
# INTERIM REPORT 1. QUARTER 2008

THE FIRST GERMAN REIT
FOUNDED: 802 DAYS AGO

alstria
First German REIT

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# KEY FIGURES

## GROUP FINANCIALS

| (in EUR m) | Jan. 01 – Mar. 31, 2008 (unaudited) | Jan. 01 – Mar. 31, 2007 (unaudited) | Change |
|---|---|---|---|
| Revenues | 23.5 | 17.3 | 35.7% |
| EBITDA | 18.3 | 19.8 | -7.4% |
| EBT | 6.3 | 8.6 | -26.0% |
| Consolidated profit for the period | 6.2 | 6.3 | -1.4% |
| FFO | 9.0 | 2.9 | 204.9% |
| | **Mar. 31, 2008 (unaudited)** | **Dec. 31, 2007 (audited)** | **Change** |
| Equity | 861.7 | 870.9 | -1.05% |
| Liabilities | 1,131.3 | 964.6 | 17.28% |
| Total assets | 1,993.0 | 1,835.5 | 8.58% |
| Equity ratio | 43.2% | 47.4% | -4.2 pp |

## SHARE

| | |
|---|---|
| ISIN | DE000A0LD2U1 |
| Symbol | AOX |
| Prime Sector | Financial Services |
| Industry Group | Real Estate |
| Market Segment | Prime Standard, Frankfurt |
| Indices | S-DAX, EPRA, German REIT Index, S&P/Citigroup Global REIT Index |
| Share Capital (national) | EUR 56,000,000 |
| Market Capitalisation (March 31) | EUR 749,280,000 |
| Issued Shares | 56,000,000 |
| Treasury Shares (March 31) | 1,235,255 |
| Shares outstanding (March 31) | 54,764,745 |
| Free Float | 46% |

# LETTER FROM THE BOARD

Dear Shareholders and Business Partners,
Ladies and Gentlemen

In the first Quarter of 2008 alstria's rental income has increased by 36 % as compared to the first Quarter of last year. At the same time our operating income (FFO) tripled. This fact impressively highlights that our growth strategy translates into a sustainable improvement of profitability. The acquisitions of the Bilfinger Berger and the Deutsche Rentenversicherung building in Berlin were also closed in the first Quarter of 2008 and were financed using the existing loan facility. These transactions together with the MFI portfolio which was closed in December 07 and the HUK Coburg portfolio which will be on our balance sheet from April 1 on will continue to drive revenue and FFO growth in 2008 and 2009.

The growth of alstria has been one of the fastest ever in the German real estate industry. And therefore, as for any fast growing company one should look more into the details behind the numbers. The face of alstria has once again dramatically changed in the last year. We have almost doubled the numbers of employees up to 30 today. This allows the company to be fully operational from an asset management perspective, and also paves the way to finalize the in-sourcing of the financial accounting activities which will allow us to meet our efficiency gain targets.

### *Asset management is the key focus*

The immediate impact of those changes is reflected in our operational achievements, where we have rented so far more than 6,000 sqm of new space (which compares to 7,000 sqm for the full year 2007) and represents around 10 % of the existing vacancy in the portfolio at year end. The vacancy rate on the portfolio overall remains relatively stable at around 6.5 % as new vacancy came in, compensating the new space [1] leased.

Being active in our asset repositioning program in this first Quarter of 2008 we have signed our first letter of intent to enter a joint venture agreement with the Hamburg-based investor and developer Quantum Immobilien AG and the UK-based wealth manager Stenham Property Ltd. to re-develop the landmark asset Alte Post. We are also in the process of finalizing the building permits for the refurbishment of the two vacant buildings that we have acquired last year in Hamburg and in Munich.

### *alstria's approach to tenant relationship will be a value driver*

The construction of additional 1,400 sqm of office space in the Daimler building in Stuttgart has started, and we are in the process of discussing several additional win-win transactions with our core tenants: We believe that the innovative approach of alstria to the tenant relationship management in Germany is being more and more viewed as an additional valuable and appreciated feature by our core tenants.

### *New acquisition in Hamburg*

Given the limited access the company has to the capital market for the time being, we have very early in the year announced that we would freeze our acquisition program. We have however seized the opportunity to acquire another vacant office property located in Hamburg. It has a total lettable area of approximately 3,100 sqm for an all in cost of approximately EUR 4.6 million (approximately EUR 1,485 per sqm). This acquisition will be funded through the company's cash flow and the existing credit facility. The acquisition is expected to be completed in the course of the second Quarter 2008.

### *Inflation growth triggers CPI adjustments*

Recent inflation concerns have put pressure on interest rates and reduced market expectation of rate cuts by the ECB. However, the higher than expected growth of the German CPI has triggered the CPI adjustment clauses on around 40 % of our leases, and thus will allow the company to additionally generate approximately EUR 1.5 million of revenues from the second Quarter of 2008 on.

[1] New leases signed on previously vacant space. No lease renewal taken into consideration

This number represents the annualized CPI adjustment and translates into an increase of around 1.4 % of our annual revenues on a run rate basis.

**Encouraging performance of the share price development**

Although the situation in the financial markets remains to be challenging, one could observe a more differentiated movement of stock prices over the last months. alstria's share price clearly benefited from this development and outperformed most of the relevant comparables since the beginning of the year. We see this as a strong encouragement to stay focused, keep the company simple and continue on our path of sustainable growth.

