldschein had a notional value of EUR 77,000 k at the end of the reporting period. The fair value (hierarchy Level 2) amounted to EUR 87,547 k as of the balance sheet date.

Further details regarding the loan liabilities

The current portion of the loans refers to scheduled repayments and accrued interest on the loans. As of the balance sheet date, EUR 10,325 k have been accrued for interest payment liabilities, which will be payable in the course of the next 12 months (December 31, 2019: EUR 13,603 k).

The variable interest for 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 of the main part of the mortgage loans, there are no significant differences between the carrying amounts and the fair value of these loans, with the exception of transaction costs.

A total of EUR 37,100 k (December 31, 2019: EUR 37,100 k) in financial liabilities from mortgage loans is related to a fixed interest rate loan. At the end of the reporting period, the loan had a fair value of EUR 41,034 k (December 31, 2019: EUR 41,840 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, 2020, the loans and the convertible bond were reduced by accrued transaction costs of EUR 12,551 k (December 31, 2019: EUR 13,620 k).

The average debt maturity slightly increased from 4.8 years as of December 31, 2019, to 4.9 years as of December 31, 2020. The Group’s average interest rate decreased from 1.5 % to 1.4 % 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 loan, the corporate bonds, the Schuldschein, 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.

As of December 31, 2020, a loan facility of EUR 100,000 k was in place.

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

EUR k	Dec. 31, 2020	Dec. 31, 2019
Up to 1 year	0	0
More than 1 year	158,800	158,800
Total	**158,800**	**158,800**

The following loans are secured by land charges:

EUR k	Dec. 31, 2020	Dec. 31, 2019
Financial liabilities secured by land charges	195,900	201,900
thereof on investment property	*189,801*	*195,976*
thereof on own used property	*6,099*	*5,924*

7.4. Other provisions

	Due			Due		
EUR k	**up to 1 year**	**in more than 1 year**	**Total Dec. 31, 2020**	**up to 1 year**	**in more than 1 year**	**Total Dec. 31, 2019**
Other provisions						
Provision virtual share liabilities	1,301	0	**1,301**	1,715	1,226	**2,941**
Other	729	0	**729**	790	0	**790**
Total	**2,030**	**0**	**2,030**	**2,505**	**1,226**	**3,731**

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

EUR k	Dec. 31, 2019	Consumption	Resolution	Additions	Dec. 31, 2020
Development of other provisions					
Provision virtual share liabilities	**2,941**	-1,715	0	75	**1,301**
Other	**790**	-61	0	0	**729**
Total	**3,731**	**-1,776**	**0**	**75**	**2,030**

As of the balance sheet date, EUR 1,301 k (December 31, 2019: EUR 2,941 k) was recognized as a provision for awarding the Long- and in the previous year still Short-Term Incentive Plan (Note 13.1).

Other provisions are related to litigation expenses.

7.5. Trade payables and other liabilities

EUR k	Due up to 1 year	Due in more than 1 year	Total Dec. 31, 2020	Due up to 1 year	Due in more than 1 year	Total Dec. 31, 2019
Trade payables	**3,943**	**0**	**3,943**	**4,611**	**0**	**4,611**
Other current liabilities						
Accruals for outstanding invoices	21,109	0	21,109	22,328	0	22,328
Rent and security deposits received	8,800	7,856	16,656	7,280	6,372	13,652
Cash compensation	6,052	0	6,052	5,836	0	5,836
IFRS 16 lease liabilities	405	4,772	5,177	475	5,160	5,635
Salary obligations	2,335	0	2,335	2,350	0	2,350
Customers with credit balances	2,142	0	2,142	2,362	0	2,362
Accruals for tax consulting	800	0	800	738	0	738
Supervisory Board compensation	525	0	525	525	0	525
Auditing costs	380	0	380	396	0	396
Vacation provisions	296	0	296	322	0	322
Miscellaneous liabilities	222	0	222	407		407
Financial liabilities	**43,066**	**12,628**	**55,694**	**43,019**	**11,532**	**54,551**
Value-added tax liabilities	3,359	0	3,359	1,535	0	1,535
Advance rent payments received	3,293	0	3,293	692	0	692
Income tax and social security contributions	230	0	230	205	0	205
Non financial liabilities	**6,882**	**0**	**6,882**	**2,432**	**0**	**2,432**
Total other liabilities	**49,948**	**12,628**	**62,576**	**45,451**	**11,532**	**56,983**

The disclosed carrying amounts approximate their fair values.

In its decision of September 26, 2019, the Regional Court of Hamburg set the cash compensation to be paid to entitled shareholders of the former DO Deutsche Office AG, which was leaving the company with regard to the change of the legal form, at an amount of EUR 5.58 plus interest. This led to a resurgence of the liability from the cash value settlement, in terms of the outstanding settlement obligation including interests according to the court decision, in the amount of EUR 6,052 k. An appeal against this decision has been filed; therefore, the decision is not yet effective.

The IFRS 16 lease liability relates to the contractually agreed rental terms, including the expected extension options. Future cash outflows that the lessee might face due to extension options that were not considered in the measurement of the lease liability amount to EUR 8,992 k.

7.6. Income tax liabilities

The recognition of income tax liabilities as of December 31, 2020, is described in Note 5.9 regarding income tax expenses. Obligations from income taxes arise almost exclusively at the level of the alstria office's Prime companies acquired through the business combination on October 27, 2015.

The tax liabilities mainly resulted from taxes arising out of the realization of hidden reserves as a result of the inclusion of the companies into the tax-exempt REIT structure. As a result, no further deferred tax liabilities had to be formed since the 2016 financial year.

8. OTHER NOTES

8.1. 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:

EUR k	2020	2019
Short-term benefits	1,275	1,282
Share-based remuneration	800	800
Postemployment benefits	161	160
Total	**2,236**	**2,242**

On the reporting date, liabilities for the compensation of the Management Board members amounted to EUR 433 k (2019: EUR 450 k).

As of December 31, 2020, members of the Management Board were issued 263,158 virtual shares (December 31, 2019: 271,471 virtual shares) from the cash-settled share-based management remuneration plan implemented in 2010 and the equity-settled management remuneration plan in place since 2018 (see Note 13.1).

Supervisory Board Pursuant to the Articles of Association, Supervisory Board members' fixed annual payments amounted to EUR 525 k (2019: EUR 525 k).

Further information on the disclosures from HGB Section 314, para. 1, no. 6a (German Commercial Code) and IAS 24.17 is provided in the remuneration report (see on pages 181 to 191).

8.2. Other financial commitments and contingencies

Other financial obligations from refurbishment projects and ongoing maintenance amounted to EUR 78,605 k (2019: EUR 61,469 k). The increase results from a higher level of existing development projects at the end of the reporting period than in the previous year.

As of December 31, 2020, rental agreements for the car parking spaces and administrative premises were subject to a minimum lease term. Future financial obligations of EUR 6,827 k arose from other leasing agreements. Of these, EUR 752 k in obligations has a residual maturity of up to 1 year; EUR 1,555 k in obligations has a remaining maturity of 1 to 5 years; and the remaining EUR 4,520 k has more than 5 years.

8.3. Consolidated cash flow statement

The cash flow statement shows how the Group's cash and cash equivalents have changed over the financial year as a result of cash received and paid. In accordance with IAS 7, cash flows are distinguished from operating activities and from investing and financing activities.

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

The net cash generated from operating activities for the 2020 financial year amounted to EUR 103,321 k, which is below the level of previous year's operating cash flow (EUR 121,693 k). The decline results on one hand from lower revenue received and on the other hand from higher interest payments due to the early interest payment for a corporate bond. The net cash generated from operating activities includes other noncash income and expenses totaling EUR 7,422 k. These essentially relate to allocation to provisions and other liabilities. Cash outflows for leases amounted to EUR 869 k for the financial year.

The cash flow from investing activities is affected by the inflow of cash and cash equivalents from property disposals amounting to EUR 126,472 k and the repayment of financial assets amounting to EUR 250,000 k, while investments in financial assets resulted in cash outflows in the amount of EUR 50,000 k, and investments in the investment property portfolio resulted in cash outflows of EUR 153,124 k.

The cash flows from financing activities includes cash inflows from the placement of a corporate bond in the amount of EUR 350,000 k. Cash outflows resulted from the repayment of loans and a corporate bond in the amount of EUR 363,800 k and the dividend distribution in the amount of EUR 94,125 k.

Cash and cash equivalents reported in the cash flow statement relate to all liquidity items disclosed on the balance sheet (e.g., cash in hand and bank balances).

9. RELATED PARTY RELATIONSHIPS

9.1. Preliminary remarks

The related parties are the Management Board, the members of the Supervisory Board, the managing directors of the subsidiaries and second-tier subsidiaries, and their close relatives. The 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.

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

The 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 during financial year 2020 were undertaken in terms of arm's-length transactions or under conditions favoring alstria office REIT-AG.

9.2. Remuneration of key management personnel

For a detailed description of the remuneration of key management personnel, please refer to Note 8.1 and the remuneration report (see on pages 181 to 191).

9.3. Related party transactions

At the end of the reporting period, the Group recorded no receivables from or liabilities to joint ventures. Furthermore, as in the previous year, alstria received EUR 5 k from the joint ventures as compensation for services connected to real estate.

No further transactions with related parties were carried out during the reporting period.

10. 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 the parent company's ordinary owners 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 of shares that would be issued as a result of the dilutive potential ordinary shares' conversion.

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

Earnings per share	2020	2019
Profit attributable to the shareholders (EUR k)	168,489	581,221
Average number of shares outstanding (thousands)	177,644	177,524
Basic earnings per share (EUR)	0.95	3.27

The granted stock options and the convertible profit participation rights did not result in dilution effects during the period under review.

alstria office REIT-AG is authorized to issue up to EUR 18,551 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 nondilutive for the presented period.

11. DIVIDENDS PAID AND DIVIDENDS PROPOSED

EUR k	2020	2019
Dividends on ordinary shares[1)] not recognized as a liability as of December 31	94,125	92,257
Dividend per share	0.53	0.52

[1)] Refers to all shares except treasury shares on the dividend payment date

At the Annual General Meeting held on September 29, 2020, alstria office REIT-AG resolved to distribute dividends totaling EUR 94,125 k (EUR 0.53 per outstanding share). The dividends were distributed on October 2, 2020. By comparison, the dividends paid out in 2019 totaled EUR 92,257 k (EUR 0.52 per outstanding share).

At the Annual General Meeting, the Management Board intends, in agreement with the Supervisory Board, to submit the following proposal to allocate the unappropriated net income of alstria office REIT-AG for the 2020 financial year:

Distribution of a dividend of EUR 0.53 for each share of no par value entitled to the dividend for the 2020 financial year as of the date of the Annual General Meeting. Payment of the proposed dividend is contingent upon approval by alstria shareholders at the Annual General Meeting on May 6, 2021. This proposed dividend of EUR 0.53 per share for the 2020 financial year represents a total payment of around EUR 94.2 million based on the number of shares entitled to dividend at the balance sheet date.

12. EMPLOYEES

From January 1 to December 31, 2020, the Company had an average of 166 employees (January 1 to December 31, 2019: 156 employees on average). The average was calculated based on the total number of employees at the end of each quarter. On December 31, 2020, 167 people were employed at alstria, excluding the Management Board members (December 31, 2019: 165 employees).

Employees	Average 2020	December 31, 2020	Average 2019	December 31, 2019
Real estate management and development	96	95	87	95
Finance and legal	37	40	37	38
Other occupations	33	32	32	32
Total	**166**	**167**	**156**	**165**

13. SHARE-BASED REMUNERATION

13.1. Share-based remuneration (virtual shares and stock awards) for Management Board members

The virtual shares issued to the Management Board relate to share-based remuneration. In January 2017, the Supervisory Board of the Company adopted an amendment to the remuneration system for members of the Management Board, which has remained unchanged since 2010 and which came into effect on January 1, 2018. As the term of the granted virtual shares is 4 years, virtual shares will be issued under the compensation system valid from 2010 and those issued under the criteria of the new compensation system effective January 1, 2018. The latter are referred to as Stock Awards. In the following, therefore, the cornerstones of the virtual shares under the Remuneration System 2010 and the Stock Awards under the new Remuneration System 2018 are explained.

13.1.1. Virtual share-based remuneration 2010 to 2017

On March 2, 2010, the Company's Supervisory Board established a new share-based remuneration system to provide success-based remuneration for members of the Management Board. This system is made up of a long-term component, the **Long-Term Incentive Plan 2010 (LTIP 2010)**, and a short-term component, the **Short-Term Incentive Plan 2010 (STIP 2010)**. These plans offer cash-settled and share-based payment transactions, respectively.

Under the LTIP 2010, alstria office REIT-AG grants virtual shares, which entitle the recipient to a conversion into cash payments after 4 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. An amount equal to the sum of the dividend per share that the Company paid to its shareholders between the grant date and the maturity date is added as well. The payment cannot 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 target achievement equally depends on the absolute return of alstria's share price (absolute total shareholder return) and on the relative performance of alstria's shares 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 2010 remuneration are subject to a minimum vesting period of two years. Virtual STI 2010 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.

13.1.2. Stock award-based remuneration starting in 2018

Unlike the STIP 2010, no virtual shares or stock awards are issued under the STIP 2018.

The structure of the long-term share-based compensation system was retained in principle. The key difference is that LTIP 2010 was a cash-settled share-based remuneration system, while the LTIP 2018 provides equity-settled share-based compensation. Apart from that, only simplifications and adjustments were made. As part of the LTIP 2018, alstria office REIT-AG grants stock awards, which entitle the holder to receive shares in the Company after 4 years, instead of a cash payment, as in the LTIP 2010.

The number of shares to be issued to a Management Board member at the term's end is calculated as the number of stock awards achieved, multiplied by the average price of alstria shares on the Frankfurt Stock Exchange during the last 60 trading days prior to the respective conversion date, plus an amount equal to the total dividend paid by the Company to its shareholders per alstria share during the respective term of a stock award. However, in no case can this be more than 250 % of the average price of alstria shares on the Frankfurt Stock Exchange during the last 60 days before the grant date. The number of shares to be issued to a Management Board member is multiplied by a specified discretionary factor.

The discretionary factor is a multiplier that can vary between 0.7 and 1.3, considering each participant's individual performance component during the waiting period.

The basis for determining the performance targets, as in the LTIP 2010, is the absolute and relative total shareholder returns. However, the relative total shareholder return will be weighted more heavily, at 75 % (previously 50%). The comparative index for the relative total shareholder return is the FTSE EPRA/NAREIT Developed Europe Index (previously the EPRA/NAREIT Europe Ex-UK Index) for alignment with real estate industry standards.

The fair value of the stock awards at the grant date was estimated using a 100,000-path Monte Carlo simulation based on the terms of the LTIP 2018.

The following table lists the model specifications used to determine the fair value:

Grant date	March 7, 2018	March 4, 2019	March 2, 2020
Expected term of the option (in years)	4.00	4.00	4.00
Risk-free interest rate (%)	0.11	–0.39	–0.84
Share volatility (%)	18.77	18.11	15.95
Volatility of the FTSE EPRA/NAREIT Developed Europe Index (%)	16.46	16.09	13.58
Correlation between share price and benchmark index (%)	65.19	66.21	56.57
Expected dividend yield of the share (%)	4.03	3.88	3.11
Share price on grant (in EUR)	12.06	13.40	16.74
Index value when granted	2,085.51	2,166.92	2,333.61
Reference share price (in EUR)	12.69	12.83	17.40
Reference price of the FTSE EPRA/NAREIT Developed Europe Index	2,176.16	2,112.40	2,502.27
Estimated fair value of one option on the grant date (in EUR)	8.61	10.22	12.48

Comparison of the key terms of the variable remuneration systems 2010 and 2018

	Until 2017	From 2018
STI **(Short-Term Incentive)**	▪ FFO as target value ▪ Threshold for the performance target: 50 % ▪ Discretionary factor to reflect individual performance: 0.8–1.2 ▪ 75 % cash payout / 25 % payout in virtual shares	▪ FFO per share as target value ▪ Threshold for the performance target: 70 % ▪ Discretionary factor to reflect individual performance: 0.7–1.3 ▪ 100 % cash payout
LTI **(Long-Term Incentive)**	▪ Virtual shares with term of 4 years, then payout in cash ▪ Performance subject to absolute TSR (50 %) and relative TSR (EPRA/NAREIT Europe Ex-UK Index) (50 %) ▪ Discretionary factor to reflect individual performance: 0.8–1.2	▪ Stock awards with term of min. 4 years, payout in Company shares ▪ Performance subject to absolute TSR (25 %) and relative TSR (FTSE EPRA/NAREIT Developed Europe Index) (75 %) ▪ Discretionary factor to reflect individual performance: 0.7–1.3

The table below summarizes the number of virtual shares and (from 2018 onward) stock awards granted under the existing STIP and LTIP that remained outstanding as of December 31, 2020:

				Olivier Elamine	Alexander Dexne
	Start of deferral period	Reference share price in EUR	End of deferral period	Number of virtual shares/stock options from 2018	Number of virtual shares/stock options from 2018
LTI 2017	2017	11.52	2021	38,194	31,250
LTI 2018	2018	12.69	2022	34,673	28,361
LTI 2019	2019	12.83	2023	34,295	28,059
LTI 2020	2020	17.40	2024	25,287	20,690

The development of the virtual shares through December 31, 2020, is shown in the following table:

Number of virtual shares and stock awards	2020		2019	
	LTI	STI	LTI	STI
As of January 1	**263,158**	**8,313**	**273,730**	**17,662**
Stock Awards (2017: virtual shares) granted in the reporting period	45,977	0	**62,354**	**0**
Converted into cash in the reporting period	−68,318	−8,313	**−72,926**	**−9,349**
As of December 31	**240,817**	**0**	**263,158**	**8,313**

The 8,313 virtual shares converted into cash under the STIP 2010 resulted in payments to the Management Board amounting to EUR 151 k within the 2020 financial year. The conversion amount was the weighted average price of the first 20 trading days in the 2020 calendar year plus the dividend paid during the vesting period. This amounted to EUR 18.16, of which EUR 17.12 was related to the share price and EUR 1.04 was related to the dividend paid.

