

# Points of view

**Annual Report 2012**  
Part II/II – Financial Report

**53° 33' 13" N; 9° 58' 54" E**



**alstria**  
First German REIT

# alstria office REIT-AG five-year overview

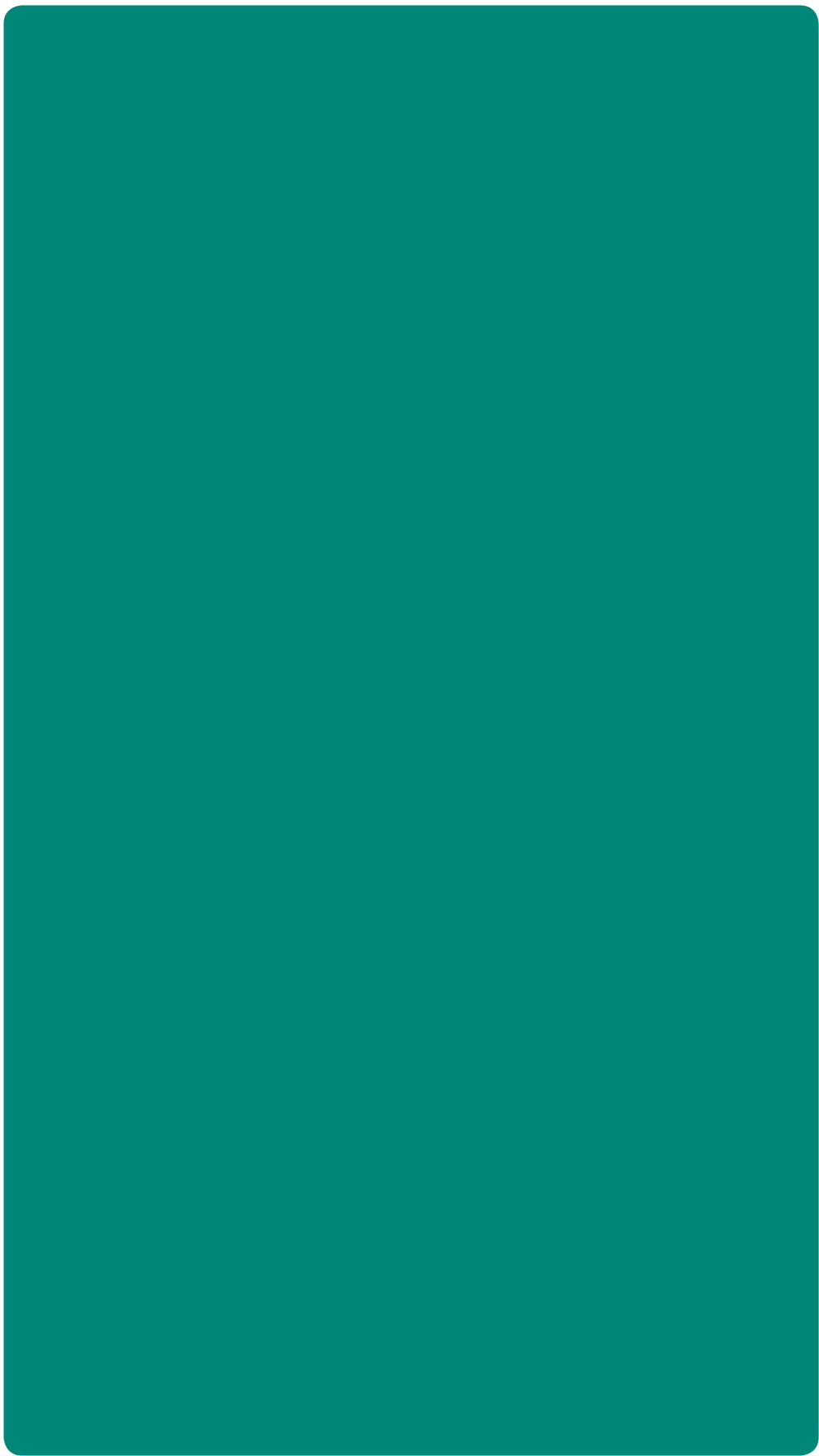
according to IFRS

EUR k	2012	2011	2010	2009	2008
<b>Revenues and earnings</b>					
Revenues	101,286	90,798	89,094	102,510	102,055
Net rental income	90,110	80,868	81,759	91,964	93,222
Consolidated loss/profit for the period	39,911	27,448	206	-79,651	-56,000
FFO	43,571	34,685	27,541	32,690	39,415
Earnings per share (EUR)	0.51	0.40	0.00	-1.40	-1.02
FFO per share (EUR)	0.55	0.48	0.45	0.58	0.70
EPRA <sup>1)</sup> earnings per share (EUR)	0.55	0.50	0.44	0.53	0.68
	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2008</b>
<b>Balance sheet</b>					
Investment property	1,622,988	1,528,589	1,348,400	1,425,440	1,805,265