**Outlook reviewed**

Taking into consideration the recent developments described above we have reviewed our revenue guidance and are increasing our revenue expectation from EUR 95 million to EUR 101 million. We also do confirm our FFO guidance of EUR 40 million for the year 2008, and our payout policy of 90 % of the FFO.

With kind regards,

Olivier Elamine
Chief Executive Officer

Alexander Dexne
Chief Financial Officer

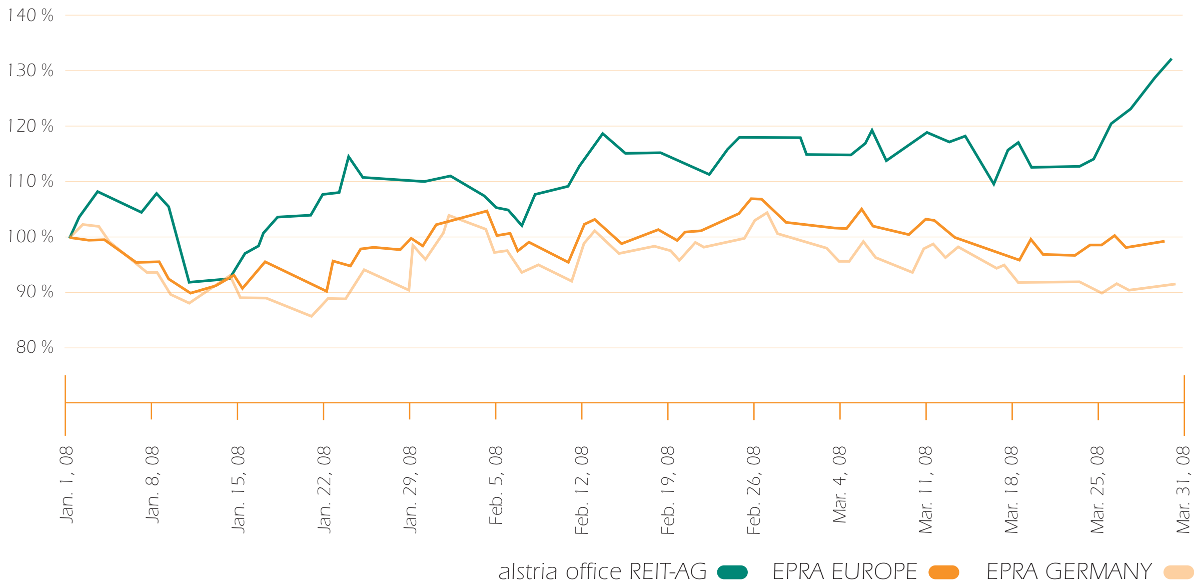
# SHARE PRICE DEVELOPMENT

During the first Quarter the conditions on the equity capital markets remained to be rather unfavorable. Real estate stocks were no exception to this development. alstria's share price however showed a strong upward trend starting from the beginning of 2008. Although being rather volatile the share price rose from EUR 10.25 to EUR 13.38 on March 31, 2008, which is an increase of 31%. alstria's shares are still trading at a significant discount to their Triple Net Asset Value of EUR 15.62 (December 31, 2007: EUR 15.41). At balance sheet date alstria owns 1,235,255 treasury shares due to the buy back program started in November last year.

For the time being it is intended to hold the acquired shares as treasury stock and eventually use them according to the authorization of the shareholders meeting. Potential uses may include using the shares in future acquisition projects. The company does not intend at this stage to cancel any of theses shares.

The management board and the supervisory board will be submitting a proposal at the Annual General Meeting to pay out a dividend of EUR 28,400 k, with taking into consideration the treasury shares, which will represent a dividend of EUR 0.52 per share for the 2007 financial year.

SHARE PRICE DEVELOPMENT
JANUARY 1 – MARCH 31, 2008



# MANAGEMENT REPORT

# PORTFOLIO OVERVIEW

**A EUR 1.9 billion portfolio of office properties in Germany**

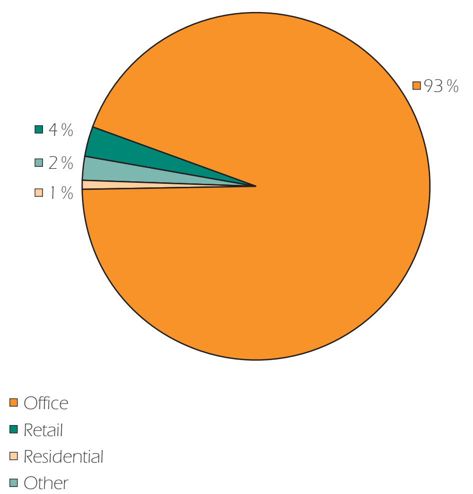
The investment properties increased by EUR 208 m due to the effectiveness of the announced acquisitions in Q4 2007. Now alstria manages a portfolio of 91 properties and approx. 950,000 sqm. For a detailed description of the alstria portfolio please refer to our annual report 2007.