Under the LTIP 2010, 68,318 virtual shares were converted, resulting in a EUR 2,315 k payout.

In 2020, the LTIP and the STIP generated remuneration expenses amounting to EUR 1,241 k (2019: EUR 2,134 k) and provisions amounting to EUR 1,301 k (2019: EUR 2,941 k). The Group recognizes the liabilities arising from the vested virtual shares under other provisions.

13.2. Convertible profit participation rights program

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

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

The nominal amount of each certificate is EUR 1.00, which is payable upon issuance. A maximum of 1,000,000 certificates with a total nominal value of up to EUR 1,000,000.00 can be issued as part of the Conditional Capital III 2017 created by resolution of the Annual General Meeting. By the end of the reporting period, certificates were granted corresponding to EUR 732,925 of conditional capital III 2017. In 2020, the Annual General Meeting approved the implementation of additional Conditional Capital III 2020 with an aggregate nominal value of up to EUR 1,000,000 for the conversion of 1,000,000 certificates. At the end of the reporting period, certificates related to this Conditional Capital III 2020 had still not been granted.

The certificates are issued as nontransferable rights and are not sellable, pledgeable, or otherwise chargeable.

The maximum term of each certificate is 5 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 financial year. For certificates held by a beneficiary for less than a full financial year, the profit share is reduced pro rata temporis.

Each certificate shall be converted into one no-par value bearer share in the Company on the second, third, fourth, or fifth anniversary of the issue date if the Company’s then-current stock exchange share price has exceeded the share price on the issue date by 5% or more on at least seven non-subsequent trading days (market condition). For 240,250 certificates issued on May 23, 2019, and 273,975 certificates issued on September 30, 2020, this market condition was fulfilled until the end of the 2020 financial year.

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

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

The following share-based payment agreements under the employee profit participation program existed during this year:

Number of certificates

Grant date of tranche	April 27, 2018	May 23, 2019	Sept 30, 2020	Total
January 1, 2020	**204,825**	**252,375**	**0**	**457,200**
Expired due to termination of employment	-5,500	-12,125	0	**-17,625**
Converted	-199,325	0	0	**-199,325**
Granted	0	0	273,975	**273,975**
December 31, 2020	**0**	**240,250**	**273,975**	**514,225**

For the conversion of 199,325 of the 2018 convertible profit participation rights certificates, the relevant XETRA share price on the conversion date was EUR 11.56 per share.

Total expenses relating to convertible profit participation rights amounted to EUR 1,892 k in 2020 (see Note 5.4).

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

Grant date of tranche	April 27, 2018	May 23, 2019	Sept 30, 2020
Dividend yield (%)	4.20	3.77	4.47
Risk-free interest rate (%)	−0.56	−0.69	−0.82
Expected volatility (%)	16.22	15.01	20.20
Expected life of option (years)	2.00	2.00	2.00
Exercise share price (EUR)	2.00	2.00	2.00
Labor turnover rate (%)	7.20	5.50	6.00
Stock price as of valuation date (EUR)	12.39	13.80	11.86
Estimated fair value of one option for conversion on the grant date	8.52	9.50	8.57

The expected volatility was based on the average historical volatility of alstria and comparable listed companies for the certificates granted until 2017. From the 2018 financial year onward, the implied volatility of alstria shares was used.

14. FINANCIAL RISK MANAGEMENT

14.1. 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. To this end, sources of funding are diversified and a balanced maturity profile is planned, enabling a coordinated and continuous refinancing process. The financial instruments mainly used by the Group are corporate bonds. Bank loans, Schuldscheins (promissory note loans), and derivative financial instruments in the form of an interest rate cap to hedge the floating rate -interest. Meanwhile, bank loans are used only to a lesser extent, as the corporate bond instrument is favored, due to the fixed interest rate and direct access to the capital market. The main purpose of the debt funding is to finance alstria's business activities. In addition, the Group also owns various financial assets, such as loans granted and short-term deposits, which arise directly from business activities.

The Group uses derivative financial instruments to hedge floating rate loans. The treasury function (group treasury) within the finance and controlling department manages 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 both derivative and nonderivative financial instruments, as well as excess liquidity investment.

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

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

Risks that can arise from an economic slowdown are seen mainly in the potential default of payment by tenants. For the increase in economic risks as a result of the COVID-19 pandemic, precautions have been taken, in the form of increased value adjustments. Given that all of the Company's main tenants are public institutions or are highly rated, the risk of such defaults is currently still limited.

The loan agreements of alstria Group allow for the loan-to-value (LTV) ratios 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 so. 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:

Liabilities	Maturity	Principal amount drawn as of Dec. 31, 2020 (EUR k)	LTV as of Dec. 31, 2020 (%)	LTV covenant (%)	Principal amount drawn as of Dec. 31, 2019 (EUR k)
Loan #1	June 28, 2024	34,000	13.5	65.0	34,000
Loan #2	Mar. 28, 2024	45,900	29.0	75.0	45,900
Loan #3	June 30, 2026	56,000	26.7	65.0	56,000
Loan #4	Sept. 29, 2028	60,000	31.9	–	60,000
Total secured loans		**195,900**	**24.3**	–	**195,900**
Bond #1	Dec. 28, 2020	0	–	–	326,800
Bond #2	Apr. 12, 2023	325,000	–	–	325,000
Bond #3	Nov. 15, 2027	350,000	–	–	350,000
Bond #4	Sept. 26, 2025	400,000	–	–	400,000
Bond #5	Jun- 23, 2026	350,000	–	–	–
Schuldschein 10y / fixed	May 6, 2026	40,000	–	–	40,000
Schuldschein 7y / fixed	May 6, 2023	37,000	–	–	37,000
Schuldschein 4y / fixed	May 6, 2020	0	–	–	37,000
Revolving credit line	Sept. 15, 2022	0	–	–	0
Total unsecured loans		**1,502,000**	–	–	**1,515,800**
Total		**1,697,900**	**37.1**	–	**1,711,700**
Net LTV			**27.0**		

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

14.1.1. Interest rate risk

The following tables display the carrying amount of the Group's financial instruments that 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, 2020						
Variable interest						
Mortgage bank loans	0	0	0	42,800	116,000	**158,800**
Total	**0**	**0**	**0**	**0**	**116,000**	**158,800**

EUR k	< 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
Financial year ending Dec. 31, 2019						
Variable interest						
Mortgage bank loans	0	0	0	0	158,800	**158,800**
Total	**0**	**0**	**0**	**0**	**158,800**	**158,800**

Given its noncurrent financial liabilities with variable interest rates, alstria is exposed to risks from fluctuations in market interest rates. The interest base for these financial liabilities (loans) is the three-month EURIBOR rate, which is adjusted every three months. A number of derivative financial instruments were acquired to secure the expenses. The derivatives' terms to maturity generally correspond to the terms of the loans. The derivative financial instruments are related to interest caps; that is, the interest is capped at a predetermined maximum. If the maximum interest rate is exceeded, then 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, 2020 are presented on page 101.

These interest rate caps are also 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 of the variables remain constant; the effects from the derivative financial instruments were not factored into this calculation.

Interest expenses per annum

EUR k	2020	2019
+ 100 bps	1,588	1,588
– 50 bps	–189	–726

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:

Impacts on equity

Financial derivatives qualifying for cash flow hedge accounting

EUR k	2020	2019
+ 100 bps	0	398
– 50 bps	0	0

Due to the brief remaining term of the only remaining derivative financial instrument, the sensitivities did not result in any changes in value as of December 31, 2020.

Impacts on income statements and on equity

Financial derivatives not qualifying for cash flow hedge accounting

At the end of the reporting period and at the end of the comparative period, alstria held no derivative financial instruments outside of a cash flow hedge relationship. Information on the potential effects of changes in interest rates is therefore not reported.

14.1.2. Credit risk

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

The department responsible for managing the operating business property oversees and analyzes credit risks in relation to each reletting 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 the tenants are independently rated, then their ratings are applied. If there is no independent rating, the tenant's credit quality is assessed; its financial position, past experience, and other factors are taken into account. 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.

14.1.3. Liquidity risk

The Company continually monitors the Group-wide risk of potential liquidity bottlenecks with 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 (e. g., 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, 2020.

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, 2020							
Corporate bond	0	0	325,000	0	400,000	700,000	1,425,000
Loans	2,322	13,310	4,850	80,627	0	116,000	217,109
Interest	23,412	23,399	23,335	14,565	13,856	17,863	116,430
Schuldschein	0	0	37,000	0	0	40,000	77,000
Trade payables	3,943	0	0	0	0	0	3,943
Other liabilities	49,948	1,853	1,785	1,792	1,745	5,454	62,576
	79,625	**38,562**	**391,970**	**96,984**	**415,601**	**879,317**	**1,902,059**

EUR k	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Financial year ending Dec. 31, 2019							
Corporate bond	0	326,800	0	325,000	0	750,000	1,401,800
Loans	0	0	0	0	79,900	116,000	195,900
Interest	26,109	25,586	18,406	18,629	9,929	22,523	121,182
Schuldschein	37,000	0	0	37,000	0	40,000	114,000
Trade payables	4,611	0	0	0	0	0	4,611
Other liabilities	44,759	1,666	1,554	1,487	1,494	5,330	56,290
	112,479	**354,052**	**19,960**	**382,116**	**91,323**	**933,853**	**1,893,783**

Details on the loans, borrowings, and bonds can be found in Note 7.3. The loans' maturity profile is shown in section 2.5 of the Combined Management Report. To secure the bank loans, receivables from rental and property purchase agreements, as well as 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 787,716 k (December 31, 2019: EUR 754,373 k) were provided as collateral.

14.2. Capital management

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

The Group actively manages its capital structure and makes adjustments in response to changes in economic conditions. To maintain or adjust its capital structure, the Group can make a capital repayment to its shareholders or issue new shares. No changes were made to the aims, guidelines, and processes as of either December 31, 2019 and December 31, 2020.

The Company monitors its capital structure using the LTV indicator, as well as the relevant performance indicators, 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 exceeding the REIT equity ratio of 45 %, within the relevant terms provided by REIT law. G-REIT status is unaffected, as long as the G-REIT ratio is not below 45 % at the end of the financial year for 3 consecutive financial years.

The following ratios are also used to manage capital:

Ratios according to G-REIT law

%	2020	2019	G-REIT covenant
Equity ratio according to G-REIT law	71.11	70.94	> 45
Immovable assets	89.86	89.01	> 75
Revenues gained from immovable assets	100.00	100.00	> 75
Income gained from disposal of immovable assets	23.59	26.06	< 50[1)]

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

14.3. Determination of fair value

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, 2020			**At amortized costs**	**Fair value through p/l**	**Total**	**Fair value**
Financial assets	39,108	0	38,864	244	39,108	39,108
Total long-term	**39,108**	**0**	**38,864**	**244**	**39,108**	**39,108**
Trade receivables	4,572	0	4,572	0	4,572	4,572
Tax receivables	1,230	1,230	0	0	0	0
Receivables and other assets	8,762	7,620	1,142	0	1,142	1,142
Cash and cash equivalents	460,960	0	460,960	0	460,960	460,960
Total short-term	**475,524**	**8,850**	**466,674**	**0**	**466,674**	**466,674**
Total	**514,632**	**8,850**	**505,538**	**244**	**505,782**	**505,782**

Liabilities as per balance sheet (EUR k) as of Dec. 31, 2020	Carrying amount	Nonfinancial liabilities	Financial liabilities		
			At amortized costs	Total	Fair value
Ltd. equity of noncontrolling interests	68,275	0	68,275	68,275	68,275
Long-term loans	1,685,349	0	1,685,349	1,685,349	1,753,754
Other liabilities	12,628	0	12,628	12,628	12,628
Total long-term	**1,766,252**	**0**	**1,766,252**	**1,766,252**	**1,834,657**
Ltd. equity of noncontrolling interests	15	0	15	15	15
Short-term loans	10,325	0	10,325	10,325	10,325
Trade payables	3,943	0	3,943	3,943	3,943
Tax liabilities	4,780	4,780	0	0	0
Other liabilities	49,948	6,882	43,067	43,067	43,067
Total short-term	**69,011**	**11,662**	**57,350**	**57,350**	**57,349**
Total	**1,835,263**	**11,662**	**1,823,602**	**1,823,602**	**1,892,007**

Assets as per balance sheet (EUR k) as of Dec. 31, 2019	Carrying amount	Nonfinancial assets	Financial assets			
			At amortized costs	Fair value through p/l	Total	Fair value
Financial assets	39,108	0	38,864	244	39,108	39,108
Total long-term	**39,108**	**0**	**38,864**	**244**	**39,108**	**39,108**
Trade receivables	3,877	0	3,877	0	3,877	3,877
Financial assets	199,750	0	199,750	0	199,750	199,750
Tax receivables	1,231	1,231	0	0	0	0
Receivables and other assets	8,601	7,609	993	0	993	993
Cash and cash equivalents	298,218	0	298,218	0	298,218	298,218
Total short-term	**511,677**	**8,840**	**502,838**	**0**	**502,838**	**502,838**
Total	**550,785**	**8,840**	**541,702**	**244**	**541,945**	**541,945**

Liabilities as per balance sheet (EUR k) as of Dec. 31, 2019	Carrying amount	Nonfinancial liabilities	Financial liabilities		
			At amortized costs	Total	Fair value
Ltd. equity of noncontrolling interests	70,504	0	70,504	70,504	70,504
Long-term loans	1,661,080	0	1,661,080	1,661,080	1,753,307
Other liabilities	11,532	0	11,532	11,532	11,532
Total long-term	**1,743,116**	**0**	**1,743,116**	**1,743,116**	**1,835,343**
Ltd. equity of noncontrolling interests	24	0	24	24	24
Short-term loans	50,590	0	50,590	50,590	50,590
Trade payables	4,611	0	4,611	4,611	4,611
Tax liabilities	5,793	5,793	0	0	0
Other liabilities	45,451	2,432	43,019	43,019	43,019
Total short-term	**106,469**	**8,225**	**98,244**	**98,244**	**98,244**
Total	**1,849,585**	**8,225**	**1,841,360**	**1,841,360**	**1,933,587**

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, which maximize the use of observable market data, where it is available, and rely as little as possible on entity-specific estimates. If all significant inputs required to ascertain the fair value of an instrument are observable, then 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 on the balance sheet, are valued by applying the level 2 valuation measurement approach.

15. SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events after the balance sheet date.

16. UTILIZATION OF EXEMPTING PROVISIONS

Certain subsidiaries that have been included in the consolidated financial statements of alstria office REIT-AG have claimed an exemption from the obligation to prepare annual financial statements in accordance with the provisions applicable to corporations, in accordance with Section 264b HGB. An overview of the companies that made use of the exemption can be found in the table on pages 68 to 69.

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

17.1. Ad hoc announcements

The following table summarizes the announcements pursuant to Art. 17 MAR, as published by the Company during the reporting period:

Date	Topic
Jan 13, 2020	Portfolio value increases to approx. EUR 4.4 billion as per December 31, 2019
Mar 30, 2020	alstria business update on the coronavirus situation • Tenants announce intention to not pay their rent in a monthly rent volume of approx. EUR 1 million • EUR 121 million of free liquidity after debt repayment and committed capex • Withdrawal of current dividend proposal
June 16, 2020	alstria issues a corporate bond with a nominal value of EUR 350 million
Aug 10, 2020	Dividend proposal of EUR 0.52 (plus EUR 0.01 “green dividend”) for the financial year 2019
Nov 3, 2020	Early redemption of alstria’s 2015 Fixed Rate Notes (ISIN: XS 1323052180) on December 24, 2020
Jan 13, 2021	Portfolio value increases by approx. EUR 150 million to approx. EUR 4.6 billion as per December 31, 2020