Total assets	1,786,893	1,686,637	1,542,336	1,766,134	1,873,493
Equity	829,287	768,195	692,408	634,185	729,667
Liabilities	957,606	918,442	849,928	1,131,949	1,143,826
NAV per share (EUR)	10.50	10.71	11.24	11.32	13.03
Net LTV	47.8%	50.1%	49.8%	57.9%	59.0%
<b>G-REIT key figures</b>					
G-REIT ratio	50.0%	48.7%	49.8%	40.3%	40.3%
Revenues plus other income from investment properties	100%	100%	100%	100%	100%
<b>EPRA<sup>1)</sup> key figures</b>					
Diluted EPRA NAV per share (EUR)	10.98	11.32	11.68	12.18	13.87
EPRA NNNNAV per share (EUR)	10.50	10.71	11.24	11.32	13.03
EPRA net initial yield	5.7%	5.8%	5.5%	5.4%	5.2%
EPRA "topped-up" net initial yield	5.7%	5.8%	5.7%	5.4%	5.2%
EPRA vacancy rate	8.0%	6.5%	5.1%	3.3%	5.9%
EPRA cost ratio	21.4%	24.0%	20.2%	20.9%	20.1%

<sup>1)</sup> Please refer to EPRA Best Practices Recommendations, » [www.epra.com](http://www.epra.com).