**18 new properties**

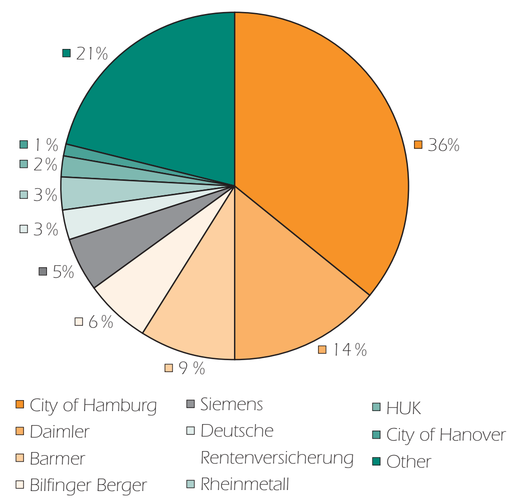
The acquisitions announced in Q4 have been closed in the first three months of 2008. With these transactions the portfolio has been extended by 18 properties and approx. 135,000 sqm lettable area across Germany. The total portfolio vacancy rate increased slightly to around 6.5% which corresponds to approx. 60,000 sqm.

The main tenants of the new properties are Bilfinger Berger, HUK Coburg and Deutsche Rentenversicherung. The sale and lease back transaction with Bilfinger Berger includes a lease agreement of 34,000 sqm and a weighted average lease length of 8.2 years. For the HUK Coburg transaction the transfer of ownership took place on April 1, 2008. Within the transaction more than 21,000 sqm with a weighted average lease length of 5.7 years have been rented by HUK Coburg.

OFFICE PURE-PLAY [1]




FOCUS ON TENANTS [2]




[1] Bases on net lettable area
[2] Based on passing rent

# EARNINGS POSITION

**Continued strong operating performance - Revenues at EUR 23,548 k**

Also in the first Quarter of 2008 alstria was able to further increase revenues and improve operating efficiency. Revenues were EUR 23,548 k (EUR 17,349 k previous year) with real estate operating expenses of around 4.4 percent of revenues at EUR 1,036 k. Net rental income increased by EUR 5,794 k up to EUR 22,355 k compared to the first Quarter 2007.

Although the company was able to recoup a significant part of the acquisition costs using the Exit tax benefit in the Bilfinger Berger portfolio, the first time consolidation effect of the Bilfinger Berger porftfolio and Berlin, Darwinstrasse translated into a revaluation loss of EUR 567 k. At the reporting date the HUK portfolio transaction was still reported at cost.

Administrative expenses, personnel expenses and other operating expenses are at EUR 3,735 k for the three months (Q1 2007 EUR 2,645 k). Total recurring operating expenses are at 15.9 percent of total revenues for the first Quarter 2008 (Q1 2007 15.2 percent).

Other operating income includes a one time separation payment of around EUR 1,000 k relating to the early termination of a rental agreement.

Net operating result increased from EUR 17,742 k up to EUR 19,606 k for the first Quarter 2008 compared to the first three months of the previous year.

**FUNDS FROM OPERATIONS at EUR 0.16 per share**

Funds from operations (FFO) were EUR 8,993 k for the reporting period. The strong increase as compared to the first Quarter 2007 resulted mainly from the improvement of net rental income to EUR 22,355 k, which is reflected by an increase of EUR 5,794 k compared to the first Quarter 2007. As a result, FFO per share were at EUR 0.16 in the first three months of 2008.

EBITDA were EUR 18,344 k in the first Quarter 2008 as compared to EUR 19,804 k last year. However, while a fair value gain of EUR 2,062 k on derivatives and a fair value gain of EUR 3,492 k on investment properties positively influenced Q1 2007 EBITDA, Q1 2008 fair value adjustment had a negative impact of EUR 2,249 k (EUR 567 k on investment properties and EUR 1,682 k on derivatives). This year operating performance have been strongly driven by top line cash growth

**Hedging Instruments**

In order to limit the P&L impact of the volatility of the interest rate markets, we have changed the accounting policy of our derivatives, and are now applying hedge accounting on all the hedges that qualify. This allows the full loss or gain on the qualifying derivative to be recognized through the cash flow hedge reserve (for more details please refer to the Notes to the Condensed Interim Consolidated Financial Statements as of March 31, 2008).

In the first Quarter of 2008 a loss of EUR 9,597 k represents the effective change in value of the swaps, which is recorded in equity as a "cash flow hedging reserve" account. The ineffective change in value as well as interest payments and accruals on swaps and caps which reflects a loss of EUR 3,159 k is reflected in the income statement. Our current average hedge rate is of 3.8 %. An overview of the composition of the fair values is given in the following table:

HEDGING INSTRUMENTS

| (in EUR k) | Notional | Mar. 31, 08 | Dec. 31, 07 | Change | Effective | Ineffective |
|---|---|---|---|---|---|---|
| Swap - 3.6165 % | 625,000 | 9,662 | 18,939 | -9,277 | -8,083 | -1,194 |
| Swap - 3.1925 % | 80,880 | 2,493 | 3,761 | -1,268 | -1,046 | -222 |
| Cap - 4.0000 % | 80,880 | 1,150 | 1,811 | -661 | 0 | -661 |
| Cap - 3.8000 % | 41,721 | 633 | 961 | -328 | 0 | -328 |
| Cap - 4.9000 % | 150,000 | 578 | 1,126 | -548 | 0 | -548 |
| Cap - 3.8000 % | 26,185 | 398 | 604 | -206 | 0 | -206 |
| Swap - 4.116 % | 100,000 | -468 | 0 | -468 | -468 | 0 |
| **Total** | **1,104,665** | **14,446** | **27,202** | **-12,756** | **-9,597** | **-3,159** |

**Financial Result**

alstria has a EUR 1.139 billion syndicated loan facility in place. The utilization of this facility is presently at EUR 1,092.3 million. The facility is used by alstria to partially finance the current investment property base. The interest rate on this syndicated loan is based on the three months EURIBOR floating rate plus a spread dependent on the average lease length of the property portfolio and the loan to value ratio. For economic as well as for G-REIT compliance reasons alstria is committed to maintain a G-REIT equity ratio of 45 percent or above. Following the recent acquisition, the current spread paid by alstria is 65 basispoints.