17.2. Directors' dealings

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

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 2, 2020, UTC + 1	17.20	6,020.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 2, 2020, UTC + 1	17.20	4,988.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 2, 2020, UTC + 1	17.20	6,020.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 2, 2020, UTC + 1	17.20	17,372.00
Aggregated information for the transactions by Mr. Elamine on March 2, 2020: Average weighted share price: EUR 17.20; aggregated volume: EUR 34,400.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 12, 2020, UTC + 1	14.75	6,637.50
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 12, 2020, UTC + 1	14.75	6,637.50
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 12, 2020, UTC + 1	14.75	8,850.00
Aggregated information for the transactions by Mr. Elamine on March 12, 2020: Average weighted share price: EUR 14.75; aggregated volume: EUR 22,125.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 13, 2020, UTC + 1	14.31	1,431.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 13, 2020, UTC + 1	14.31	6,439.50
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 13, 2020, UTC + 1	14.30	6,435.00
Aggregated information for the transactions by Mr. Elamine on March 13, 2020: Average weighted share price: EUR 14.3055; aggregated volume: EUR 14,305.50						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 16, 2020, UTC + 1	12.90	7,288.50
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 16, 2020, UTC + 1	12.90	2,386.50
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 16, 2020, UTC + 1	13.00	3,900.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 16, 2020, UTC + 1	13.00	5,850.00
Aggregated information for the transactions by Mr. Elamine on March 16, 2020: Average weighted share price: EUR 12.95; aggregated volume: EUR 19,425.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 17, 2020, UTC + 1	12.30	6,150.00
Aggregated information for the transactions by Mr. Elamine on March 17, 2020: Average weighted share price: EUR 12.30; aggregated volume: EUR 6,150.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Mar 17, 2020; UTC + 2	12.24	25,259.08
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Mar 17, 2020; UTC + 2	12.23	47,545.78
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Mar 17, 2020; UTC + 2	12.22	25,381.40
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Mar 17, 2020; UTC + 2	12.21	22,800.44
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Mar 17, 2020; UTC + 2	12.20	18,042.20
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Mar 17, 2020; UTC + 2	12.19	25,636.17
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Mar 17, 2020; UTC + 2	12.18	13,588.64
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Mar 17, 2020; UTC + 2	12.25	5,223.51
Aggregated information for the transactions by Dr. Conradi on March 17, 2020: Average weighted share price: EUR 12.2318; aggregated volume: EUR 183,477.22						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 18, 2020, UTC + 1	10.75	4,300.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 18, 2020, UTC + 1	10.75	6,450.00
Aggregated information for the transactions by Mr. Elamine on March 18, 2020: Average weighted share price: EUR 10.75; aggregated volume: EUR 10,750.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Mar 19, 2020, UTC + 1	10.00	4,000.00
Aggregated information for the transactions by Mr. Elamine on March 19, 2020: Average weighted share price: EUR 10.00; aggregated volume: EUR 4,000.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Richard Mully	Member of the Supervisory Board	Buy	XETRA	Mar 19, 2020, UTC + 0	9.997928	49,989.64
Aggregated information for the transactions by Mr. Mully on March 19, 2020: Average weighted share price: EUR 9.997928; aggregated volume: EUR 49,989.64						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Stefanie Frensch	Member of the Supervisory Board	Buy	XETRA	Mar 31, 2020; UTC + 2	13.23	6,337.17
Aggregated information for the transaction by Ms. Frensch on March 31, 2020: Average weighted share price: EUR 13.23; aggregated volume: EUR 6,337.17						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Benoît Hérault	Member of the Supervisory Board	Buy	Frankfurt	Mar 31, 2020; UTC + 2	13.00	13,000.00
Aggregated information for the transactions by Mr. Hérault on March 31, 2020: Average weighted share price: EUR 13.00; aggregated volume: EUR 13,000.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Sep 30, 2020; UTC + 2	11.59	5,111.19
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Sep 30, 2020; UTC + 2	11.57	31,343.13
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Sep 30, 2020; UTC + 2	11.56	14,172.56
Dr. Johannes Conradi	Chairman of the Supervisory Board	Buy	XETRA	Sep 30, 2020; UTC + 2 ;	11.58	65,125.92
Aggregated information for the transactions by Dr. Conradi on September 30, 2020: Average weighted share price: EUR 11.57528; aggregated volume: EUR 115,752.80						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 9, 2020, UTC + 1	11.70	5,054.40
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 9, 2020, UTC + 1	11.76	5,080.32
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 9, 2020, UTC + 1	11.77	5,084.64
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 9, 2020, UTC + 1	11.75	5,076.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 9, 2020, UTC + 1	12.66	5,469.12
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 9, 2020, UTC + 1	12.66	5,469.12
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 9, 2020, UTC + 1	12.38	5,348.16
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 9, 2020, UTC + 1	12.38	5,348.16
Aggregated information for the transactions by Mr. Elamine on November 9, 2020: Average weighted share price: EUR 12.1325; aggregated volume: EUR 41,929.92						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 10, 2020, UTC + 1	12.78	4,996.98
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 10, 2020, UTC + 1	12.89	5,039.99
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 10, 2020, UTC + 1	12.75	6,375.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 10, 2020, UTC + 1	12.60	6,300.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 10, 2020, UTC + 1	12.50	5,400.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 10, 2020, UTC + 1	12.86	5,028.26
Aggregated information for the transactions by Mr. Elamine on November 10, 2020: Average weighted share price: EUR 12.7218; aggregated volume: EUR 33,140.23						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	13.71	5,045.28
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	13.69	5,037.92
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	14.02	5,103.28
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	13.99	5,148.32
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	13.98	5,144.64
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	13.92	5,122.56
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	13.93	5,126.24
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	13.85	6,925.00

Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	13.84	5,093.12
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	13.80	6,900.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 16, 2020, UTC + 1	13.69	5,037.92
Aggregated information for the transactions by Mr. Elamine on November 16, 2020: Average weighted share price: EUR 13.8543; aggregated volume: EUR 59,684.28						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 17, 2020, UTC + 1	13.69	6,845.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 17, 2020, UTC + 1	13.69	6,845.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 17, 2020, UTC + 1	13.64	6,820.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 17, 2020, UTC + 1	13.60	6,800.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 17, 2020, UTC + 1	13.60	6,800.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 17, 2020, UTC + 1	13.52	4,907.76
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 17, 2020, UTC + 1	13.54	6,770.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 17, 2020, UTC + 1	13.53	4,911.39
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 17, 2020, UTC + 1	13.57	4,925.91
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 17, 2020, UTC + 1	13.60	4,936.80
Aggregated information for the transactions by Mr. Elamine on November 17, 2020: Average weighted share price: EUR 13.6033; aggregated volume: EUR 60,561.86						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 18, 2020, UTC + 1	13.75	2,750.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 18, 2020, UTC + 1	13.70	5,480.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 18, 2020, UTC + 1	13.75	1,787.50
Aggregated information for the transactions by Mr. Elamine on November 18, 2020: Average weighted share price: EUR 13.7226; aggregated volume: EUR 10,017.50						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 18, 2020, UTC + 1	13.75	5,046.25
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 18, 2020, UTC + 1	13.74	5,042.58
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 18, 2020, UTC + 1	13.75	5,046.25
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 18, 2020, UTC + 1	13.71	5,031.57
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 18, 2020, UTC + 1	13.71	5,031.57
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 18, 2020, UTC + 1	13.70	4,973.10
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 18, 2020, UTC + 1	13.70	20,550.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 18, 2020, UTC + 1	13.71	4,976.73
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 18, 2020, UTC + 1	13.76	5,049.92
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 18, 2020, UTC + 1	13.78	20,670.00
Aggregated information for the transactions by Mr. Elamine on November 18, 2020: Average weighted share price: EUR 13.7345; aggregated volume: EUR 81,417.97						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Alexander Dexne	CFO	Buy	XETRA	Nov 18, 2020; UTC + 1	13.70	6,576.00
Alexander Dexne	CFO	Buy	XETRA	Nov 18, 2020; UTC + 1	13.70	171,524.00
Aggregated information for the transactions by Mr. Dexne on November 18, 2019: Average weighted share price: EUR 13.70; aggregated volume: EUR 178,100.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.78	27,560.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.60	2,720.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.62	4,984.92
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.64	6,820.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.60	4,977.60
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.62	2,724.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.58	2,716.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.58	2,716.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.63	2,726.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.56	2,712.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 19, 2020, UTC + 1	13.51	4,944.66
Aggregated information for the transactions by Mr. Elamine on November 19, 2020: Average weighted share price: EUR 13.6726; aggregated volume: EUR 65,601.18						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 19, 2020, UTC + 1	13.68	6,156.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 19, 2020, UTC + 1	13.60	6,120.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 19, 2020, UTC + 1	13.68	1,368.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 19, 2020, UTC + 1	13.68	6,156.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 19, 2020, UTC + 1	13.60	1,360.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 19, 2020, UTC + 1	13.60	6,120.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 19, 2020, UTC + 1	13.55	420.05
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 19, 2020, UTC + 1	13.55	6,097.50
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 19, 2020, UTC + 1	13.55	934.95
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 19, 2020, UTC + 1	13.55	6,097.50
Aggregated information for the transactions by Mr. Elamine on November 19, 2020: Average weighted share price: EUR 13.61; aggregated volume: EUR 40,830.00						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Alexander Dexne	CFO	Buy	XETRA	Nov 19, 2020; UTC + 1	13.60	18,536.80
Alexander Dexne	CFO	Buy	XETRA	Nov 19, 2020; UTC + 1	13.65	17,130.75
Alexander Dexne	CFO	Buy	XETRA	Nov 19, 2020; UTC + 1	13.64	83,613.20

Alexander Dexne	CFO	Buy	XETRA	Nov 19, 2020; UTC + 1	13.61	4,151.05
Alexander Dexne	CFO	Buy	XETRA	Nov 19, 2020; UTC + 1	13.62	16,126.08
Alexander Dexne	CFO	Buy	XETRA	Nov 19, 2020; UTC + 1	13.63	75,442.05
Alexander Dexne	CFO	Buy	XETRA	Nov 19, 2020; UTC + 1	13.66	35,802.86
Alexander Dexne	CFO	Buy	XETRA	Nov 19, 2020; UTC + 1	13.67	21,967.69
Aggregated information for the transactions by Mr. Dexne on November 19, 2020: Average weighted share price: EUR 13.6385; aggregated volume: EUR 272,770.48						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Alexander Dexne	CFO	Buy	XETRA	Nov 20, 2020; UTC + 1	13.55	12,547.30
Alexander Dexne	CFO	Buy	XETRA	Nov 20, 2020; UTC + 1	13.52	1,608.88
Alexander Dexne	CFO	Buy	XETRA	Nov 20, 2020; UTC + 1	13.56	19,065.36
Alexander Dexne	CFO	Buy	XETRA	Nov 20, 2020; UTC + 1	13.53	4,167.24
Alexander Dexne	CFO	Buy	XETRA	Nov 20, 2020; UTC + 1	13.57	48,485.61
Alexander Dexne	CFO	Buy	XETRA	Nov 20, 2020; UTC + 1	13.54	9,044.72
Aggregated information for the transactions by Mr. Dexne on November 20, 2020: Average weighted share price: EUR 13.5599; aggregated volume: EUR 94,919.11						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 20, 2020, UTC + 1	13.49	4,950.83
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 20, 2020, UTC + 1	13.45	6,725.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 20, 2020, UTC + 1	13.50	6,750.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 20, 2020, UTC + 1	13.54	2,708.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 20, 2020, UTC + 1	13.50	4,954.50
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 20, 2020, UTC + 1	13.50	6,750.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 20, 2020, UTC + 1	13.55	6,775.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 20, 2020, UTC + 1	13.58	6,790.00
Aggregated information for the transactions by Mr. Elamine on November 20, 2020: Average weighted share price: EUR 13.5129; aggregated volume: EUR 46,403.33						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 20, 2020, UTC + 1	13.50	6,075.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 20, 2020, UTC + 1	13.50	675.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 20, 2020, UTC + 1	13.50	6,075.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 20, 2020, UTC + 1	13.50	675.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 20, 2020, UTC + 1	13.45	6,052.50
Aggregated information for the transactions by Mr. Elamine on November 20, 2020: Average weighted share price: EUR 13.4845; aggregated volume: EUR 19,552.50						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.76	2,752.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.70	4,110.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.65	4,777.50
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.60	4,080.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.66	2,732.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.65	6,825.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.66	2,732.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.66	2,732.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.65	6,825.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.65	13,650.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.67	2,734.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.61	2,722.00
Olivier Elamine	CEO	Buy	Lang & Schwarz Exchange	Nov 23, 2020, UTC + 1	13.60	1,972.00
Aggregated information for the transactions by Mr. Elamine on November 23, 2020: Average weighted share price: EUR 13.6539; aggregated volume: EUR 58,643.50						

Name of person subject to the disclosure requirement	Function	Transaction	Place	Transaction date	Price per share in EUR	Volume in EUR
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 23, 2020, UTC + 1	13.60	1,360.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 23, 2020, UTC + 1	13.60	4,760.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 23, 2020, UTC + 1	13.60	6,120.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 23, 2020, UTC + 1	13.60	680.00
Olivier Elamine	CEO	Buy	Outside a trading venue	Nov 23, 2020, UTC + 1	13.60	3,400.00
Aggregated information for the transactions by Mr. Elamine on November 23, 2020: Average weighted share price: EUR 13.60; aggregated volume: EUR 16,320.00						

17.3. Voting right notifications

Below is information according to Section 160 para. 1 No. 8 German Stock Corporation Act (AktG): The following table shows shareholdings in the Company that were in place on the balance sheet date of 2020, were communicated to us pursuant to Section 33 para. 1 WpHG, and have been published pursuant to Section 40 para. 1 WpHG . Moreover, the table contains such notifications on no longer existing shareholdings published during the reporting period. Moreover, shareholdings were in place until the date of the preparation of the financial statements were considered and communicated to us pursuant to Section 33 para. 1 WpHG, and have been published pursuant to Section 40 para. 1 WpHG. The Company did not receive any notifications pursuant to Section 20 para. 1 and 4 AktG or pursuant to Section 33 para. 2 WpHG during the reporting period.

No.	Shareholders, registered office	Voting rights (new) (%)[1]	Amount of shares	Date of change	Attribution of voting rights	Contains 3 % or more of voting rights from
1	BNP PARIBAS ASSET MANAGEMENT France S.A.S., Paris, France	3.01	5,346,585	Dec 10, 2019	Yes	-
2	BNP PARIBAS ASSET MANAGEMENT Holding S.A., Paris, France	0.00[2]	0	Feb 4, 2020	No	-
3	Stichting Pensioenfonds ABP, Heerlen, The Netherlands	2.7073	4,807,907	June 2, 2020	Yes	-
4	DWS Investment GmbH, Frankfurt am Main, Germany	2.71	4,814,466	July 7, 2020	Yes	-
5	Ministry of Finance on behalf of the State of Norway, Oslo, Norway	3.06[3]	5,441,147	July 13, 2020	Yes	-
6	SAS Rue la Boétie, Paris, France	5.08	9,024,181	Sep 10, 2020	Yes	Predica Prevoyance Dialogue du Crédit Agricole (3.41 %)
7	Schroders plc, London, United Kingdom	3.13[4]	5,561,574	Dec 9, 2020	Yes	-
8	Government of Singapore, acting by and through the Ministry of Finance, Singapore, Singapore	2.97	5,283,742	Jan 14, 2021	Yes	-
9	BlackRock, Inc., Wilmington, Delaware, USA	6.98[5]	12,408,125	Feb 5, 2021	Yes	-

[1] Percentage as per date of change. Current percentage in voting rights can deviate, e. g., due to changes in the share capital of the issuer.
[2] The notification of voting rights contains the information that BNP PARIBAS ASSET MANAGEMENT France S.A. still holds 3.96 % of voting rights on February 4, 2020.
[3] Contains 0.19 % financial instruments pursuant to Sec. 38 para. 1 No. 1 WpHG (corresponds to 337,871 voting rights).
[4] Contains 0.08 % financial instruments pursuant to Sec. 38 para. 1 No. 1 and No. 2 WpHG (corresponds to 140,628 voting rights).
[5] Contains 0.18 % financial instruments pursuant to Sec. 38 para. 1 No. 1 and No. 2 WpHG (corresponds to 315,861 voting rights).

18. DECLARATION OF COMPLIANCE PURSUANT TO AKTG SECTION 161

The Management Board and the Supervisory Board have submitted the declaration of compliance 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 Group's declaration of corporate management according to HGB Section 315d.

19. AUDITORS' FEES

On September 2, 2020, the General Meeting elected KPMG Wirtschaftsprüfungsgesellschaft (Ludwig-Erhard-Strasse 11-17, Hamburg) auditor of the separate and consolidated financial statements for the 2020 financial year. The fees totaled EUR 584 k in 2020. They were structured as follows:

Auditors' fees in EUR k	2020	2019
Audit services	494	485
thereof from previous year	*-16*	*18*
Other confirmation services	87	81
Tax advisory services	0	0
Other services	3	60
Total	**584**	**626**

The non-audit services essentially relate to the issuance of a comfort letter, the review of the sustainability report, and consultancy services in relation to an extrajudicial proceeding.

René Drotleff is the professionally qualified auditor in charge of the financial statements for alstria office REIT-AG and the Group. He first assumed this position in fiscal year 2018.

20. MANAGEMENT BOARD

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

Olivier Elamine	**Hamburg, Germany**	**CEO of the Company**
	COIMA RES S.p.A. SIIQ	Non-Executive Director
	Urban Campus Group SAS	Member of the Advisory Board
Alexander Dexne	**Hamburg, Germany**	**CFO of the Company**

The remuneration report (page 181 to 191) details the principles used to define the remuneration of the Management Board and Supervisory Board.

21. 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 2020 financial year, the members of the Supervisory Board and their membership in supervisory boards of German companies or comparable German or foreign controlling committees of commercial enterprises were as follows:

Dr. Johannes Conradi **Chairman**	**Hamburg, Germany**	**Lawyer and Partner, Freshfields Bruckhaus Deringer PartGmbB**
	Elbphilharmonie und Laeiszhalle Betriebsgesellschaft mbH	Member of the Advisory Board
Since May 18, 2020	Flughafen Hamburg GmbH	Member of the Supervisory Board
	HamburgMusik gGmbH	Member of the Supervisory Board
Richard Mully **Vice-Chairman**	**Cobham (Surrey),** **United Kingdom**	**Director, Starr Street Limited**
	Great Portland Estates plc, UK	Non-Executive Chairman
Dr. Bernhard Düttmann	**Meerbusch, Germany**	**CEO CECONOMY AG (Retail Media Group)/** **Executive Consultant**
Stefanie Frensch	**Berlin, Germany**	**Management Board member, Familienstiftung Becker & Kries**
Benoît Hérault	**Uzès, France**	**CEO Elaia Investement Spain, SOC S.A. (Batipart Group), Spain** (Since February 1, 2020)
	Shaftesbury Fund Management, Luxemburg	Independent Director
	Batipart Immo Long Terme, Louxemburg (Batipart Group)	Independent Director
Marianne Voigt	**Berlin, Germany**	**Managing Director, bettermarks GmbH**
	BDO AG Wirtschaftsprüfungs-gesellschaft	Member of the Supervisory Board

Hamburg, February 19, 2021

alstria office REIT-AG

The Management Board

Olivier Elamine	**Alexander Dexne**
CEO	CFO

C. RESPONSIBILITY STATEMENT

To the best of our knowledge, we confirm that, in accordance with the applicable reporting principles, the Consolidated Financial Statements for 2020 give a true and fair view of the Group's assets, liabilities, financial position and profit or loss, and that the Group Management Report 2020, which has been combined with the Management Report for alstria office REIT-AG, includes a fair review of the business's development and performance and the Group's position, together with a description of the principal opportunities and risks associated with the Group's expected development.

Hamburg, February 19, 2021
alstria office REIT-AG

The Management Board

Olivier Elamine	**Alexander Dexne**
CEO	CFO

D. INDEPENDENT AUDITOR’S REPORT

To alstria office REIT-AG, Hamburg

I. REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

1. OPINIONS

We have audited the consolidated financial statements of alstria office REIT-AG, Hamburg, and its subsidiar-ies (the Group), which comprise the consolidated statement of financial position as of December 31, 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, includ-ing a summary of significant accounting policies. In addition, we have audited the combined manage-ment report of alstria office REIT-AG for the financial year from January 1 to December 31, 2020. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the “Other Information” section of our auditor’s report.