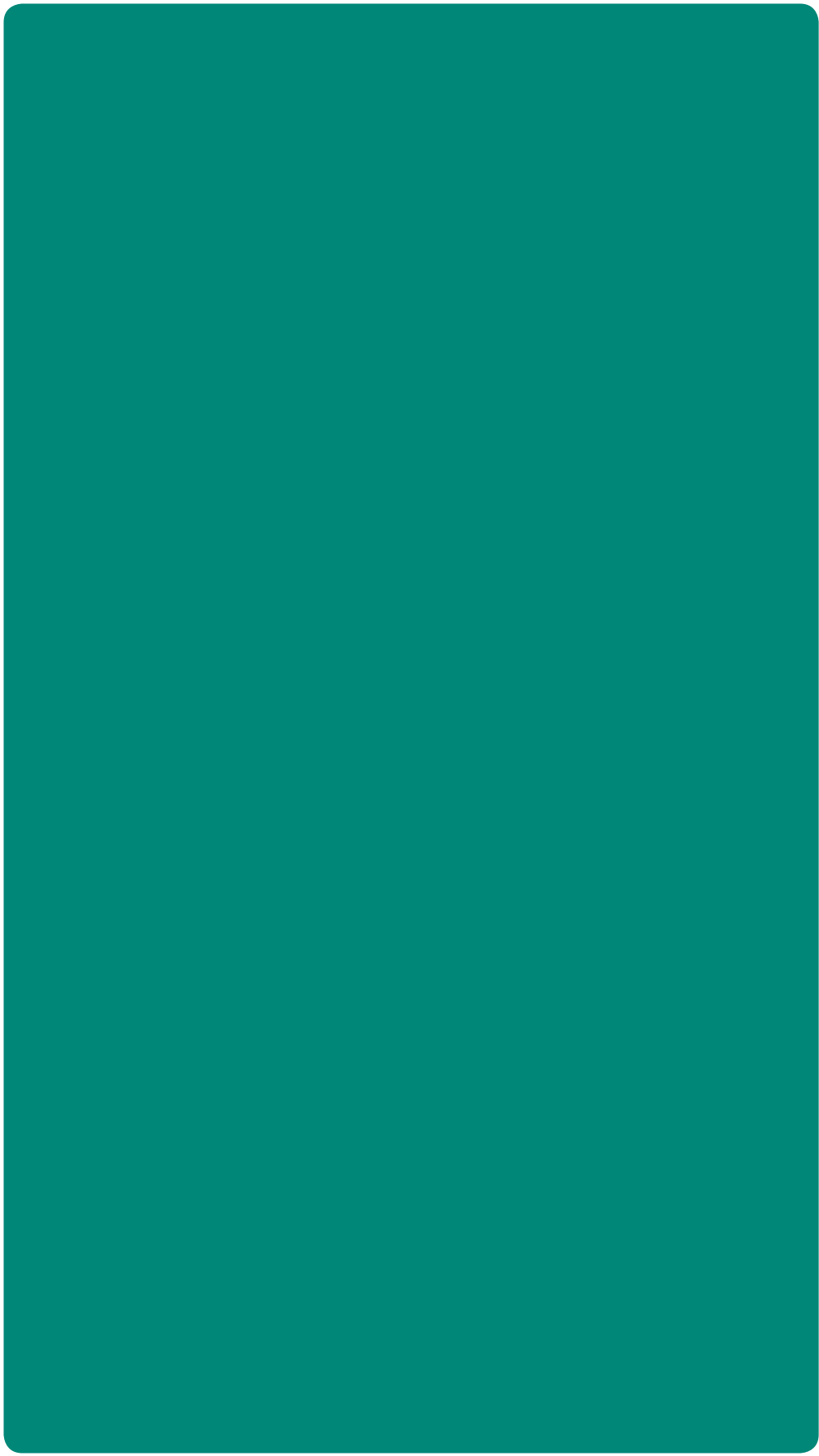
## Profile

alstria office REIT-AG is the leading listed Real Estate Investment Trust (REIT) and the largest listed office property company by market capitalisation in Germany. The Company is focused on acquiring, owning and managing office real estate in Germany. alstria was founded in January 2006 and was converted into the first German REIT in October 2007. Its headquarters are in Hamburg. The Company owns a diversified portfolio of properties across attractive German office real estate markets. Its portfolio as at December 31, 2012 comprises 84 properties with an aggregate lettable space of approx. 929,000 sqm and is valued at approximately EUR 1.6 bn. The alstria office REIT-AG strategy is based on active asset and portfolio management as well as on establishing and maintaining good relationships with key customers and decision makers. alstria focuses on long-term real estate value creation.



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### Economic conditions

In 2012, the European debt crisis affected the real economy, which also impacted the German economy. Germany's GDP increased slightly by 0.7%, while the growth was 3.0% in 2011.\* This development also ended the positive trend in the German labour market. The unemployment rate increased by 0.1 percentage points to 6.7% in comparison to 2011.\*\*

Despite the European recession the German real estate market developed in a positive manner in 2012. Domestic and international investors seem to prefer the stable German real estate market, which appears to be very attractive in regards to its risk/return profile. Some major transactions have driven the volume on the commercial real estate market to more than EUR 25 bn. The total investment volume rose by 8% in comparison to the previous year.\*\*\*

### Overview of the German office property market

**Development of office rents** In 2012, office rents consistently developed in a positive way at the most important commercial real estate sites Berlin, Düsseldorf, Frankfurt/Main, Hamburg, Cologne, Munich and Stuttgart ("Big 7"). On average, the prime rents increased by around 3%. An above average growth was registered in Düsseldorf at 8.3% (EUR 26.00 per sqm). The rents also increased in Munich by 3.3% (EUR 31.00 per sqm), in Stuttgart by 2.8% (EUR 18.50 per sqm), in Cologne and Berlin by 2.3% (EUR 22.00 per sqm) and in Hamburg by 2.1% (EUR 24.00 per sqm). The rents remained at the same level (EUR 33.00 per sqm) as in the previous year only in Frankfurt/Main.