FINANCIAL RESULT BREAKDOWN

| (in EUR k) | Jan. 01 – Mar. 31, 2008 | Jan. 01 – Mar. 31, 2007 |
|---|---|---|
| Syndicated Loan - Interest and similar costs | -13,086 | -11,038 |
| Interest income | 1,653 | 141 |
| Registration of land charges | -135 | -241 |
| Other | -32 | -114 |
| **Total** | **-11,600** | **-11,252** |

**Net Profit of EUR 6,250 k for the Quarter**

The resulting earnings before tax are at EUR 6,324 k for the first Quarter 2008 (Q1 2007 EUR 8,552 k). Consolidated net profit is at EUR 6,250 k (Q1 2007 EUR 6.341 k). Although both line items have decreased compared to the same period in 2007, the Consolidated Net Profit in 2008 is mainly driven by top line cash growth while the Consolidated Net Profit 2007 was embedding a non cash fair value adjustment. The total fair value effect is EUR 7,803 k.

Earnings per share are EUR 0.11 for the first three months.

INCOME STATEMENT ITEMS

| (in EUR k) | Jan. 01 – Mar. 31, 2008 | Jan. 01 – Mar. 31, 2007 |
|---|---|---|
| **Net rental income** | **22,355** | **16,561** |
| Operational Expenses | -3,456 | -2,596 |
| Net other income | 1,274 | 285 |
| Net gain/loss from fair value adjustments on investment properties | -567 | 3,492 |
| **Net operating profit before finance costs** | **19,606** | **17,742** |
| Net gain/loss from fair value adjustments on investment derivatives | -1,682 | 2,062 |
| Financial results | -11,600 | -11,252 |
| **Earnings before tax (EBT)** | **6,324** | **8,552** |
| Income tax income/expense | -75 | -2,211 |
| **Consolidated Profit for the Year** | **6,250** | **6,341** |
| EPS | 0.11 | 0.11 |
| EPS Diluted | 0.11 | 0.11 |

# FINANCIAL AND ASSET POSITION

**Cash position of EUR 60,691 k – announced acquisitions closed in the first Quarter 2008**
Cash flow from operating activities for the three month period was at EUR 11,335 k mainly driven by the strong operating performance.

Cash flows from investing activities were impacted by the payments for the Bilfinger Berger portfolio (also referred to as "BLUE" portfolio; EUR 104,520 k) and the HUK Coburg portfolio (EUR 50,262 k) as well as the payment for the acquisition of the property in Berlin, Darwinstraße (EUR 52,350 k).

Cash flow from financing activities reflects the further EUR 165,492 k drawdown of the loan for the payments of the abovementioned investment properties.

As a result, alstria closes the first three months of 2008 with a cash position of EUR 60,691 k.

**Equity Ratio of 43.2 % – G-REIT Equity Ratio at 45.3 %**
The total investment property value is at EUR 1,901,625 k as compared to EUR 1,693,718 k at the beginning of the year:

CHANGE IN INVESTMENT PROPERTIES in EUR m

| | |
|---|---|
| **Investment properties as at Dec. 31, 2007** | **1,693.72** |
| Acquisitions | 156.09 |
| Disposals | 0.00 |
| Revaluations | -0.57 |
| Prepayments | 52.39 |
| **Investment properties as at Mar. 31, 2008** | **1,901.63** |

The equity and liability side of the balance sheet reflects a total equity position of EUR 861,723 k with an equity ratio of 43.2 percent which is up 10 percentage points from 33 percent at the end of the first Quarter 2007. The G-REIT equity ratio which is defined as total equity divided by investment properties is at 45.3 percent above the minimum requirement for G-REIT compliance of 45 percent.

The long term loan position is at EUR 1,092,334 k up from EUR 927,400 k. The main changes in the long term loan position over the last three months resulted from the refinancing of the new acquisitions.

Current liabilities are at EUR 38,425 k which is mainly related to accrued interest that will become due under the syndicated loan agreement within one year, trade payables and other accruals.

Hamburg

# RISK AND OPPORTUNITY REPORT

The risks and opportunities alstria is exposed to are described in detail in the annual report 2007. No changes to the status described have occurred.

# RECENT DEVELOPMENTS AND OUTLOOK

**New acquisition in Hamburg**
alstria has acquired another vacant office property based in Hamburg with a total lettable area of approximately 3,100 sqm. The all in costs of approximately EUR 4.6 million (approximately EUR 1,485 per sqm) will be funded through the company's cash flow and the existing loan facility. The acquisition is expected to be completed in the course of the second Quarter 2008.

**Changes of financial derivatives**
alstria has taken the opportunity to restructure its hedge portfolio, and make use of the current interest rate curve, to optimize its hedge position. alstria office REIT-AG entered into an Interest Rate Swap with a nominal amount of EUR 148,785,240 and a rate of 3.9087 % which replaced the Interest Rate Caps for the same combined notional amount and strike rate. The transaction also allowed us to extend the maturity of this hedge instrument by around 6 month as the new swap expires on January 20, 2012. This transaction allowed alstria to free up EUR 813 k.