The combined management report contains cross-references that are marked as unchecked and not provided for by law. We have not audited the content of these cross-references and the information to which the cross-references refer in accordance with the German legal regulations.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2020, and of its financial performance for the financial year from January 1 to December 31, 2020, and
- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor’s report. The combined management report contains cross-references that are marked as unchecked and not provided for by law. We have not audited the content of these cross-references and the information to which the cross-references refer in accordance with the German legal

regulations.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

2. BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the combined manage¬ment report in accordance with Section 317 HGB and the EU Audit Regulation No 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirt¬schaftsprüfer [Institute of Public Audi-tors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

3. KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial state-ments as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of investment property

For information on the valuation of investment property, please see the comments in the notes to the consolidated financial statements concerning valuation (‘accounting policies’ section) and the notes to the consolidated statement of financial position (‘investment property’ section).

THE FINANCIAL STATEMENT RISK

In the consolidated statement of financial position of alstria office REIT-AG as of December 31, 2020, the total value of investment properties amounted to EUR 4,556 million. The investment property is meas-ured at fair value according to IAS 40 in connection with IFRS 13. For 2020, a net gain of EUR 62 million resulting from the fair value adjustment was recognized in the consolidated income statement.

The measurement of investment property at market value is carried out using a capitalized earnings valuation model (“hardcore and top slice”). The valuation date was December 31, 2020.

The fair values were determined by the accredited, external and independent valuation appraiser Savills Advisory Services Germany GmbH & Co. KG, Frankfurt am Main.

Besides information on actual data provided by the company, including for example the floor space available for leasing, vacancies, planned maintenance and modernization measures and current rents, numerous assumptions relevant to valuation are included in the determination of the property’s fair value, which are subject to considerable estimation uncertainties and judgments. Even minor changes in the assumptions relevant to measurement may have a material effect on the resulting fair value. The key valuation assumptions used to measure the investment are market rents and the capitalization rates.

There is a risk for the financial statements that, due to inaccurate or incomplete data provided by alstria office, the measurement of the investment property by the external expert is not appropriate. Estima-tion uncertainties and the incorrect exercise of judgment in relation to the relevant measurement parameters can also lead to inaccurate measurement results.

In addition, there is the risk for the financial statements that the disclosures on property held for investment required in the notes pursuant to IAS 40 and IFRS 13 are incomplete and inadequate.

OUR AUDIT APPROACH

Our audit procedures particularly include assessing the appropriateness of the valuation method, the accuracy and completeness of the actual data as well as the appropriateness of the assumptions and parameters. We involved our appraisal specialists to carry out our substantive audit procedures.

In inquiries with the Management Board, representatives of the company’s departments (particularly controlling and group financial accounting and reporting) and the external expert engaged by the company, we sought to gain an understanding of the appropriateness of the measurement method applied, the measurement process and the independent expert´s activities. We then sought to satisfy ourselves of the appropriate design and implementation and the operating effectiveness of the controls used to ensure the correct and complete recording of actual date and its proper provision to the independent expert.

As part of our substantive audit procedures, we assessed whether the data provided to the external expert was complete and correct and, thus, if it allowed the expert an appropriate basis for making an assessment. For this purpose, among other things, we reconciled the company's current tenant lists with the underlying contracts for randomly selected rental spaces.

We further verified the qualifications and objectivity of the external appraiser engaged by the company to assess the investment property and evaluated the valuation logic applied in their expert appraisal in terms of compliance with IAS 40 in conjunction with IFRS 13.

We assessed the appropriateness of the selected assumptions for measurement using a risk-based selection of real estate. In particular, we assessed the assumptions made to determine the current and future real estate-specific market rents, operating and maintenance costs and capitalization rates and reviewed these assumptions for appropriateness, taking into account the type and location of the real estate.

We evaluated the development of general assumptions underlying the valuations in course of time. We compared the average multiples arising from the fair values and assumed market rents per location in the light of the characteristics of the individual asset and location with multiples derived from reports issued by real estate associations, expert committees, transaction databases and renowned real estate experts.

In addition, we have determined an indicative range of appropriate property values of the risk-based selection of real estate and compared them with the values determined by the external appraiser.

We also assessed the completeness and adequacy of disclosures on investment property required in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13.

OUR OBSERVATIONS

The data used to assess the valuation of investment property is appropriate. The assumptions used for valuation are appropriate.

The disclosures on investment property in the notes to the consolidated financial statements pursuant to IAS 40 and IFRS 13 are complete and appropriate.

4. OTHER INFORMATION

Management and the Supervisory Board are responsible for the other information. The other information comprises

- the corporate governance statement, which is referred to in the combined management report
- information extraneous to management reports and marked as unaudited

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

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

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

- is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

5. RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease opera-tions, or there is no realistic alternative but to do so.

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

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

6. AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

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

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

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit proce-dures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to pro-vide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omis-sions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consoli¬dated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial state¬ments, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group’s position it provides.
- perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective infor¬mation and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

II. OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the Audit of the Electronic Renderings of the Consolidated Financial Statements and the Combined Management Report prepared for Disclosure Purposes in accordance with Section 317 (3b) HGB

We have performed an audit in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the renderings of the consolidated financial statements and the combined management report (hereinafter the “ESEF documents”) contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, “alstriaofficereitag-2020-12-31.zip” (SHA256 hash value: fe04c718691c46d8ca7c267263078 a2d37ba51bf05835e97f23060d0 a2181a51) and prepared for disclosure purposes comply in all mate-rial respects with the requirements of Section 328 (1) HGB for the electronic reporting format (“ESEF format”). In accordance with German legal requirements, this audit only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in these reproductions nor any other information contained in the above-mentioned file.

In our opinion, the renderings of the consolidated financial statements and the combined management report contained in the above-mentioned file and prepared for disclosure purposes comply in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express an audit opinion on the information contained in these reproductions and on the other information contained in the above-mentioned file beyond this audit opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1, 2020 to December 31, 2020 contained in the “Report on the Audit of the Consolidated Financial Statements and the Combined Management Report” above.

We conducted our audit of the renderings of the consolidated financial statements and the combined management report contained in the above-mentioned file in accordance with Section 317 (3b) HGB and the draft of the IDW Auditing Standard: Audit of the electronic renderings of financial statements and management reports prepared for disclosure purposes in accordance with Section 317 (3b) HGB (IDW AuS 410 Draft) [if beneficial to the understanding of the report on international level: and the International Standard on Assurance Engagements 3000 (Revised)]. Our responsibility thereafter is further described below. Our audit firm applies the IDW Standard on Quality Control 1: Requirements for quality control in audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1).

The company’s management is responsible for the preparation of the ESEF documents including the electronic renderings of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the markup of the consolidated finan-cial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the company’s management is responsible for the internal controls they consider necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The company’s management is also responsible for the submission of the ESEF documents together with the auditor’s report and the attached audited consolidated financial statements and audited combined management report and other documents to be disclosed to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion.
- Obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of ex-pressing an audit opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide a content-equivalent XHTML rendering of the audit-ed consolidated financial statements and the audited combined management report.
- Evaluate whether the markup of ESEF documents with Inline XBRL technology (iXBRL) enables an adequate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting held on September 29, 2020. We were engaged by the supervisory board on September 29, 2020. We have been the group auditor of alstria office REIT-AG without interruption since the financial year 2018.

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

III. GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is René Drotleff.

Hamburg, February 19, 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schmidt
Wirtschaftsprüfer
[German Public Auditor]

Drotleff
Wirtschaftsprüfer
[German Public Auditor]

E. REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

In this report, we explain the Supervisory Board's monitoring of and consultation with the Management Board, the key issues discussed by the full Supervisory Board and its committees and the audit of the annual and consolidated financial statements for the reviewed year.

I. FOCUS OF THE DISCUSSION

The main topics discussed by the Supervisory Board and its committees in the 2020 financial year were business and financial situations and the Company's strategy, each in the light of the COVID-19-pandemic, the corporate bond issue, and major real estate transactions, as well as the adjustment of the Management Board's remuneration system to a new legal framework.

II. MONITORING AND ADVISING THE COMPANY'S MANAGEMENT

In the 2020 reporting year, we performed the duties incumbent on us under the law and under the articles of association, we advised the Company's Management Board, and we monitored its management. Based on the Management Board's reports, we thoroughly discussed business development as well as decisions and events of importance to the group. The Supervisory Board was intensively involved in the Company's fundamental decisions. The Management and Supervisory Boards discussed in detail all measures that required approval. To the extent provided by law, by the articles of association, or by the rules of procedure, the Supervisory Board voted based on thorough examination and consultation.

At Supervisory Board and committee meetings, the Management Board regularly informed the Supervisory Board, in a timely and comprehensive manner, about the Company's business development, financial situation, planning, important business transactions, risk situations, risk management and compliance. The Supervisory Board also met regularly without the Management Board.

The Management Board informed the Supervisory Board between meetings about the development of the of the real estate portfolio, rental activities and important events, generally by means of monthly reports. The chairmen of the Supervisory and Management Boards held informative and advisory meetings fortnightly.

III. BOARD MEMBERS

The members of the Supervisory Board did not change in the 2020 financial year. At the Annual General Meeting on September 29, 2020, the Chairman of the Supervisory Board and the Chairman of the Audit Committee were reelected to the Supervisory Board, each for a three-year term. The Supervisory Board confirmed both in their positions after their reelection, and the committees' compositions remained unchanged.

In the year under review, the Supervisory Board and its committees comprised the following members:

Supervisory Board member	Audit Committee	Nomination & Remuneration Committee	Finance & Investment Committee	ESG Committee
Dr. Johannes Conradi (chair)	–	Chair	–	Chair
Richard Mully (deputy chair)	–	–	Chair	Member
Dr. Bernhard Düttmann	Member	–	Member	–
Stefanie Frensch	–	Member	Member	–
Benoît Herault	Member	Member	–	–
Marianne Voigt	Chair	–	–	Member

The Supervisory Board reviewed the implementation status of the profile for the Supervisory Board with concrete objectives regarding the composition of the board, including the competencies represented on the board and its diversity, as presented in the Company's Corporate Governance Statement on pages 161 to 180 of the annual report. As of December 31, 2020, the composition of the Supervisory Board meets these objectives, and the profile for the Supervisory Board is complete.

Structured appointment procedures for the Supervisory Board, the regular 3-year terms of office and the annual Supervisory Board elections, are described in the Corporate Governance Statement. The Company has set up an onboarding process and supports new Supervisory Board members' inauguration by familiarizing them with the people involved, the rules and the regulations of the Company and the Supervisory Board's working methods. In addition, the Company supports Supervisory Board members' training measures with regular internal training courses. In connection with the December meeting, the Management and Supervisory Boards held a joint training session where they conducted a change-of-perspective exercise looking at the Company's economic situation, strategy and governance from the perspective of a possible activist investor. No conflicts of interest occurred in the past financial year for members of the Supervisory or Management Boards.

IV. MEETINGS OF THE SUPERVISORY BOARD

The full Supervisory Board held four ordinary and three extraordinary meetings in the 2020 financial year. Based on detailed documents, we also made five decisions via circular resolution. In the 2021 financial year, one additional meeting of the full Supervisory Board and one circular resolution have taken place before this report's completion. Since March 2020, all meetings of the Supervisory Board and its committees have been held via video conference.

At the regular Supervisory Board meetings, the Company's situation, development, course of business and market situation were discussed with the Management Board, and the Company's financial results (the interim quarterly and half-year financial reports and the annual and consolidated financial statements) were discussed. Committee chairs reported on the committees' work.

In February 2020, the Supervisory Board, via written circulation, introduced rules of procedures for the ESG Committee, decided on the profiles for the Supervisory and Management Boards and on the Corporate Governance Statement which is submitted jointly with the Management Board.

At our meeting in February 2020, the Supervisory Board addressed the annual and consolidated financial statements as of December 31, 2019, and the management reports and discussed these reports with the auditor. The Supervisory Board approved the annual financial statements for alstria office REIT-AG and its consolidated financial statements as of December 31, 2019, and agreed with the Management Board's proposal to appropriate the annual net profit for the 2019 financial year. The Supervisory Board passed a resolution on its report to the Annual General Meeting for the 2019 financial year, dealt with the agenda items and proposed resolutions for the Annual General Meeting. The Supervisory Board also discussed the variable remuneration for the Management Board's members. We deliberated on the results of the long-term variable remuneration element for financial year 2016 and on the short-term variable remuneration for financial year 2019 — in each case considering individual performance — and on the parameters of the long-term variable remuneration of the Management Board's members for financial year 2020. The deliberations were each done after a vertical remuneration comparison and in the light of the recommendation from its Nomination and Remuneration Committee. Finally, the Supervisory Board discussed the composition and succession of the Management Board.

In a March 2020 extraordinary meeting to address the impact of the COVID-19-pandemic on the Company, the Supervisory Board also discussed possible consequences for dividend payments as well as the remuneration of the Management Board and the Supervisory Board. Further, the Supervisory Board dealt with major real estate transactions. In April 2020, the Supervisory Board decided via written circular resolution on determining the individual multipliers for long-term variable remuneration elements for the Management Board for financial year 2016 (LTI 2016/2020). Against the background of insecurities caused by the COVID-19-pandemic regarding the liquidity situation of the Company, the Supervisory Board decided that LTI 2016/2020 should be paid out in Company shares, if possible, and that these shares should have a holding period of 1 year. Correspondingly, the Supervisory Board offered to receive remuneration for the financial year 2020 also in Company shares and to hold these shares for one year. In the ordinary April 2020 meeting, the Supervisory Board and the Management Board deliberated on the market situation and real estate transactions.

In June, the Supervisory Board approved issuance of a corporate bond with a term of approximately six years and a total nominal value of up to EUR 350 m, though a written circular resolution. In extraordinary meetings in June and August, the Management Board and Supervisory Board again deliberated on the impact of the COVID-19-pandemic on the Company. The Supervisory Board agreed to convene the Annual General Meeting as a virtual meeting, without the physical presence of the shareholders, and agreed on the proposals to be presented as resolutions to the Annual General Meeting, including the dividend proposal. Using the written circular resolution procedure, the Supervisory Board dealt with preparations for the upcoming elections to the Supervisory Board.

At the ordinary meeting in September, the Management and Supervisory Boards discussed the Company's strategy. They discussed the situation regarding the Company's largest properties and related development projects. The Supervisory Board discussed the possibility of utilizing the capital market, the positive results from the review of its composition and effectiveness of work, as well as the Company’s employee participation program. In the light of the current economic situation, the Supervisory Board agreed to execute the resolutions from spring in the most efficient and cost-saving way possible and thus to pay the LTI 2016/2020 to the Management Board members and the Supervisory Board remuneration for the financial year 2020 in cash, with the stipulation that the payments be invested in Company shares.

The December meeting concerned corporate and budget planning for the 2021 financial year. The Supervisory Board also discussed with the Management Board the current market environment, the planned real estate transactions and the Company’s IT strategy and issued the annual declaration of compliance with the recommendations of the German Corporate Governance Code. Furthermore, the Supervisory Board deliberated on succession planning for the Company’s Management Board and Supervisory Board and the adjustment of the Management Board’s remuneration system to meet new regulatory provisions. Via a written circular resolution, the Supervisory Board made editorial amendments to the Company's articles of association to reflect a capital increase from conditional capital in December 2020: A total of 199,325 new shares were issued to Company employees under the Company's employee participation plan.

In February 2021, the Supervisory Board passed a resolution via written circulation procedure on the corporate governance statement and on the updated profiles and rules of procedure for the Management and Supervisory Boards. At the balance sheet meeting in February 2021, the Supervisory Board dealt with the annual and consolidated financial statements as of December 31, 2020, and with the Management Board's proposal for appropriating profits. We passed a resolution on the report to the Annual General Meeting for the 2020 financial year, discussed the format and the agenda for the

Annual General Meeting of the Company with the Management Board, and dealt with the variable remuneration for the Management Board's members.

Attendance of Supervisory Board members at meetings

Supervisory Board member attendance at meetings of the Supervisory Board in plenary session averaged 100 % in the 2020 financial year.

	Attendance at meetings*		Participation in %
Full Supervisory Board	regular meetings	extraordinary meetings	total
Dr Johannes Conradi (Chair)	4/4	3/3	100
Richard Mully (Deputy Chair)	4/4	3/3	100
Dr Bernhard Düttmann	4/4	3/3	100
Stefanie Frensch	4/4	3/3	100
Benoît Herault	4/4	3/3	100
Marianne Voigt	4/4	3/3	100
Audit Committee			
Marianne Voigt (Chair)	6/6		100
Dr Bernhard Düttmann	6/6		100
Benoît Herault	6/6		100
Nomination and Remuneration Committee			
Dr Johannes Conradi (Chair)	5/5		100
Stefanie Frensch	5/5		100
Benoît Hérault	5/5		100
Finance and Investment Committee			
Richard Mully (Chair)	4/4		100
Dr Bernhard Düttmann	4/4		100
Stefanie Frensch	4/4		100
ESG Committee			
Dr Johannes Conradi (Chair)	1/1		100
Richard Mully	1/1		100
Marianne Voigt	1/1		100

* Participation in a meeting can also be via telephone or video conference.

V. COMMITTEES OF THE SUPERVISORY BOARD

The six-member Supervisory Board established four standing committees to support its work, each with at least three members. The committees prepared some of the Supervisory Board’s resolution via resolution recommendations; in some cases, decision-making powers were delegated to the committees to the extent permitted by law. In the 2020 financial year, the Supervisory Board’s committees primarily dealt with the following topics:

1. AUDIT COMMITTEE

The Audit Committee held six meetings in the 2020 financial year, each attended by the Chief Financial Officer. At the beginning of the reporting year, the Audit Committee thoroughly dealt with property valuation as of December 31, 2019, and with the key audit matters selected by the auditors for the audit of the financial statements from the 2019 financial year. In February 2020, the Audit Committee discussed the annual financial statements and consolidated financial statements as of December 31, 2019, and the management reports as part of the audit of the financial statements. They discussed the documents with the auditors, conducted a preliminary review of the annual and consolidated financial statements and of the Management Board's proposal for the appropriation of profits and submitted corresponding resolution proposals to the full Supervisory Board. The Audit Committee dealt with the auditor's report in accordance with Section 1 (4) of the REIT Act and handled the non-auditing services provided by the auditors in the 2019 financial year. In the summer, the Audit Committee dealt with the valuation of properties as of June 30, 2020 and with the half-year financial report issued June 30, 2020. The Audit Committee also discussed these with the auditor and the Management Board prior to publication. The Company’s risk situation was discussed regularly. Other topics included the audit of the auditor’s independence, the appointment of KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, as auditor and discussions of accounting, the accounting process, the risk management system, the material risks identified, the effectiveness of the internal control and audit system and the compliance system. The Audit Committee also discussed the internal audit’s results for the 2020 financial year and the audit’s quality, and it approved certain non-auditing services provided by the auditors for the 2021 financial year.

2. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee met five times during the 2020 financial year. The Nomination and Remuneration Committee dealt with the remuneration of the Management Board and, in particular, discussed the amount of variable remuneration for the Management Board’s members, taking into account their individual performance in each case. They also submitted corresponding resolution proposals to the full Supervisory Board. The Nomination and Remuneration Committee also assessed the implementation status of the share ownership obligation for members of the Management and Supervisory Boards. They also reviewed the Management Board’s composition and continued the development of a structured process for long-term succession planning. Against the background of regulatory changes regarding Management Board remuneration, the updated recommendations from the German Corporate Governance Code and the expectations from investors, the Nomination and Remuneration Committee devised corresponding adjustments to the Management Board's remuneration system and prepared a proposal to the Annual General Meeting in 2021 for approval of the updated Management Board remuneration system. The Nomination and Remuneration Committee also reviewed the composition and succession planning for the Supervisory Board based on results from the review of the Supervisory Board's composition and effectiveness of work in the context of the expiration of two members' terms of office in the 2021 financial year.

3. FINANCE AND INVESTMENT COMMITTEE

The Finance and Investment Committee held four meetings in the 2020 financial year. During meetings with the Management Board, the committee discussed the financing strategy of alstria office REIT-AG and debated real estate transactions. The Finance and Investment Committee prepared a resolution recommendation for the Supervisory Board regarding a corporate bond. The committee also approved real estate transactions carried out in the 2020 financial year.

4. ESG COMMITTEE

The ESG Committee held one meeting in fiscal year 2020. With the Management Board, the Committee discussed corporate social responsibility issues and deliberated the alstria office REIT-AG reporting on sustainability.

VI. AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the annual financial statements of alstria office REIT-AG prepared by the Management Board as well as the consolidated financial statements and the consolidated management report for the fiscal year from January 1 to December 31, 2020 and issued an unqualified audit opinion.

The annual financial statements, the consolidated financial statements and the consolidated management report for alstria office REIT-AG and the grouo, the Management Board's proposal for the appropriation of the net profit, as well as the auditor's reports, were made available to all Supervisory Board members immediately after their preparation. The Supervisory Board comprehensively reviewed documents prepared by the Management Board in the Audit Committee and in the plenary session. At the Audit Committee meeting, the auditor reported on his audit's scope, focal points and main results (including the audit of the internal control and risk management system). The auditor addressed the particularly important audit issues (key audit matters) and the audit procedures and was available to answer questions. The Audit Committee prepared the audit by the Supervisory Board and dealt in particular with the key audit matters described in the auditor's report, including the audit procedures performed. The full Supervisory Board examined the annual financial statements and consolidated financial statements prepared by the Management Board, along with the consolidated management reports and discussed the results of the audit with the auditor. No objections were raised following the final result of the Supervisory Board's examination. The

Supervisory Board approved the annual financial statements and the consolidated financial statements. The annual financial statements are thus deemed adopted. The Supervisory Board concurred with the Management Board's proposal for appropriating the net profit.

The Supervisory Board thanks the Management Board and all employees for their extra-ordinary performance, which made it possible for alstria — despite the impacts of the COVID-19-pandemic — to look back on a successful financial year 2020.

Hamburg, February 2021

For the Supervisory Board

Dr Johannes Conradi
Chairman of the Supervisory Board

F. CORPORATE GOVERNANCE STATEMENT

This declaration, pursuant to Section 289f and 315d of the German Commercial Code (*Handelsgesetzbuch*, HGB), describes the working methods of the Management Board and Supervisory Board as well as the composition and working methods of the Supervisory Board committees, the diversity concepts for the Management Board and Supervisory Board composition, the provisions to promote women's participation in management positions in accordance with Section 76 para. 4 and Section 111 para. 5 of the German Stock Corporation Act (*Aktiengesetz*, AktG), the declaration of compliance in accordance with Section 161 AktG and relevant information on corporate governance practices. The declaration also includes the report on the corporate governance of the Company and forms part of the combined management report of alstria office REIT-AG (**alstria**) and the Group.

I. MANAGEMENT BOARD AND SUPERVISORY BOARD

The German stock corporation is legally required to have a dual management system, which provides a strict personnel and functional separation between the Management Board as the management body and the Supervisory Board as the monitoring and advising body. Within this dual management system, the Management Board and Supervisory Board cooperate closely and faithfully in the Company's interest.

1. MANAGEMENT BOARD

As of December 31, 2020, the Management Board of alstria office REIT-AG consists of two members:

Member		Term of office (in years)	Appointed until
Olivier Elamine	Chief Executive Officer	14	31.12.2022
Alexander Dexne	Chief Financial Officer	13	31.12.2022

The Management Board is responsible for managing the Company in the Company's interests. In particular, the Management Board determines the corporate objectives and develops the Company's fundamental strategic orientation, agrees on these with the Supervisory Board and ensures their implementation. Furthermore, the Management Board ensures an appropriate internal control and risk management system as well as the observation of legal provisions and internal guidelines and works towards their observance in the group (Compliance).

The Management Board members are jointly responsible for the management of the Company. Fundamental matters or financially significant material matters stipulated by law, by the Articles of Association or by the rules of procedure for the Management Board, are decided by the Management Board as a whole. The Management Board's resolutions are passed by a simple majority, whereby a unanimous vote shall generally be sought. Certain resolutions on the Company's significant business transactions are also subject to approval by the Supervisory Board. The Management Board reports regularly to the Supervisory Board. At least once a year, the Management Board reports on the intended business policy and on other fundamental issues of corporate planning for the Company and the Group. The Management Board reports regularly (at least quarterly) on the state of business, particularly on sales revenues and income, material indicators and the net assets development, financial position and operation results. The work of the Management Board, the transactions requiring supervisory board approval, the allocation of responsibilities between the individual Management Board members and the reporting and information obligations to the Supervisory Board are detailed in the rules of procedure for the Management Board.

The Management Board’s members are committed to the Company’s interest and do not pursue personal interests in their decisions or take advantage of business opportunities to which the Company is entitled. They must immediately disclose any conflicts of interest to the chairman of the Supervisory Board. In particular, members of the Management Board shall not directly compete with the Company through private real estate investments; real estate transactions between the Company and members of the Management Board are forbidden. Major business transactions between the Company on the one hand and the Management Board’s members, related parties, companies or associations within the meaning of Section 111a AktG on the other hand, require the Supervisory Board’s approval. All such transactions must be concluded under customary commercial conditions. The Management Board’s members require the Supervisory Board’s approval to conduct secondary activities, particularly memberships in supervisory boards of companies not affiliated with the Group. The members of alstria’s Management Board had no conflicts of interest in the reporting year. There were no agreements on such transactions between the Company and members of the Management Board and related parties in the reporting period. With the approval of the Supervisory Board, the CEO sits on the boards of companies outside the Group. A list of the memberships of the Management Board members in supervisory boards of listed companies or companies with comparable requirements pursuant to Section 285 No. 10 HGB can be found on page 139 of the Company’s annual report.

The compensation of the members of the Management Board is presented in the Compensation Report on pages 181 to 191 of this Annual Report.

2. PROFILE FOR THE MANAGEMENT BOARD AND LONG-TERM SUCCESSION PLANNING

The Supervisory Board appoints and dismisses the members of the Management Board and, with the support of its Nomination and Remuneration Committee and the Management Board, ensures long-term succession planning. The Supervisory Board strives for a Management Board composition that ensures that all the knowledge, skills and experience necessary to best manage the Company are available on the Management Board. Therefore, with due consideration of alstria's specific situation, the Supervisory Board established this profile of skills and expertise and diversity concept with targets for the composition of the Management Board (**Profile for the Management Board**), pursuant to Section 289 f HGB, Section 76 para. 3 AktG and to the German Corporate Governance Code.

The Company's Articles of Association provide that the Management Board shall consist of one or more members. The Supervisory Board decides on the exact number of Management Board members, the Management Board's individual staffing and the Management Board's chairman. Potentially suitable candidates for each Management Board position are generally identified once per calendar year with the help of external personnel consultants. Search profiles for each Management Board position are used as a basis, in which the professional and personal requirements of the candidates for the respective position are described. The search profiles are drawn up by the Supervisory Board as part of a due analysis of the current and future challenges of the Company. The search profiles also take into account the Profile for the Management Board. On this basis a shortlist of available candidates is drawn up with whom structured discussions can be held without delay if necessary. Internal candidates for Management Board succession are identified by the Supervisory Board, which gets to know particularly qualified employees, both professionally and personally, in the course of its meetings.

The initial appointment of Management Board members shall be for a maximum of three years; reappointment of Management Board members shall also generally be for a maximum of three years. Acting members of the Management Board will only be reappointed one year before the end of their term of office, and their current appointment will be terminated at the same time if there are special circumstances.

2.1. Requirements for all management board members

All Management Board members shall have the personal qualification for being a member on the Company's Management Board and shall each meet the legal as well as the following requirements:

- a managerial mindset,
- integrity,
- a capacity for interaction and teamwork,
- leadership skills and persuasive power,
- communication skills,
- an ability to balance risk appetite and risk avoidance,
- relevant education and sufficient professional experience and
- an age of up to 65 years, as a general rule.

2.2. Requirements for the entire Management Board

Viewed as a whole, the members of the Management Board shall have all knowledge, skills and experience needed. In particular, at all times at least one Management Board member shall have due / be duly:

- expertise regarding real estate management (ideally in the management of office properties, acquired in a comparable company);
- knowledge of the German real estate market;
- skills in the sectors real estate transactions, asset management/letting, project development, real estate valuation and all other relevant business divisions;
- experience in defining, setting and executing corporate strategy and an ability to implement profound change and ensure good communication;
- familiarity with the requirements concerning corporate governance and investor communication, gained within a listed company (ideally with a comparable market capitalization);
- experience in leadership and corporate management (ideally acquired in a comparable company) and
- experience in corporate finance and capital markets (ideally acquired in a comparable company).

The composition of the Management Board shall also reflect internationality in terms of diverse cultural backgrounds and international experience of the Management Board members.

2.3. Diversity

- The members of the Management Board shall complement one another in terms of their backgrounds, professional experience and expertise in order to let the leadership benefit from diverse sources of experience, skills and points of view on corporate challenges.
- In the recruitment process, the candidates are treated neutrally in terms of sex and age and will be assessed according to their qualifications.

2.4. Status of implementation

The Profile for the Management Board is currently fully implemented.

3. SUPERVISORY BOARD

The alstria office REIT-AG Supervisory Board is generally elected by the Annual General Meeting. It is composed exclusively of shareholder representatives. As of December 31, 2020, the Supervisory Board comprised the following six members:

Supervisory Board member			Committee memberships			
	Term of office (in years)	Appointed until[1)]	Audit committee	Nomination & Remuneration committee	Finance & Investment committee	ESG committee
Dr. Johannes Conradi (Chair)	14	2023	–	Chair	–	Chair
Richard Mully (Vice Chair)	14	2022	–	–	Chair	Member
Dr. Bernhard Düttmann	4	2021	Member	–	Member	–
Stefanie Frensch	5	2021	–	Member	Member	–
Benoît Hérault	9	2022	Member	Member	–	–
Marianne Voigt	9	2023	Chair	–	–	Member

[1)] Until the close of the Annual General Meeting in the respective financial year.

The Supervisory Board advises the Management Board on the management of the Company and monitors how it conducts business. The Management Board involves the Supervisory Board in decisions of fundamental importance to the Company. To this end, the rules of procedure for the Management Board stipulate that its approval is required, for example, for the acquisition or disposal of real estate property, for the conclusion of new financing agreements with a consideration or volume of more than EUR 30 million, or for modernization measures not included in the budget approved by the Supervisory Board that exceed a total annual amount of EUR 2 million. Furthermore, transactions with related parties pursuant to Section 111 b para.1 AktG require the approval of the Supervisory Board.

The Supervisory Board elects a Chairman and a Deputy Chairman from among its members. The Chairman of the Supervisory Board coordinates the Supervisory Board's work, chairs its meetings and attends to its affairs externally. The Chairman maintains regular contact with the Management Board and discusses strategy, planning, business development, the risk situation, risk management and corporate compliance with its members. The Management Board immediately informs the Chairman of important events that are of material significance for assessing the situation as well as for development and management. If necessary, the Chairman then informs the Supervisory Board and, when appropriate, convenes a Supervisory Board meeting. The Chairman and Deputy Chairman of the Supervisory Board also regularly hold discussions with investors on Supervisory Board-specific topics.

Supervisory Board resolutions are adopted through a majority of votes by the Supervisory Board members as specified in the Articles of Association, unless otherwise required by law. Resolutions are generally passed at ordinary or extraordinary meetings. Supervisory Board members may attend Supervisory Board meetings in person or via telephone, videoconference or similar audiovisual means. The Supervisory Board also meets regularly without the Management Board. Supervisory Board resolutions may also be adopted outside of meetings by means of written, telephonic or electronic communication if the Chairman permits it for an individual case.

The Supervisory Board regularly reviews, whether internally or with the assistance of external consultants, how effectively the Supervisory Board as a whole and its committees perform their duties. During the 2020 financial year, very positive results were achieved through an effectiveness assessment conducted by means of online questionnaires, which were discussed by the Supervisory Board.

All Supervisory Board members are committed to the Company’s interests and do not pursue personal interests in their decisions or take advantage of business opportunities to which the Company is entitled. Conflicts of interest must be disclosed to the Chairman of the Supervisory Board without delay. In the case of resolutions for which a conflict of interest exists, the Supervisory Board member concerned abstains from voting. Members of the Supervisory Board shall not directly compete with the Company through private real estate investments; real estate transactions between the Company and members of the Supervisory Board are forbidden. Significant transactions between the Company on the one hand and members of the Supervisory Board, related parties, companies or associations within the meaning of Section 111a AktG on the other hand require the approval of the Supervisory Board. In the reporting year, there were no conflicts of interest involving members of alstria's Supervisory Board. There were no agreements on such transactions between the Company on the one hand and members of the Supervisory Board and related parties on the other in the reporting period.

Supervisory Board members ensure that they have sufficient time to perform their duties. The members of the Supervisory Board observe the overboarding rules as defined in the Profile for the Supervisory Board (see below). alstria’s website contains the member’s curricula vitae and an overview of their main activities in addition to their Supervisory Board mandate. A list of the memberships of the Supervisory Board members on supervisory boards or similar supervisory bodies of non-Group companies in accordance with Section 285 no. 10 of the HGB can also be found in the annual report on page 140.

The compensation of the members of the Supervisory Board is presented in the compensation report on page 190 to 191 of this Annual Report.

4. SUPERVISORY BOARD COMMITTEES

To manage its tasks efficiently, the Supervisory Board has formed four standing committees from among its members: an Audit Committee, a Finance and Investment Committee, a Nomination and Remuneration Committee and a purely advisory and preparatory ESG Committee (previously: Corporate Social Responsibility Committee). Each committee has its own rules of procedure, which further regulate the committee’s affairs, tasks and decision-making powers, where appropriate. The rules of procedure for the Supervisory Board can be viewed on the Company’s website.

4.1. Audit Committee

The Audit Committee deals with the Company's accounting and accounting process, risk management, internal control and audit system and compliance. In addition, the Audit Committee deals with the audit of the financial statements, in particular the selection, independence and qualification of the auditors and the additional services provided by the auditors, the issuing of the corresponding audit engagement, the determination of focal points of the audit, the fee agreement and the assessment of the audit's quality.

4.2. Finance and Investment Committee

The Finance and Investment Committee discusses the Company's financing strategy and grants Supervisory Board approval for the conclusion of financing agreements and for the acquisition or disposal of real estate properties or other assets, provided that the underlying financing volume or the consideration for the transaction exceeds EUR 30 million and does not exceed EUR 100 million. Financing agreements and transactions that exceed this amount must be submitted to the full Supervisory Board for approval. The Finance and Investment Committee also grants Supervisory Board approval for the conclusion or early termination of lease agreements with third parties as well as for contracts with Supervisory Board members, in accordance with Section 114 of the AktG.

4.3. Nomination and Remuneration Committee

The Nomination and Remuneration Committee deals with the preparation of the resolutions of the full Supervisory Board on the appointment and dismissal of Management Board members (including the preparation of the Profile for the Management Board), on the Management Board's compensation system and the total compensation of individual Management Board members, on the target figures for the proportion of women on the Management Board and Supervisory Board, and on the rules of procedure for the Management Board. The Nomination and Remuneration Committee deals with ongoing succession planning for the Management Board and decides on the conclusion, amendment, extension and termination of Management Board employment contracts, on the content of contracts (with the exception of compensation), and on the approval of certain other activities of Management Board members. Finally, the Nomination and Remuneration Committee prepares the Supervisory Board's resolution on election proposals to the Annual General Meeting for suitable Supervisory Board members (including the Profile for the Supervisory Board) and on determining the compensation for the Supervisory Board, and it deals with any insider information that falls within the Supervisory Board's remit.

4.4. ESG Committee

The ESG Committee deals with environment social governance issues such as environmental policies and CO_2 targets, energy management policies, the potential impact of climate change, corporate social responsibility legislation, corporate social responsibility ratings and the Company's sustainability reports.

The Supervisory Board reports on its activities and its committees' work during the 2020 financial year in its report to the Annual General Meeting on pages 153 to 160 of the annual report.

5. PROFILE FOR THE SUPERVISORY BOARD

alstria office REIT-AG's Supervisory Board shall ensure proper consultation with and control of the Management Board. Therefore, Supervisory Board members shall have the knowledge, skills and experience necessary to properly fulfill their duties and complement one another. For this reason, the Supervisory Board has established this profile of skills and expertise and diversity concept with targets for the composition of the Supervisory Board ("**Profile for the Supervisory Board**") according to Sec. 289 f of the German Commercial Code and the German Corporate Governance Code. Thereby, the Supervisory Board has especially considered alstria's specific situation and shareholder structure.