**Joint venture for refurbishment project planned**
alstria has agreed in a letter of intent the terms of a 50/50 joint venture with the Hamburg-based developer and fund manager Quantum Immobilien AG and the UK-based wealth manager Stenham Property Ltd, regarding the refurbishment of the Alte Post building in Hamburg. This first joint venture, which will not impact alstria's 2008 P&L, is part of alstria's recently announced plans to fund for organic growth opportunities through such cooperation. While alstria will mainly contribute the building to the joint venture, the two partners will mainly contribute equity funding. The envisaged timelines for the planning phase as well as the project itself are 12 to 18 months each.

**Share buy-back program**
On November 6, 2007 alstrias management board decided to execute a share buy-back program. This program uses the authorization provided by the shareholders of the company at the last annual general meeting 2007. Under the share buy-back program until May 15, 2008 alstria has bought back all together 1,385,255 shares, that equals 2.5 % of all shares.

**Financial Goals**
Based on the faster than expected closing of the recent acquisitions, the management of alstria increased its revenues expectations from around EUR 95 m to around EUR 101 m. The corresponded FFO expectation remains at EUR 40 m for the year 2008.

Berlin

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

| **ASSETS** in EUR k | **Notes** | **Mar. 31, 2008 (unaudited)** | **Dec. 31, 2007 (audited)** |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Investment property | 6.1 | 1,901,625 | 1,693,718 |
| Other property, plant and equipment | | 1,428 | 1,494 |
| Intangible assets | | 371 | 359 |
| Derivatives | 3 | 12,155 | 0 |
| **Total Non-Current Assets** | | **1,915,579** | **1,695,571** |
| **Current Assets** | | | |
| Trade receivables | 6.2 | 4,236 | 2,646 |
| Accounts receivable from affiliates | | 27 | 77 |
| Derivatives | 3 | 2,759 | 27,202 |
| Tax receivables | | 2,235 | 1,949 |
| Other receivables | | 7,478 | 5,039 |
| Cash and cash equivalents | | 60,691 | 103,036 |
| **Total Current Assets** | | **77,426** | **139,949** |
| **Total Assets** | | **1,993,005** | **1,835,520** |

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

| **EQUITY AND LIABILITIES** in EUR k | **Notes** | **Mar. 31, 2008 (unaudited)** | **Dec. 31, 2007 (audited)** |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 7.1 | 56,000 | 56,000 |
| Capital surplus | 7.1 | 754,930 | 754,647 |
| Hedging reserve | 3 | -9,597 | 0 |
| Treasury shares | 7.1 | -13,204 | -7,115 |
| Retained earnings | 7.1 | 73,593 | 67,344 |
| **Total Equity** | | **861,723** | **870,876** |
| **Non-Current Liabilities** | | | |
| Long-term loans, net of current portion | 7.2 | 1,092,334 | 927,400 |
| Derivatives | 3 | 468 | 0 |
| Other non-current liabilities | | 56 | 56 |
| **Total Non-Current Liabilities** | | **1,092,858** | **927,456** |
| **Current Liabilities** | | | |
| Short-term loans | | 9,900 | 8,936 |
| Trade payables | | 7,916 | 3,068 |
| Payables to affiliates | | 5 | 15 |
| Profit participation rights | | 6 | 5 |
| Liabilities of current tax | | 5,084 | 5,332 |
| Other current liabilities | | 15,514 | 19,832 |
| **Total Current Liabilities** | | **38,425** | **37,188** |
| **Total Liabilities** | | **1,131,282** | **964,644** |
| **Total Equity and Liabilities** | | **1,993,005** | **1,835,520** |

## CONSOLIDATED INCOME STATEMENTS FROM JANUARY 1 TO MARCH 31, 2008

| (in EUR k) | Notes | Jan. 01 – Mar. 31, 2008 (unaudited) | Jan. 01 – Mar. 31, 2007 (unaudited) |
|---|---|---|---|
| Gross rental income | | 23,548 | 17,349 |
| Income less expenses from passed on expenses | | -157 | 0 |
| Real estate operating expenses | | -1,036 | -788 |
| **Net Rental Income** | | **22,355** | **16,561** |
| Administrative expenses | | -2,303 | -1,905 |
| Personnel expenses | 8.1 | -1,153 | -691 |
| Other income | | 1,553 | 334 |
| Other expenses | | -279 | -49 |
| **Net Other Income** | | **1,274** | **285** |
| Net gain from fair value adjustments on investment property | | -567 | 3,492 |
| **Net Operating Profit Before Finance Costs** | | **19,606** | **17,742** |
| Financial income | | 1,653 | 208 |
| Financial expenses | | -12,818 | -9,917 |
| Net gain/loss from fair value adjustments on financial derivatives | | -1,682 | 2,062 |
| Other financial expenses | | -435 | -1,543 |
| **Financial Result** | | **-13,282** | **-9,190** |
| **Earnings Before Tax (EBT)** | | **6,325** | **8,552** |
| Income tax income/expense | | -75 | -2,211 |
| **Consolidated Profit for the Year** | | **6,250** | **6,341** |
| **Attributable to: Shareholder** | | **6,250** | **6,341** |
| **Earnings per share in EUR** | | | |
| basic, for profit for the year attributable to ordinary equity holders of the parent | | 0.11 | 0.11 |
| diluted, for profit for the year attributable to ordinary equity holders of the parent | | 0.11 | 0,11 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO MARCH 31, 2008

| (in EUR k) | Share capital | Capital surplus | Hedging reserve | Treasury shares | Retained earnings | Total Equity |
|---|---|---|---|---|---|---|
| **As of January 1, 2008** | **56,000** | **754,647** | **0** | **-7,115** | **67,344** | **870,876** |
| **Changes in Q1 2008** | | | | | | |
| Consolidated profit for the year | - | - | - | - | 6,250 | 6,250 |
| Changes in the consolidated group | - | - | - | - | - | - |
| Valuation financial derivatives | - | - | -9,597 | - | - | -9,597 |
| Deferred taxes | - | - | - | - | - | - |
| Share-based payments | - | 291 | - | - | - | 291 |
| Contributions to share capital | - | - | - | - | - | - |
| Transaction costs of issue of shares | - | - | - | - | - | - |
| Acquisition of treasury shares | - | - | - | -6,089 | - | -6,089 |
| Other Contributions to capital surplus | - | -8 | - | - | - | -8 |
| **As of March 31, 2008** | **56,000** | **754,930** | **-9,597** | **-13,204** | **73,594** | **861,723** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FROM JANUARY 1 TO MARCH 31, 2007

| (in EUR k) | Share capital | Capital surplus | Hedging reserve | Treasury shares | Retained earnings | Total Equity |
|---|---|---|---|---|---|---|
| **As of January 1, 2007** | **8,000** | **375,066** | **0** | **0** | **14,533** | **397,599** |
| **Changes in Q1 2007** | | | | | | |
| Consolidated profit for the year | - | - | - | - | 6,341 | 6,341 |
| Changes in the consolidated group | - | 489 | - | - | - | 489 |
| Valuation shareholder loan | - | -44 | - | - | - | -44 |
| Share-based payments | - | - | - | - | - | - |
| Contributions to share capital | 48,000 | - | - | - | - | 48,000 |
| Contributions to capital surplus | - | 49,008 | - | - | - | 49,008 |
| **As of March 31, 2007** | **56,000** | **424,519** | **0** | **0** | **20,874** | **501,393** |

## CONSOLIDATED CASH FLOW STATEMENTS FROM JANUARY 1 TO MARCH 31, 2008

| (in EUR k) | Jan. 01 – Mar. 31, 2008 (unaudited) | Jan. 01 – Mar. 31, 2007 (unaudited) |
|---|---|---|
| **1. Cash Flows from Operating Activities** | | |
| Consolidated profit for the year | 6,250 | 6,340 |
| Unrealized net gain (-)/loss (+) from fair value adjustments | 2,249 | -5,554 |
| Interest income | -1,653 | -208 |
| Interest expense | 12,818 | 9,917 |
| Result from income taxes | 74 | 2,211 |
| Other non-cash income (-)/expenses (+) and IPO-costs | 295 | 0 |
| Depreciation and amortisation | 125 | 0 |
| Increase (-)/decrease (+) in trade receivables and other assets that are not attributed to investing or financing activities | -4,850 | -3,732 |
| Decrease (-)/increase (+) in trade payables and other liabilities that are not attributed to investing or financing activities | 5,154 | 4,088 |
| **Cash Generated from Operations** | | |
| Interest received | 3,129 | 208 |
| Interest paid | -11,635 | -3,890 |
| Income taxes paid | -621 | -49 |
| **Cash Flows from Operating Activities** | **11,335** | **9,331** |
| **2. Cash Flows from Investing Activities** | | |
| Acquisition of investment properties | -212,765 | -17,475 |
| Acquisition of other property plant and equipment | -34 | -2 |
| Acquisition of subsidiaries | -284 | -13,788 |
| **Cash Flows used in Investing Activities** | **-213,083** | **-31,265** |

## CONSOLIDATED CASH FLOW STATEMENTS FROM JANUARY 1 TO MARCH 31, 2008

| (in EUR k) | Jan. 01 – Mar. 31, 2008 (unaudited) | Jan. 01 – Mar. 31, 2007 (unaudited) |
|---|---|---|
| **3. Cash Flows from Financing Activities** | | |
| Proceeds from equity contributions | 0 | 96,984 |
| Repurchase of own shares | -6,089 | 0 |
| Proceeds from the issue of bonds and borrowings | 165,492 | 163,327 |
| Payment for the acquisition of derivative financial instruments | 0 | 0 |
| Payment for the redemption of bonds and borrowings | 0 | -193,820 |
| Payment of transaction costs | 0 | -355 |
| Payment of IPO costs | 0 | 0 |
| **Cash Flows Used in Financing Activities** | **159,403** | **66,136** |
| **4. Cash and Cash Equivalents at the End of the Period** | | |
| Change in cash and cash equivalents (subtotal of 1 to 3) | -42,345 | 44,202 |
| Cash and cash equivalents at the beginning of the period | 103,036 | 24,304 |
| **Cash and Cash Equivalents at the End of the Period** | **60,691** | **68,506** |
| **5. Composition of Cash and Cash equivalents** | | |
| Cash | 60,691 | 68,506 |
| Securities | 0 | 0 |
| **Cash and Cash Equivalents at the End of the Period** | **60,691** | **68,506** |