5.1. General profile of qualification

- Managerial or operational experience
- Availability and willingness to dedicate sufficient time
- Discretion and integrity
- Capacity for interaction and teamwork
- Leadership skills and persuasive power
- Willingness to engage in regular and independent advanced training
- Age of up to 70 years, as a rule;
- Maximum duration of board membership of 20 years, as a rule;
- No board membership, no advisory function excluding independence with and no personal relationship to a significant competitor of the Company.

5.2. Overboarding

Including their membership on alstria's Supervisory Board, our Supervisory Board members shall, as a rule, not permanently have more than five board mandates at listed companies with registered seats in Germany and abroad. For the purposes of calculating this limit, a Supervisory Board mandate or a comparable function in non-listed companies is counted as one mandate, with a supervisory board chair being counted as two; management board mandates at listed companies are counted as three and should not be held by the Chairman of our Supervisory Board.

5.3. Qualification and diversity

- The members of the Supervisory Board shall complement one another in terms of background, professional experience and skills in order to provide the Supervisory Board with the most diverse sources of experience and skills possible.
- Viewed as a whole, the members must be familiar with the real estate sector. At least two members shall have due expertise in the office real estate market.
- At least two members shall have strong international backgrounds. At least two members shall have strong German backgrounds.
- At least one member shall have experience as a management board member (ideally as the chief executive officer of a listed company) and be familiar with stakeholder management.
- The Chairman of the Audit Committee shall have gained special expertise and experience either in accounting, the application of accounting principles and internal control systems or in the auditing of annual statements (e.g., as the chief financial officer of a comparable company or as the principal of an audit firm).

5.4. Independence

A Supervisory Board member is independent from the Company and its management as long as it has no personal or business relationships with the Company or its Management Board, which could cause a substantial and not merely temporary conflict of interest.

A Supervisory Board member is independent from a controlling shareholder if the Supervisory Board member or a close relative is neither a controlling shareholder, nor a member of the executive governing body of the controlling shareholder and does not have a business or personal relationship with the controlling shareholder that may cause a substantial and not merely temporary conflict of interest.

The Supervisory Board has determined the following requirements for the independence of its members from the Company and its management. The Supervisory Board regularly reviews at its reasonable discretion, whether its members are independent in its assessment. Thereby, the Supervisory Board particularly considers if a Supervisory Board member or one of their close relatives

- was a member of the Management Board in a Group company in the three years before its appointment (for Supervisory Board members themselves, a five-year period shall apply);
- has, or had within the 3 years up to his appointment, a material business relationship with the Group or a member of the Management Board (e.g., as a tenant, lender or advisor), either directly or as a shareholder, director or senior employee of a non-group entity that has such a relationship with the Group (acceptance of payment in excess of EUR 50,000 p.a. is considered as material);
- is a close relative of one of the members of the Management Board of the Company;
- has been a member of the Supervisory Board for more than 12 years;
- is affiliated with a not-for-profit entity that receives significant contributions from the Company; or

- was a partner or employee of the Company's outside auditor during the past three years (only applicable to Supervisory Board members themselves).

Should the Supervisory Board come to the conclusion that a Supervisory Board member is independent even though there are opposing criteria, the Supervisory Board will give reasons for this assessment in the corporate governance statement. A membership of more than 12 years in the Supervisory Board does not exclude independence as long as there are no further criteria for a missing independence.

Independence in the plenum and committees:

The Supervisory Board has determined the following requirements for the independence regarding the composition of the plenum and the committees:

- At least four members of the Supervisory Board shall be independent from the Company and its Management Board.
- Should the Company have a controlling shareholder, at least three members of the Supervisory Board shall be independent from the controlling shareholder.
- No more than two Supervisory Board members shall be former members of the Management Board.
- The **Chairman of the Supervisory Board** shall be independent from the Company and its Management Board as well as from a controlling shareholder. The Chairman of the audit committee shall not chair the Supervisory Board.
- The Chairman as well as the majority of the members of the **Audit Committee** shall be independent from the Company and its Management Board and from a controlling shareholder.
- The Chairman as well as the majority of the members of the **Nomination and Remuneration Committee** shall be independent from the Company and its Management Board.

5.5. Succession planning and annual elections to the Supervisory Board

alstria appoints Supervisory Board members using a structured process. The Supervisory Board submits nominations to the Annual General Meeting for each vacant Supervisory Board position. The Supervisory Board's Nomination and Remuneration Committee then prepares these recommendations for an election.

The Supervisory Board chooses the candidates whom it recommends to the Annual General Meeting for an election as follows: Annually, the Supervisory Board assesses the effectiveness of its work – every three years this is done by an external advisor – and checks the composition of the Supervisory Board and whether the targets laid down in the Profile for the Supervisory Board are being met. The Supervisory Board also checks whether the targets need to be adjusted in light of alstria's situation and circumstances, which might have evolved. Given such results, the Supervisory Board assesses in the first place whether it would be appropriate to recommend to the Annual General Meeting to reappoint the Supervisory Board member whose term of office will end with the next Annual General Meeting. Otherwise, the Supervisory Board will search for external candidates for the vacant position with the help of an external advisor and thereby strives to fulfil the Profile for the Supervisory Board.

In its election proposals to the Annual General Meeting, the Supervisory Board discloses the personal and business relationships of every candidate with the Company, the Management and Supervisory Boards and any shareholders with a material interest in the Company. The election proposals go along with a curriculum vitae, providing information on each candidate's relevant knowledge, skills and professional experience and an overview of the candidate's material activities in addition to the Supervisory Board mandate. The curricula vitae of all Supervisory Board members are updated annually and published on the Company's website.

The Supervisory Board agreed on recommending at the Annual General Meeting to elect Supervisory Board members for a term of three years only - rather than for five years as permitted by law. Two members of the Supervisory Board will have equal terms of office. As a result, the Annual General Meeting of shareholders elects two members of the Supervisory Board each year and thus has the opportunity to shape the composition of the Supervisory Board every year. In this way, the legitimacy of the shareholder representatives on the Supervisory Board is annually renewed. The Annual General Meeting of shareholders elects each member of the Supervisory Board individually. Where an application is made for the appointment of a Supervisory Board member by a court, the term of that member will be limited until the next Annual General Meeting.

5.6. Status of implementation

In line with the appointment procedure described above, the Supervisory Board members Dr. Johannes Conradi and Marianne Voigt were proposed for reelection at the Annual General Meeting of alstria office REIT-AG in September 2020 and elected to the Supervisory Board for a further term of three years. All the objectives set out in the Profile for the Supervisory Board have currently been implemented, and the Profile is being fully completed by the full Supervisory Board in terms of the set general requirements, overboarding rules, qualification and diversity, independence and conflicts of interest.

The Supervisory Board considers the members Dr. Johannes Conradi and Richard Mully to be independent despite their fourteen years of membership on the Supervisory Board of the Company. They are particularly very familiar with the Company's affairs, which enables them to use their expertise for the benefit of the Company. The Supervisory Board also does not see any other criteria that stand against independence. Neither of the two members has a significant business relationship with the Company or any of its subsidiaries. Likewise, there are no family or other personal relationships. The occasional advice given to the Company by the law firm Freshfields Bruckhaus Deringer PartG mbB, of which Dr. Johannes Conradi is a partner, does not conflict with the independence of Dr. Johannes Conradi, as the advice given in each case concerns nonessential matters of the Company. Accordingly, the remuneration paid to Freshfields Bruckhaus Deringer PartG mbB in the last three financial years was in total less than EUR 10 k. Furthermore, these mandates are exclusively handled by other lawyers and not by Dr. Johannes Conradi. The Supervisory Board therefore continues to regard both longstanding members as independent of the Company and the

Management Board, especially since both members have declared that they will not be available for a further term of office after their terms expire (Richard Mully in 2022 and Johannes Conradi in 2023).

The following table illustrates the achievement of the independence target in the Supervisory Board as of December 31, 2020:

Member[1]	Term of office exceeding 12 years	Former member of alstria's Management Board	Substantial business relationship with alstria[2]	Close relative of a member of alstria's Management Board	Independent[3]
Dr. Johannes Conradi (Chair)	yes	no	no	no	yes
Richard Mully (Vice Chair)	yes	no	no	no	yes
Dr. Bernhard Düttmann	no	no	no	no	yes
Stefanie Frensch	no	no	no	no	yes
Benoît Hérault	no	no	no	no	yes
Marianne Voigt	no	no	no	no	yes

[1] With the exception of the term of office, the information relates in each case to the Supervisory Board member and his/her close relatives.
[2] Currently or in the three years up to appointment; directly or as a shareholder or in a responsible function of a company outside the Group.
[3] Of the Company, the Management Board and a controlling shareholder (in the opinion of the Supervisory Board).

The following table illustrates the achievement of targets in the area of overboarding as of December 31, 2020. A Supervisory Board member should not permanently have more than five board mandates (including the membership on alstria's Supervisory Board). Supervisory Board mandates at non-group listed companies in Germany and abroad and, due to size, internationality and complexity, comparable functions at non-listed companies are considered, with a supervisory board chair counting as two mandates; management board mandates at non-group listed companies in Germany and abroad are couting as three mandates:

Member	Management board mandates		Supervisory board mandates		Total count of mandates	Overboarded
Dr Johannes Conradi (Chair)			2	alstria office REIT-AG (chairman)	2/5	no
Richard Mully (Vice Chair)			3	alstria office REIT-AG (member) Great Portland Estates plc, UK (non-executive chairman)	3/5	no
Dr Bernhard Düttmann	3	CECONOMY AG (CEO)	1	alstria office REIT-AG (member)	4/5	no
Stefanie Frensch			1	alstria office REIT-AG (member)	1/5	no
Benoît Hérault	3	Elaia Investment Spain SOCIMI, S.A. (CEO) (Batipart Group)	1	alstria office REIT-AG (member)	4/5	no
Marianne Voigt			1	alstria office REIT-AG (member)	1/5	no

The following table illustrates the knowledge and experience of the single members of the Supervisory Board relevant to their work on the Supervisory Board as of December 31, 2020:

Member	Nationality	Industry background	Real estate sector	Office real estate	International background	German background	Experience as management board member	Financial expert
Dr. Johannes Conradi (Chair)	German	Law	X	X	X	X		X
Richard Mully (Vice Chair)	British	Finance	X	X	X		X	
Dr. Bernhard Düttmann	German	Consumer Chemistry			X	X	X[1]	X
Stefanie Frensch	German	Consulting Management	X			X	X	
Benoît Hérault	French	Law Finance	X	X	X		X[1]	X
Marianne Voigt	German	Controlling/ Finance, IT, Management				X	X	X

[1] As CEO of a non-group, listed company.

II. WOMEN IN LEADING POSITIONS

Employees and their development within the Company are of central importance for society to achieve sustainable success. When filling management positions in the Company, the Management Board strives for a high level of diversity among employees and a high proportion of female managers. The Management Board determined a target figure of at least 30 % for the proportion of women in the first management level below the Management Board (Head of Departments) in accordance with Section 76 para. 4 AktG. This target figure has been achieved with 36,4 % as of December 31, 2020 and will apply until December 31, 2021. Due to the lack of an additional management level with decision-making competence and budget responsibility, there was no need to determine a target figure for women’s participation at the second management level.

The Supervisory Board set a target figure of at least 30 % for the proportion of women on the Supervisory Board. This target was reached at 33.3 % as of December 31, 2020 and will apply until December 31, 2024. The target for the proportion of women on the Management Board was previously 0 % in view of the terms of office of the two Management Board members, which run until December 31, 2022. In December 2020, the Supervisory Board resolved to raise the target for the proportion of women on the Management Board to at least 30 %. This target was not reached as of December 31, 2020 and will apply until December 31, 2024.

III. GERMAN CORPORATE GOVERNANCE CODE

The recommendations and suggestions of the Government Commission, as appointed by the German Federal Ministry of Justice, contain internationally and nationally accepted standards of good and responsible corporate governance. Our declarations of compliance with the recommendations of the German Corporate Governance Code pursuant to Section 161 AktG are published on the Company’s website (www.alstria.com). alstria complied and complies with the recommendations of the German Corporate Governance Code with the few exceptions stated in the declaration of compliance.

These exceptions and the reasons for the Company's nonconformity are set out in the declaration of compliance, as last issued by the Management Board and the Supervisory Board on December 3, 2020:

Declaration of compliance, dated December 3, 2020

"I. alstria office REIT-AG ("**Company**") has - apart from the exceptions stated below - complied with the recommendations of the 'Government Commission German Corporate Governance Code' in the version as amended on December 16, 2019 since they entered into force on March 20, 2020 ("**GCGC 2020**") with the following exceptions. The Company intends to comply with the recommendations of the GCGC 2020 in future, with the exceptions stated below:

Publication of rules of procedure for the Supervisory Board, D.1 GCGC 2020

The rules of procedure for the Supervisory Board of alstria office REIT-AG are currently being revised and adapted to the current regulatory framework. After completion of the revision, the rules of procedure for the Supervisory Board will be published on the Company website.

Remuneration of the Management Board

Compared to the previous version, Section G.I. of the GCGC 2020 contains new recommendations on the remuneration of the Management Board. The Company's Management Board remuneration system, which was approved by the Annual General Meeting of alstria office REIT-AG on May 16, 2017, complies largely, but not fully with these new recommendations. Currently, the Management Board compensation system is being revised and adapted to the new regulatory requirements. The requirements of the GCGC 2020 are also being considered. The adjusted remuneration system for the Management Board is to be presented to the Annual General Meeting of the Company in financial year 2021 for approval.

Determination of a maximum compensation, G.1 GCGC 2020

Although the remuneration system for the Management Board specifies the maximum amounts for the remuneration, this does not yet include fringe benefits for Company cars, insurance and pension benefits. As part of the revision of the remuneration system for the Management Board, a maximum remuneration is to be determined which includes any and all fringe benefits.

Change of performance targets for elements of variable remuneration, G.8 GCGC 2020

The short-term incentive remuneration element of the Management Board is mainly based on the achievement of a funds from operations per share (**"FFO per share"**) target. In the event that the achieved FFO per share in a financial year is impacted by real estate acquisitions and disposals, the Supervisory Board adjusts the FFO per share target accordingly. In doing so, the Supervisory Board ensures the Management Board is not incentivized to enter into acquisitions by means of achieving personal short-term benefits. The impact of any real estate transaction 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. Furthermore, the FFO per share target is being adjusted to changes in the Company's share capital carried out in the relevant financial year.

Possibility to retain or reclaim variable compensation, G.11 GCGC

The current remuneration system for the Management Board provides for a possibility for the Supervisory Board to reduce variable remuneration components by 30 %; it does, however, not provide for a possibility to entirely retain or reclaim variable remuneration components. As part of the current revision of the Management Board compensation system, the introduction of such possibilities is being examined and considered.

II. Since the prior declaration of compliance, dated December 5, 2019, until the GCGC 2020 entered into force on March 20, 2020 the Company has - apart from the exceptions stated below - complied with the recommendations of the 'Government Commission German Corporate Governance Code' in the version as amended on February 7, 2017 (**"GCGC 2017"**) with the following exceptions:

Deductible for D&O insurance for the Supervisory Board, Section 3.8 GCGC 2017

The D&O insurance for the alstria office REIT-AG Supervisory Board does not comprise a deductible. The Supervisory Board believes its members will carry out their duties responsibly irrespective of any such deductible.

Change of performance targets for elements of variable remuneration, Section 4.2.3 GCGC 2017

The short-term incentive remuneration element of the Management Board is mainly based on the achievement of an FFO per share target. In the event that the achieved FFO per share in a financial year is impacted by real estate acquisitions and disposals, the Supervisory Board adjusts the FFO per share target accordingly. In doing so, the Supervisory Board ensures the Management Board is not incentivized to enter into acquisitions by means of achieving personal short-term benefits. The impact of any real estate transaction 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. Furthermore, the FFO per share target is being adjusted to changes in the Company's share capital carried out in the relevant financial year.

Determination of a level of benefits for the private pension plan, Section 4.2.3 GCGC 2017
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 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 financial reports by the Supervisory Board or its Audit Committee and the Management Board prior to their publication, Section 7.1.2 GCGC 2017
The quarterly interim statements are made available to the Supervisory Board prior to their publication and are discussed with the Supervisory Board in detail soon after publication. In the event of considerable differences to the budget or business plan as approved by the Supervisory Board, the Supervisory Board is given the opportunity to discuss the figures with the Management Board before they are published. Half-year financial reports are discussed with the Audit Committee of the Supervisory Board prior to publication. The Management Board and Supervisory Board consider this approach appropriate and adequate."

IV. CORPORATE MANAGEMENT PRACTICES

To achieve a value-oriented and trust-building corporate management, alstria applies management practices that go beyond the legal requirements.

1. CORPORATE GOVERNANCE

In managing the Company, the Management Board and Supervisory Board of alstria are aware of their responsibility towards the shareholders, employees, tenants and business partners of alstria. Good corporate governance strengthens the trust of our stakeholders and is therefore the basis for our decision-making and control processes. It stands for a responsible, value and long-term success-driven governance and control of the Company, a targeted and efficient cooperation between the Management Board and the Supervisory Board, respect for the interests of our shareholders and employees, transparency and responsibility in all entrepreneurial decisions as well as an appropriate risk management.

alstria has implemented large parts of the recommendations and suggestions of the German Corporate Governance Code and thus goes beyond the legal requirements. At least once a year and whenever necessary, a corporate governance officer in the Company reports to the Management Board and the Supervisory Board any changes to the German Corporate Governance Code. alstria thus ensures that these principles are observed throughout the Company.

2. INTEGRITY AND COMPLIANCE

Behavior with integrity is one of alstria's most important principles. The trust of shareholders, tenants, employees and business partners depends crucially on the conduct of each individual. The Company's Management Board has therefore implemented a compliance management system geared towards the risk situation of the Company, to ensure compliance with legal requirements and internal guidelines, and it also sets standards for fair treatment of business partners, competitors and employees.