# FUNDS FROM OPERATIONS

FUNDS FROM OPERATIONS

| (in EUR k) | Jan. 01 – Mar. 31, 2008 | Jan. 01 – Mar. 31, 2007 | Change |
|---|---|---|---|
| **Pre-tax Income (EBT)** | **6,324** | **8,552** | **-2,228** |
| less financial result | -11,600 | -11,252 | -348 |
| plus non-cash expenses | 420 | - | 420 |
| **EBITDA** | **18,344** | **19,804** | **-1,460** |
| less net gain from fair value adjustments on investment property | -567 | 3,492 | -4,059 |
| less net gain from fair value adjustments on financial derivatives | -1,682 | 2,062 | -3,744 |
| plus financial result | -11,600 | -11,252 | -348 |
| less income taxes | - | -49 | 49 |
| **FUND FROM OPERATIONS (FFO)** | **8,993** | **2,949** | **6,044** |

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

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

# NOTES

**1. Corporate Information**

alstria office REIT-AG, Hamburg, (hereinafter referred to as the "Company" or "alstria office REIT-AG" and together with its subsidiaries the "Group"), is a German stock corporation based in Hamburg. The Group's principal activities are described in detail in section 1 of the notes to the consolidated financial statements for the fiscal year ended December 31, 2007.

The Condensed Interim Consolidated Financial Statements for the period from January 1 to March 31, 2008 (hereinafter referred to as the "Condensed Interim Consolidated Financial Statements") were authorized for issue by resolution of the Company's management board on Mai 15, 2008.

**2. Basis of Preparation**

These Condensed Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not contain all the disclosures and explanations required in annual financial statements and should therefore be read in conjunction with the consolidated financial statements as of December 31, 2007.

These Condensed Interim Consolidated Financial Statements have not been audited. They have been reviewed by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Berlin branch.

**3. Significant accounting policies**

The accounting policies adopted in the preparation of the Condensed Interim Consolidated Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the fiscal year ended December 31, 2007, except for the adoption of hedge accounting as explained below.

**Derivative financial instruments and hedging**

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

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

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

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

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

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

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is realized.

## 4. Consolidated Group

There have been no changes to the consolidated group since the consolidated financial statements as of December 31, 2007.

## 5. Key Judgements and Estimates

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

## 6. Notes to the Consolidated Balance Sheet - Assets

### 6.1. Investment Property

alstria office REIT-AG uses the fair value model pursuant to IAS 40.33 et seq. for subsequent measurement. External appraisals were obtained for measurement in 2007. Management's review of the fair values as of the date of the Condensed Consolidated Interim Financial Statements for March 31, 2008 did not result in the revaluation of the assets held at December 31, 2007. For a detailed description of the valuation of assets, please see section 8 of the consolidated financial statements as of December 31, 2007.

On August 22, 2007, alstria office REIT-AG concluded a purchase agreement on the acquisition of further property with a purchase price value of EUR 52,350 k, with the properties being transferred to the buyers with effect of March 3, 2008 (Darwinstrasse portfolio).

On December 12, 2007, alstria office REIT-AG concluded a purchase agreement on the acquisition of further property with a purchase price value of EUR 104,520 k, with the properties being transferred to the buyers with effect of March 3, 2008 (BLUE portfolio).

On December 17, 2007, alstria office REIT-AG concluded a purchase agreement on the acquisition of further properties with a total value of EUR 50,262 k. The transfer of possession, benefits and burdens took place on April 1, 2008. alstria office REIT-AG has made a prepayment on March 31, 2008.

### 6.2. Receivables

Due to the specific nature of the business, the Group considers receivables due up to one year to be current. All receivables as per balance sheet date are due within the next twelve months.

## 7. Notes to the Consolidated Balance Sheet- Equity and Liabilities

### 7.1. Equity

Please refer to the Consolidated Statement of Changes in Equity.

#### Share Capital

In the balance sheet of the Consolidated Interim Financial Statements as of March 31, 2008, the share capital of alstria office REIT-AG amounted to EUR 56,000k.

Captiva 2 Alstria Holding S.à.r.l., Luxembourg, held, directly and indirectly, 54.0% of the shares in the Company, the remaining 43.8% of the shares are free float and the remaining 2.2% are treasury shares.

**Treasury shares**
In the first Quarter 2008 the Company continues the share buyback programme and has bought further treasury shares. On March 31, 2008 the Company held 1,235,255 non-par value bearer shares of EUR 1 each. For a detailed description of the share buyback programme, please see section 11 of the consolidated financial statements as of December 31, 2007.

**Capital Surplus**
A stock option program was resolved on March 27, 2007 by the supervisory board of the Company and accordingly stock options with a total fair value of EUR 1,997 k were issued to members of the management board of the Company on April 3, 2007 and September 5, 2007,. Thereof stock options with a fair value of EUR 446 k were forfeited as of December 31, 2007 in relation with the retirement of Dr. Michael Börner-Kleindienst. As of March 31, 2008, this resulted in a further increase of the capital surplus of EUR 291 k (December 31, 2007: EUR 806 k) from the allocation of the fair values of the granted stock options over the respective vesting period.

A convertible profit participation rights program was resolved on September 5, 2007 by the supervisory board of the Company and profit participation rights certificates with a fair value of EUR 6 k (December 31, 2007: EUR 5 k) were issued to employees of the Company in 2007. As of March 31, 2008, the issue of the certificates resulted in a further increase of the capital surplus of EUR 1 k (December 31, 2007: EUR 5 k) from the allocation of the fair values of the profit participation rights over the respective vesting period.

OTHER RESERVES

| (in EUR k) | Mar. 31, 2008 | Dec. 31, 2007 |
|---|---|---|
| As of Jan. 1 | - | - |
| Net movement on cash flow hedges | -9,597 | - |
| As of Mar. 31/ Dec. 31 | -9,597 | - |

This reserve records the portion of the gain or loss on hedging instruments in cash flow hedge that are determined to be an effective hedge.

**7.2. Financial Liabilities**
As of March 31, 2008, the loans used by alstria office REIT-AG are repayable with EUR 1.096.908 k (December 31, 2007: EUR 931,416 k). The carrying amount takes into account interest liabilities and transaction costs to be allocated under the effective interest method upon raising the liabilities.

In the first Quarter of 2008 alstria office REIT-AG drew down new loans with a nominal amount of EUR 165,492 k in conjunction with financing new investment properties. The loans are part of the syndicated loan agreement with J.P. Morgan Plc., Natixis, German Branch, and HSH Nordbank AG with a nominal amount of EUR 1,139,800 k.

For a detailed description of the syndicated loan agreement, loan terms and grant securization, please see section 11.2 of the consolidated financial statements as of December 31, 2007.

**8. Notes to the Consolidated Income Statement**
**8.1. Personnel expenses**
The personnel expenses shown in the profit and loss account in the amount of EUR 1,153 k (March 31, 2007: EUR 691 k (stated in administration expenses)) include

bonuses in the amount of EUR 350 k (March 31, 2007: EUR 370 k).

Furthermore, personnel expenses of EUR 291 k (March 31, 2007: EUR 0 k) relating to stock options granted to the management are included.

### 8.2. Taxes

In consequence of the transformation into a G-REIT, alstria office REIT-AG is exempted from income taxes.

For a detailed description of the transformation and tax related implications, please see section 12.9 of the consolidated financial statements as of December 31, 2007.

## 9. Dividends proposed

DIVIDENDS PROPOSED

| (in EUR k) | Mar. 31, 2008 (unaudited) | Dec. 31, 2007 (audited) |
|---|---|---|
| Dividends on ordinary shares proposed for approval (not recognised as a liability as of March 31):Dividend for 2007: EUR 0.52 (2006: EUR 0.00) | 28,400 | 0 |

## 10. Employees

During the period from January 1, 2008 to March 31, 2008, on an average twenty-three people (January 1, 2007 to March 31, 2007: on an average seven people) were employed by the Company. The average was calculated by the third part of the total of employed people at the end of each month. On March 31, 2008, twenty-four people (December 31, 2007: twenty people) were employed at alstria office REIT-AG, excluding the management board.

## 11. Significant events after the end of the reporting period

With value date as of April 21, 2008, alstria office REIT-AG restructured its hedge portfolio at the same protection level. Therefore alstria office REIT-AG and Natixis entered into an off-market interest rate swap with a nominal amount of EUR 148,785,240 and a rate of 3.9087 % which replaced the interest rate caps for the same combined notional amount with maturity in March and November 2011. The swap expires on January 20, 2012.

## 12. Management board

As of March 31, 2008, the members of the Company's management board are:
Mr. Olivier Elamine (CEO)
Mr. Alexander Dexne (CFO)

## 13. Supervisory board

Pursuant to the Company's articles of association (Section 9), the supervisory board consists of six members, which are elected by the general meeting of shareholders. The expiration of the term of office is identical for all members, i.e., the close of the annual general meeting of shareholders in the year 2010.

As of March 31, 2008, the members of the supervisory board are:
Mr. Alexander Stuhlmann (Chairman)
Mr. John van Oost (Vice-Chairman)
Dr. Christian Olearius
Dr. Johannes Conradi
Mr. Richard Mully
Mr. Daniel Quai

Hamburg, Germany, May 15, 2008

Olivier Elamine
Chief Executive Officer

Alexander Dexne
Chief Financial Officer

# FINANCIAL CALENDAR

| FINANCIAL CALENDER | |
|---|---|
| April 2, 2008 | Publication of the annual financial results for 2007 Frankfurt |
| April 4, 2008 | Sal. Oppenheim Roadshow Paris |
| April 9, 2008 | Real Estate Investors Conference Dresdner Kleinworth London |
| April 10, 2008 | US REIT Day Frankfurt |
| April 14-15, 2008 | Roadshow JPMorgan Japan |
| April 22, 2008 | Dresdner Kleinwort Conference New York |
| April 23-24, 2008 | Roadshow Deutsche Bank USA |
| April 29, 2008 | Deutsche GRI Frankfurt |
| April 29, 2008 | Sal. Oppenheim Roadshow Zurich |
| May 20, 2008 | Publication of financial results of Q1 2008 Hamburg |
| May 28-29, 2008 | Kempen & Co 6th European Property Seminar Amsterdam |
| June 5, 2008 | General Meeting Hamburg |
| June 16, 2008 | 11th Annual Property Conference by Morgan Stanley London |
| June 20, 2008 | Sal. Oppenheim Real Estate Conference Vienna |
| August 19, 2008 | Publication of financial results of Q2 2008 Hamburg |
| September 6, 2008 | Hamburger Börsentag Hamburg |
| October 6, 2008 | EXPO REAL Munich |
| November 19, 2008 | Publication of financial results of Q3 2008 Hamburg |

# IMPRINT

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