A code of conduct for employees sets our principles of conduct, provides guidance in conflict situations (e.g., a conflict of interest) and thus serves as a model and orientation for correct behavior for all employees of the company. The code of conduct is published on the alstria website. The Compliance Officer is responsible for communicating these values to the employees by in-house training for all employees and by answering questions on the code of conduct's implementation of the as well as internal guidelines. Compliance with the code of conduct is monitored by colleagues, superiors and the Compliance Officer, as well as by regular reviews by an auditor. Employees are given the opportunity to report violations within the Company via various reporting channels. alstria has also set up a telephone hotline at a law firm where employees can anonymously report violations of the code of conduct or the Company's internal guidelines. In addition, the Management Board regularly discusses the Company's compliance with the Audit Committee of the Supervisory Board. Violations of the code of conduct will not be tolerated and will be fully investigated and sanctioned. These may include disciplinary measures up to and including termination of employment, the assertion of a claim for damages and criminal charges.

Integrity is also an essential condition for building trusting partnerships and cooperation with our business partners. For this reason, alstria has introduced a code of conduct for its service providers, craftsmen, suppliers and business partners, which describes fundamental legal and ethical requirements. This code of conduct for service providers is published on the website of alstria and defines the Company's expectations of integrity and compliant behavior of its business partners.

3. COMMUNICATION AND TRANSPARENCY

Transparent corporate governance and good communication with the shareholders and the public help to strengthen the confidence of investors and the public in alstria's work.

3.1. Relationship to the shareholders

alstria respects the rights of its shareholders and guarantees to the best of its ability to exercise these rights within the legal and statutory framework. These rights include, in particular, the free acquisition and free sale of shares, participation in the Annual General Meeting, adequate satisfaction of the need for information and adequately distributed voting rights per share (one share - one vote). Shareholders have the option of exercising their voting rights at the Annual General Meeting in person or through a proxy of their choice or a company-appointed proxy that is bound by instructions. The invitation to the Annual General Meeting explains how instructions for exercising voting rights can be issued. The documents convening the Annual General Meeting can also be sent electronically at the request of the shareholder. The convening notice and the documents to be made available for inspection in accordance with the statutory provisions will be published on alstria's website together with the agenda and the additional documents pursuant to Section 124a AktG. The Annual General Meeting of alstria office REIT-AG is usually chaired by the Chairman of the Supervisory Board, who aims to hold the Annual General Meeting within a time window of no more than four to six hours. Following the Annual General Meeting, the voting results will be announced on alstria's website.

3.2. Communication with the public

When sharing information with persons outside the Company, the Management Board follows the principles of transparency, promptitude, comprehensibility and equal treatment of shareholders. alstria informs its shareholders and the interested public about the Company's situation, significant business events, and changes in the business outlook and risk situation in particular through financial reports, analyst and press conferences, press and ad-hoc announcements and the Annual General Meeting. The alstria website provides comprehensive information about the Company, its shares and other financial instruments and the share price development, as well as notifications of directors' dealings in accordance with Article 19 of the Market Abuse Regulation (Regulation (EC) No. 596/2014 of the European Parliament and the Council) (Directors' Dealings). Furthermore, alstria publishes a financial calendar in its financial reports and on its website, listing all dates of importance to shareholders. The notices and information are additionally published in English.

3.3. Financial reporting

alstria regularly informs shareholders and third parties during each financial year by means of the consolidated and half-year financial statements, as well as quarterly interim statements. The accounting of the alstria Group is based on International Financial Reporting Standards (IFRS) as applied in the European Union. For corporate law purposes (calculation of dividends, creditor protection), financial statements for alstria office REIT-AG are prepared in accordance with the national commercial law (HGB).

The Annual General Meeting appoints an independent auditor for alstria office REIT-AG and the Group as well as for the audit review of the interim financial reports. Following the election by the Annual General Meeting, the Audit Committee of the Supervisory Board awards the mandate for the audit of the financial statements and agrees on the fee with the auditor. It is agreed with the auditors that the auditors will inform the Audit Committee without delay of all findings and events of significance for their duties which come to their attention during the performance of the audit. In the event that the auditor, during the performance of the audit, discovers facts that indicate that the declaration of compliance with the German Corporate Governance Code issued by the Management Board and Supervisory Board in accordance with Section 161 AktG is incorrect, an obligation to provide information and disclosure in the audit report is agreed upon.

The auditor participates in the deliberations of the Audit Committee and the full Supervisory Board to discuss the financial statements of alstria office REIT-AG and the consolidated financial statements of the Group. The auditor also participates in the meeting of the Audit Committee to discuss the half-year financial report. In the meetings, the auditor presents the main results of the respective audit. KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, was appointed to audit the annual financial statements of alstria office REIT-AG and of the Group for the 2020 financial year and for further interim financial reports until the next ordinary general meeting in 2021. Since the 2018 financial year, René Drotleff has been the auditor directly responsible for auditing the financial statements of alstria office REIT-AG and the Group.

4. SUSTAINABILITY

alstria's sustainability approach is based on a three-pillar model and considers the effects of business activities in the areas of economy, ecology and social issues. As a commercial organization, alstria's main objective is to increase the value of the Company on a sustainable basis. It strives to generate the best possible return on its capital in the long-term. alstria's sustainability approach is not exclusively focused on the environment, as the economic and social impacts of its activities are also taken into account. The Company weighs the risk–benefit of all 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 make decisions that maximize its short-term profit, but strives to follow the path that will produce the best long-term prospects for the Company.

alstria's sustainability approach and performance in the three sustainability areas, as well as its future goals, are described in detail in the Company's annual sustainability report, which is available on alstria's website.

February 2021

The Management Board **The Supervisory Board**

G. REMUNERATION REPORT

The remuneration report of alstria office REIT-AG explains the main elements of the compensation of the Company's Management Board and Supervisory Board members. It describes the amount and structure of the remuneration. The remuneration report contains the information required by the relevant statutory provisions. The remuneration report is an integral part of the audited combined management report for alstria office REIT-AG as of December 31, 2020.

I. REMUNERATION OF MANAGEMENT BOARD MEMBERS

The remuneration system for Management Board members is decided by the Supervisory Board and reviewed regularly. The Supervisory Board is supported in this by the Nomination and Remuneration Committee formed from among its members. The Supervisory Board last adjusted the remuneration system with changes effective January 1, 2018. An external, independent compensation expert assisted in this adjustment process. The Annual General Meeting of alstria office REIT-AG on May 16, 2017, approved the current Management Board remuneration system.

The Supervisory Board is currently adjusting the remuneration system for the Management Board members to comply with new legal requirements, recommendations of the German Corporate Governance Code and investors' expectations. The updated remuneration system will be submitted for approval to the Annual General Meeting of alstria office REIT-AG in financial year 2021.

The remuneration system is designed to motivate the members of the Management Board to create sustainable, long-term value and to allow them to participate in the economic and financial success of the Company according to their tasks and performance, taking into account the comparative environment. In doing so, the board members' interests should be reconciled with the interests of the shareholders to the greatest extent possible.

The Supervisory Board set the amount of the total remuneration of Management Board members, taking particular account of a horizontal comparison with the remuneration of the Management Board members of other MDAX companies and comparable real estate companies. In addition, the Supervisory Board conducts annual assessments of the results of a vertical comparison of Management Board remuneration with the total remuneration of the senior management and all employees of the Company and of the development over time. When determining the variable remuneration components, the Supervisory Board sets target amounts and performance targets; the respective maximum amounts of each variable remuneration element are calculated based on the maximum amounts for target achievement or payment defined in the respective Management Board service agreements.

The following abbreviations are used in this remuneration report:

Glossary	
FFO	Funds From Operations
LTI	Long-term incentive
STI	Short-term incentive
TSR	Total shareholder return

1. REMUNERATION IN THE 2020 FINANCIAL YEAR

The total target remuneration for the members of the Management Board in the last financial year amounted to EUR 2,236 k. The total amount of cash payments made Management Board members in the last financial year (including multi-year remuneration elements) was EUR 4,043 k. An external, independent remuneration expert verified the accuracy of the calculation of the payment amounts for the variable remuneration elements.

1.1. Benefits granted

In addition to fixed compensation, board members received variable remuneration components in the 2020 financial year, the target values of which are listed in the table below. Hypothetical minimum and maximum amounts for later payment of the variable remuneration components are also listed:

	Olivier Elamine				Alexander Dexne			
	CEO				CFO			
in EUR k	2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
Total amount of fixed compensation and ancillary benefits	**456**	**456**	**456**	**456**	**380**	**379**	**379**	**379**
Fixed compensation[1]	440	440	440	440	360	360	360	360
Ancillary benefits[2]	16	16	16	16	20	19	19	19
Total amount of one-year variable compensation	**231**	**231**	**0**	**347**	**189**	**189**	**0**	**284**
STI 2019	231	–	–	–	189	–	–	–
STI 2020	–	231	0	347[3]	–	189	0	284[3]
Total amount of multi-year variable compensation	**440**	**440**	**0**	**1,100**	**360**	**360**	**0**	**900**
LTI 2019/2023	440	–	–	–	360	–	–	–
LTI 2020/2024	–	440	0	1.100[4]	–	360	0	900[4]
Total amount of fixed and variable compensation	**1,127**	**1,127**	**456**	**1,903**	**929**	**928**	**379**	**1,563**
Service costs[5]	102	99	99	99	84	82	82	82
Total	**1,229**	**1,226**	**555**	**2,002**	**1,013**	**1,010**	**461**	**1,645**

[1] Annual fixed salary according to the employment contract.
[2] Benefits for company cars.
[3] Maximum achievable payout for the STI: target value STI x 1.5.
[4] Maximum achievable payout for the LTI after a 4-year holding period: LTI target value x 2.5. Payout in alstria shares foreseen.
[5] Insurance and pension benefits.

1.2. Benefits paid out

This table shows the amounts paid to the members of the Management Board in the 2020 financial year as part of the variable remuneration components:

	Olivier Elamine		Alexander Dexne	
	CEO		CFO	
in EUR k	**2019**	**2020**	**2019**	**2020**
Total amount of fixed compensation and ancillary benefits	**456**	**456**	**380**	**379**
Fixed compensation[1)]	440	440	360	360
Ancillary benefits[2)]	16	16	20	19
Total amount of one-year variable compensation	**249**	**308**	**204**	**252**
STI 2018	249	–	204	-
STI 2019	–	308	–	252
Total amount of multi-year variable compensation	**818**	**1,357**	**670**	**1,110**
STI 2016 (deferral)[3)]	70	–	58	–
STI 2017 (deferral)[3)]	–	83	–	68
LTI 2015/2019[4)]	748	–	612	–
LTI 2016/2020[4)]	–	1,274	–	1,042
Total amount of fixed and variable compensation	**1,523**	**2,121**	**1,254**	**1,741**
Service costs[5)]	102	99	84	82
Total	**1,625**	**2,220**	**1,338**	**1,823**

[1)] Annual base salary according to service contracts.
[2)] Benefits for company cars.
[3)] Payout amount for 25 % of the STI after 3 years.
[4)] Payout amount for LTI after holding period of 4 years.
[5)] Insurance and pension benefits.

Variable remuneration paid to both Management Board members in the 2019 and 2020 financial years was based on the following achievement of performance targets:

Variable element	Performance target	Target achievement
STI 2018	FFO per share	108 %
STI 2019	FFO per share	103 %
LTI 2015/2019	Absolute TSR	119 %
	Relative TSR	134 %
LTI 2016/2020	Absolute TSR	150 %
	Relative TSR	150 %

No services were granted or rendered by third parties to individual members of the Management Board in the 2020 financial year for activities related to their service as members of the Management Board.

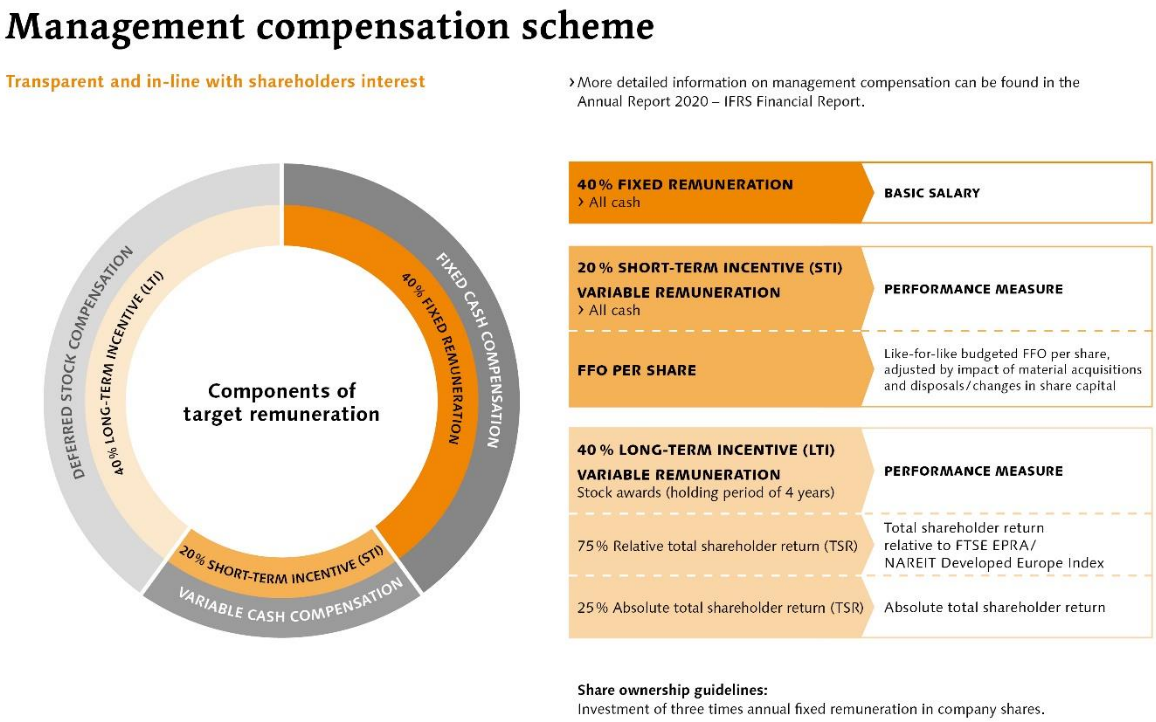
1.3. CEO Pay Ratio

The ratio between the total amount of fixed and variable compensation granted to the CEO in relation to the median fixed and variable compensation granted to all alstria employees in financial year 2020, excluding insurance and pension benefits from both, (*CEO Pay Ratio*) was 18:1*.

2. REMUNERATION SYSTEM

The remuneration system for the Management Board, as applicable since financial year 2018, is predominantly performance-related and is designed to promote sustainable corporate development.

The structure of total target remuneration is similar for the CEO and the CFO.



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Remuneration for each Management Board member consists of a fixed basic remuneration, short-term and long-term variable remuneration elements and ancillary benefits (benefits in kind). The majority of the remuneration is made up of variable remuneration components, which in turn mainly have a multi-year, future-oriented basis for assessment. In addition, share ownership guidelines apply, which govern how much of their remuneration each member of the board must invest in shares of the Company.

The appropriate amount of remuneration for each Management Board member is based on that member's personal performance, the economic situation and the success, future prospects and

* The method for calculating the CEO pay ratio changed compared to financial year 2019 and is now in line with the calculation method used for the sustainability report.

sustainable development of the Company, as well as the appropriateness of the remuneration within the comparative environment relative to the applicable remuneration structure in the Company.

In the event of termination of the employment relationship, Management Board members have agreed to a six-month post-contractual non-competition clause, which alstria may waive at its discretion. As remuneration, the members receive a severance payment equivalent to their fixed salary for the duration of the post-contractual non-competition period. In the event of premature termination of the Management Board service agreement by mutual consent, members of the Management Board receive their compensation claims for the remaining term of their service agreement; the amount is limited to a maximum of two annual salaries. The same applies in the event of a termination of the Management Board appointment by the Company for which the Management Board member is not responsible, e.g. within six months after a change of control. Payments made by the Company in the event of termination of employment by death comprise the fixed remuneration for the month of death and the following three months. In this case, variable remuneration is paid *pro rata temporis* up to and including the month of death.

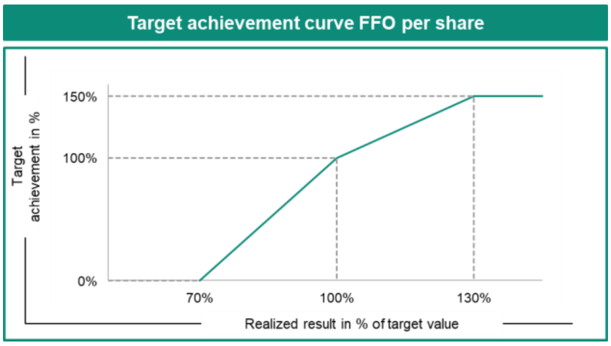
2.1. Overview of Management Board compensation elements

Fixed compensation			▪ Annual base salary paid out on a monthly basis ▪ Amounts to approx. 40 % of the total target compensation
Variable compensation	**STI**	**Type**	▪ Short-term variable remuneration
		Share	▪ Amounts to approx. 20 % of the total target compensation
		Performance period	▪ 1 year
		Target	▪ FFO per share as performance target (corridor for performance target achievement 70 % to 130 %) ▪ Multiplier for individual performance: 0.7–1.3
		Payout	▪ Payout 0 % - 150 % of target amount in cash
	LTI	**Type**	▪ Long-term variable remuneration ▪ Stock awards
		Share	▪ Amounts to approx. 40 % of the total target compensation
		Performance period	▪ At least 4 years
		Target	▪ Performance subject to absolute TSR (25 %) and relative TSR (FTSE EPRA/ NAREIT Developed Europe Index) (75 %) ▪ Multiplier for individual performance: 0.7–1.3
		Payout	▪ 0 % - 250 % of target amount in shares (or cash, if no shares available)
Share ownership guidelines			▪ Obligation to acquire shares of the Company ▪ Volume: 3 times fixed annual remuneration ▪ Holding period until end of office
Ancillary benefits			▪ Insurance premiums ▪ Private use of company car ▪ Monthly cash amount for pension benefits

2.2. Variable remuneration elements

2.2.1. Short-Term Incentive Plan

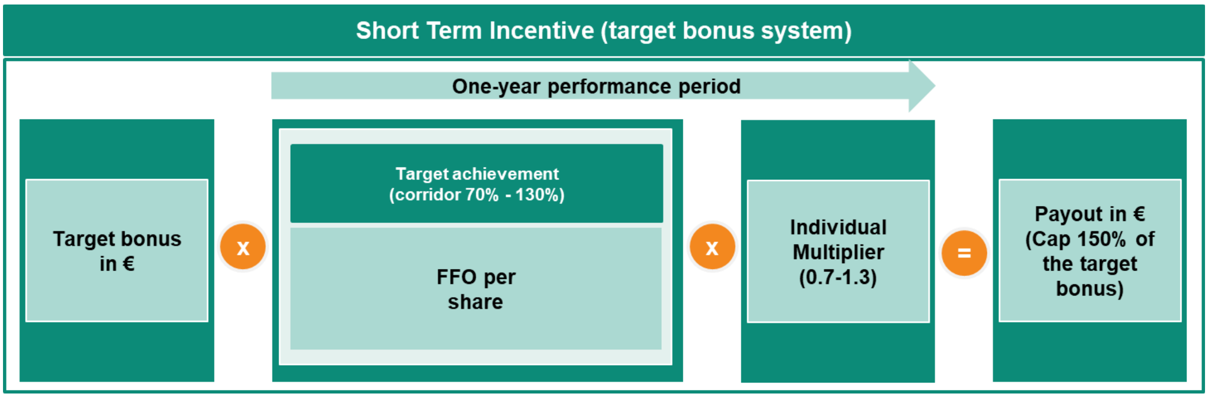
Members of the Management Board receive short-term variable remuneration elements (STI) each financial year, with target values measured in euros. The budgeted funds from operations per share (FFO per share) value serves as the performance target. The amount of the STI depends on the degree of target achievement, i.e. the ratio of the FFO per share actually achieved during the financial year to the budgeted FFO per share. For a payout to occur, at least 70 % of the performance target value must be achieved (Threshold Value). A maximum of 130 % of the performance target value can be achieved (Cap).



Simplified and summarizing representation of the information given in the text.

The payout value achieved is adjusted, i.e. multiplied by a multiplier between 0.7 and 1.3, at the discretion of the Supervisory Board This enables the Supervisory Board to take into account the personal performance of the Management Board member in addition to the achievement of targets. Criteria for this can include the individual performance of the Management Board member in the relevant financial year as well as his tasks and responsibilities within the alstria group. Overall, the STI is limited to 150 % of the respective target value (Cap) and is paid out in full in cash.

Functionality of the STI Plan[1]:

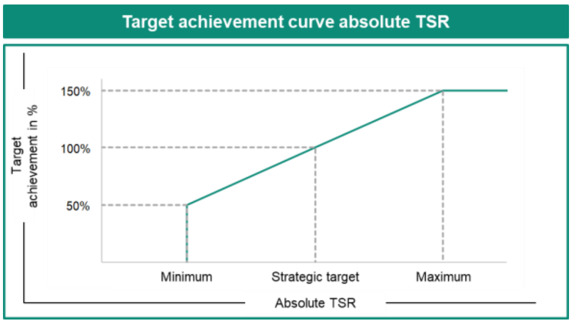


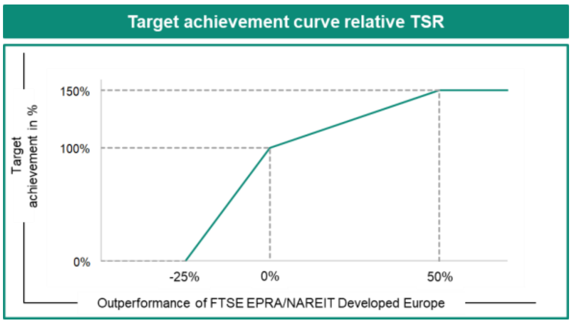
[1] Simplified and summarizing representation of the information given in the text.

2.2.2. Long-Term Incentive Plan

Each financial year, members of the Management Board may be granted long-term variable remuneration element (LTI), with a target value in euros to be determined by the Supervisory Board. LTI is weighted substantially higher than STI. Long-term variable remuneration exceeds short-term variable remuneration. The Long-Term Incentive Plan provides for stock awards, which are converted into shares of the Company after a minimum four-year holding period. Performance targets are 25 % absolute and 75 % relative TSR. The FTSE EPRA/NAREIT Developed Europe Index is used as a benchmark for relative TSR. The individual performance of the Management Board member is accounted for using a multiplier between 0.7 and 1.3. Thereby, non-financial performance criteria are also taken into account.

The number of stock awards to be granted is based on a target value defined at the discretion of the Supervisory Board and measured in euros divided by the arithmetic mean of the alstria share price (commercially rounded to two decimal places) during the 60 trading days prior to the grant date. Board members must hold the stock awards granted for a period of at least four years from the grant date. After this holding period, the number of stock awards held is adjusted depending on the performance of alstria's share during the holding period. The performance targets are set by the Supervisory Board as follows: 25 % of the absolute TSR, which is derived from the weighted average cost of capital (WACC), and 75 % of the relative TSR, which is measured based on the TSR relative to the FTSE EPRA/NAREIT Developed Europe reference index.



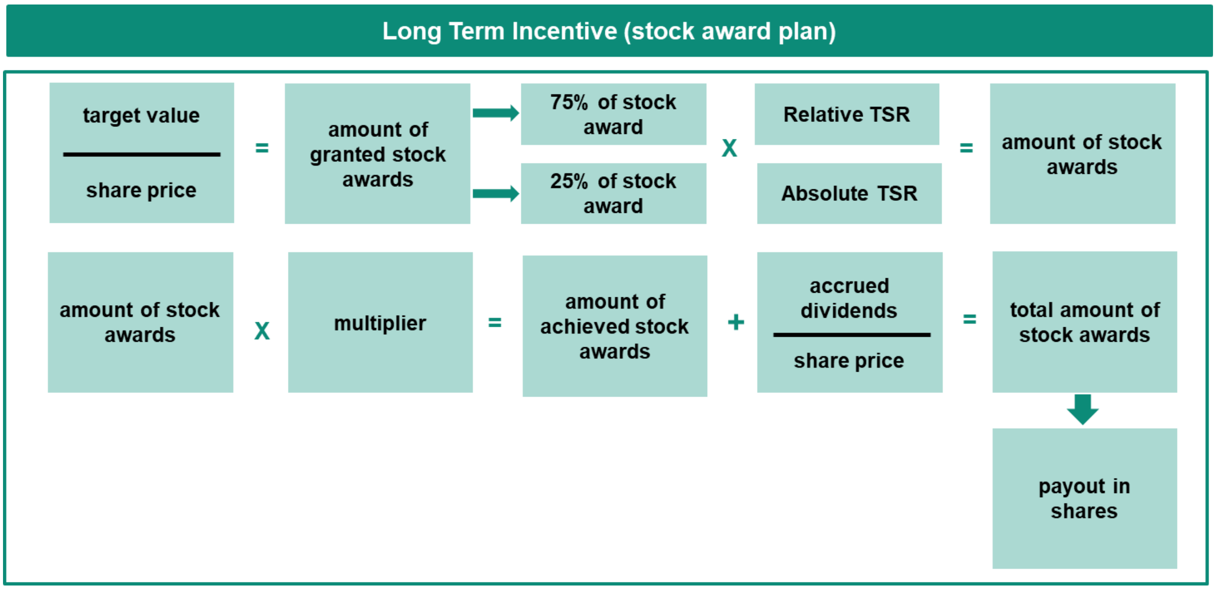


Simplified and summarizing representation of the information given in the text.

Furthermore, as with STI, the individual performance of the Management Board member during the holding period is accounted for by means of a multiplier, which can from 0.7 to 1.3 and is determined at the discretion of the Supervisory Board. Criteria may include the individual performance of the Management Board member during the holding period and his tasks and responsibilities within the alstria group. This enables factors beyond the achievement of the set performance targets to be taken into account. Stock awards achieved after the adjustment (taking performance into account) are multiplied by the multiplier to determine the number of alstria shares to be delivered. In addition, dividends accumulated during the holding period for the alstria shares are taken into account: the sum of the dividends accrued during the holding period is divided by the arithmetic mean of the alstria share price (commercially rounded to two decimal places) during the 60 trading days prior to the payment date. Stock awards determined in this way are converted into alstria shares at a ratio of 1:1, which the Management Board member then receives. In addition, the Long-Term Incentive Plan also has a cap (250 % of the target value measured in euros).

If the Company is unable to deliver the shares, payment will be made in cash, calculated from the number of shares to be delivered multiplied by the arithmetic mean of the alstria share price, commercially rounded to two decimal places, during the 60 trading days prior to the payment date.

Functionality of the LTI Plan:



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2.3. Share Ownership Guidelines

Members of the Management Board have undertaken to build a stock portfolio equivalent to three years' fixed annual salaries over a period of five years starting in the 2018 financial year, which they will hold until they leave office. As an interim target, Management Board members agreed to have invested 2/3 of their full obligation within three years. The Share Ownership Guidelines are binding for the members of the Management Board as long as they are being granted stock awards according to the Company’s Long-Term Incentive Plan with a target value at least equal to their fixed remuneration on an annual basis. The Share Ownership Guidelines aim, in particular, to align the interests of the board members with those of the shareholders and thus promote sustainable entrepreneurial action. At the end of the reporting period, all Management Board members had fulfilled their obligation to purchase shares.

	Investment obligation in EUR[1)]	Relevant share price in EUR[2)]	Obligation until Dec. 31, 2022 in shares	Obligation until Dec. 31, 2020 in shares	Ownership on Dec. 31, 2020 in shares	Ownership on Dec. 31, 2020 in EUR[3)]
Olivier Elamine	1,320,000	12.49	105,685	70,457	129,699	1,919,545
Alexander Dexne	1,080,000	12.49	86,469	57,646	82,453	1,220,304

1) Three times gross annual remuneration.

2) Average share price prior to January 1, 2018 (start of term of office).

3) Based on XETRA final share price of EUR 14.80 on December 30, 2020.

2.4. Ancillary benefits

Members of the Management Board also receive benefits in kind; these mainly consist of insurance premiums and the private use of company cars. As a remuneration component, these ancillary benefits are taxable. In principle, all Management Board members are equally entitled to them, while the amount of use varies depending on their personal situations. In addition, the Company grants the members of the Management Board monthly cash payments for pension purposes. These pension benefits amount to approximately 20 % of the members' annual fixed salaries. For reasons of transparency and risk management, the Company has chosen a defined model for contribution to the members' private pension plans. There are no unforeseen future liabilities for the Company for pension claims.

II. REMUNERATION OF SUPERVISORY BOARD MEMBERS

The remuneration system for the members of the Supervisory Board is approved by the Annual General Meeting. The Annual General Meeting last adjusted the remuneration system with changes effective January 1, 2018.

1. REMUNERATION IN THE 2020 FINANCIAL YEAR

Total remuneration for the supervisory board members in 2020 amounted to EUR 525 k.

in EUR k

Supervisory Board member	Audit Committee	Nomination & Remuneration Committee	Finance & Investment Committee	ESG Committee	Remuneration for 2019	Remuneration for 2020
Dr Johannes Conradi (Chair)	–	Chair	–	Chair	**165.00**	**165.00**
Richard Mully (Vice-Chair)	–	–	Chair	Member	**92.92**	**90.00**
Dr Bernhard Düttmann	Member	–	Member	–	**64.60**	**67.50**
Stefanie Frensch	–	Member	Member	–	**65.00**	**65.00**
Benoît Hérault	Member	Member	–	–	**67.52**	**67.50**
Marianne Voigt	Chair	–	–	Member	**70.00**	**70.00**
Total					**525.04**	**525.00**

2. REMUNERATION SYSTEM

Members of the Supervisory Board each receive an annual fixed remuneration of EUR 50 k. The chair of the Supervisory Board receives an additional annual amount of EUR 100 k; the vice-chair receives an additional amount of EUR 25 k.

Membership in the Audit Committee entitles a member to an additional remuneration of EUR 10 k, while the chair of the Audit Committee receives EUR 20 k per year. Membership in the Nomination and Remuneration Committee or Finance and Investment Committee entitle a member to an additional annual remuneration of EUR 7.5 k. The chairpersons of these committees are compensated another EUR 7.5 k per year. Membership in the Corporate Social Responsibility Committee and in temporary committees does not entitle a member to additional remuneration. Members who sit on the Supervisory Board for only part of a year receive *pro rata temporis* remuneration.

Remuneration element	Remuneration of the Supervisory Board
Annual fixed remuneration	Chairman: EUR 150.000 Deputy Chairman: EUR 75.000 Supervisory Board Member: EUR 50.000
Committee remuneration	Audit Committee: EUR 10.000 / 20.000 (Chair) Nomination and Remuneration Committee: EUR 7.500 / 15.000 (Chair) Finance and Investment Committee: EUR 7.500 / 15.000 (Chair)

Simplified and summarizing representation of the information given in the text.

Self-commitment to acquire shares

The members of the Supervisory Board have agreed upon and entered into a binding commitment to acquire shares of alstria office REIT-AG for an amount corresponding to the adjusted fixed annual remuneration for their activity as members, chair, or vice-chair of the Supervisory Board (without committees and before taxes) and declared that they will hold them for the duration of their membership in the Company's Supervisory Board (Self-Commitment). The Self-Commitment must be fulfilled within four years, beginning January 1, 2018. At the end of the reporting period, all Supervisory Board members had fulfilled their obligation to purchase shares.

By means of this Self-Commitment, the members of the Supervisory Board intend to adhere to the guiding principles of the Share Ownership Guidelines introduced for the members of the Management Board and to declare their sustained commitment to the Company.

	Investment commitment until December 31, 2021 in EUR	Commitment fulfilled	Share ownership on December 31, 2020 in shares
Dr Johannes Conradi	150,000	yes	50,000
Richard Mully	75,000	yes	15,000
Dr Bernhard Düttmann	50,000	yes	5,350
Stefanie Frensch	50,000	yes	5,370
Benoît Hérault	50,000	yes	6,500
Marianne Voigt	50,000	yes	5,600

H. REIT DISCLOSURES

I. REIT DECLARATION

Statement of the management board

In relation to the financial statements according to Section 264 of the German Commercial Code (*Handelsgesetzbuch,* HGB) and the IFRS consolidated financial statements according to Section 315e HGB as per December 31, 2020, 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 how the composition of income subject to and not subject to income tax is calculated for the purposes of Section 19 paragraph 3 REIT Act, in conjunction with Section 19a REIT Act:

1. As per balance sheet date, to our knowledge, 76.30 % of alstria's shares were free float according to Section 11 paragraph 1 REIT Act. This was communicated in writing to the German Federal Financial Supervisory Authority (BaFin) on January 15, 2021.
2. In accordance with Section 11 Paragraph 4 REIT Act, as per balance sheet date, no shareholder directly owned 10 % or more of our shares or shares of such an amount that he or she held 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 4,574,112 k, which equals 89.86 % of the assets; therefore, at least 75 % of the assets are 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 1,382 k and therefore 0.03 %.
4. In relation to the sum of the entire sales revenue plus the other earnings from immovable assets pursuant to the IFRS consolidated financial statements (Section 12 paragraph 3 and 4 REIT Act)
   a) For the financial year 2020, the entire sales revenues plus other earnings from immovable assets amounted to EUR 285.3 million. 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 the REIT service companies amounted to EUR 104 k in the financial year 2020. This equals 0.04 % of the Group's total revenue plus other earnings from immovable assets.

5. In financial year 2020, a dividend payment of EUR 94,125 k for the prior financial year was distributed to the shareholders. Financial year 2019 resulted in a net gain amounting to EUR 42,318 k, according to commercial law, pursuant to Section 275 HGB.

6. alstria office REIT-AG's dividend is not derived from already taxed parts of the annual profit.

7. Since 2016, the Group has realised 23.59 % of the average portfolio of its immovable assets and therefore did not trade with real estate, according to Section 14 REIT Act.

8. On the balance sheet date, the Group's equity was EUR 3,252.4 million, as shown in the IFRS Consolidated Financial Statements. This equals 71.11 % of the value of the immovable assets shown in the consolidated financial statements, in accordance with Section 12 paragraph 1 REIT Act (Section 15 REIT Act).

Hamburg, February 19, 2021
alstria office REIT-AG

Olivier Elamine	**Alexander Dexne**
CEO	CFO

II. REIT MEMORANDUM

Auditor's memorandum according Section 1 (4) REIT Act

To 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, 2020, we have audited the information given in the attached declaration of the management board members for the compliance with the requirements of section 11 to 15 of the REIT Act and the composition of the proceeds concerning the pretaxation of proceeds according to section 19 (3) and section 19a REIT Act as of December 31, 2020 (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, 2020 and if the provided information concerning the requirements of sections 12 to 15 REIT Act and the composition of the proceeds concerning the pretaxation of proceeds according to section 19a REIT Act is appropriate. It was not part of our engagement to fully assess the company's 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, 2020 and agreed the provided information concerning the requirements of sections 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, 2020 and the information provided concerning the compliance with sections 12 to 15 REIT Act and the composition of the proceeds concerning the pretaxation of proceeds according to section 19a REIT Act are appropriate. This memorandum is solely provided for submission to the tax authorities of the city of Hamburg within the tax declaration according to section 21 (2) REIT Act and is not to be used for other purposes.

The order in whose fulfillment we provided abovenamed services for alstria office REIT-AG was based on the General Engagement Terms for Certified Public Accountants and Auditing Companies dated January 1, 2017 (Appendix 3). By acknowledging and using the information contained in this memo, each recipient confirms that he/she has taken note of the regulations made therein (including the liability regulation under no. 9 of the General Engagement Terms) and acknowledges their validity in relation to us.

Hamburg, February 19, 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Schmidt
Wirtschaftsprüfer
[German Public Auditor]

Drotleff
Wirtschaftsprüfer
[German Public Auditor]

I. FINANCIAL CALENDAR/IMPRINT

I. FINANCIAL CALENDAR

Events 2021	
May 4	**Publication of Q1** Interim report
May 6	**Annual General Meeting**
August 10	**Publication of Q2** Half-year interim report
November 4	**Publication of Q3** Interim report Publication of sustainability report

II. CONTACT/IMPRINT

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

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

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

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

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