**Take-up in major German cities** The vacancy rate of office properties in German cities decreased from 9.4% in 2011 to 8.8% in 2012, which represents total vacancies of 7.78 million sqm (decrease of 0.58 million sqm). Comparing the "Big 7", the highest vacancy rate was noted in Frankfurt (11.9%), followed by Düsseldorf (11.0%), Berlin (8.5%), Munich (8.4%), Hamburg (8.2%), Cologne (7.9%) and Stuttgart (5.6%).

**New lease-up** In 2012, new lease contracts for over 3.04 million sqm of office space have been signed in the seven major German cities. This reflects a decrease of 0.36 million sqm or 11% compared to the previous year. Major decreases have been registered in Stuttgart (-32.1%), Cologne (-23.2%) and Munich (-15.0%). However, a positive trend was recorded in Frankfurt at 20.7%.

**New office supply** In 2012, at approx. 820,000 sqm, the delivery of new office and commercial space was on its lowest level in the past five years, even though the number of completions have increased in Düsseldorf, Cologne and Hamburg compared to 2011. For 2013, a slightly higher completion volume of approx. 937,000 sqm is forecasted, of which the predominant part is already pre-rented. Thus, in 2013, the supply of high-quality new office space will remain too low.

**Investment markets** The positive trend on the investment market continued in the fiscal year 2012. Total investment volume was approx. 8% (around EUR 25.3 bn for commercial assets) above the result of the previous year. In the "Big 7" sites, a transaction volume of around EUR 15.7 bn was recorded. The highest transaction volumes had Berlin at EUR 3.95 bn, Munich with EUR 3.86 bn and Frankfurt at EUR 3.25 bn.

The investment market has continued to focus on high-quality core properties in premium locations. The average prime yield for commercial office real estate was at 4.76%. However, in addition to the core real estate, investors are seeking for opportunities in the large volume area with the corresponding increase in demand for "Value-Add" properties. With regard to the deal structure, approximately 77% of the commercial investment turnover in the fiscal year 2012 related to single deals, whereas the share of portfolio transactions amounted to 23%.

**Outlook for 2013** Due to the expected downshift in the worldwide economy and the still ongoing European debt crisis, the German government is forecasting a slower growth rate for the German economy of 0.4% in 2013. Still the dynamic of the economic development might accelerate at the end of the next year. Under these circumstances

\* Federal Statistics Office (Statistisches Bundesamt).

\*\* Federal Employment Agency (Bundesagentur für Arbeit).

\*\*\* All numbers referred to in this Section are sourced from

Jonas Lang Lasalle and BNP Paribas.



the unemployment rate might remain stable at the current level, the incomes may rise slightly and the inflation will remain moderate.

In combination with more restrictive human resource policies of many companies, the office rental market may get under pressure in 2013. Decision processes within the companies might decelerate and the negotiations on conditions might get more intense. On the investment market, the demand for core assets will remain high and will highly exceed the supply. Furthermore, the investors will demand value-add properties. Under these circumstances the transaction volume will remain stable at current level and the prices for B locations will rise.

### Strategy and structure

The alstria Group consists of the parent company alstria office REIT-AG, a real estate company listed on the Frankfurt stock exchange, and 19 subsidiaries, which include nine general partners, nine limited partnerships holding assets and one REIT service company. Operations are made within the parent company. Although the major part of the assets is allocated in the alstria office REIT-AG, 16 properties are held by nine subsidiaries.

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

- › The German real estate market will offer limited rental or capital value growth in the future.
- › The overall built environment is sufficient to host all the existing demand for office space.
- › Rental markets are poised to suffer from an overcrowded offer, while tenant space requirement is going down.
- › The market's vacancy rates will remain relatively stable.

On the back of these assumptions, our strategy consists in owning and managing assets which:

- › Fit to a specific tenant demand in their immediate micro-environment.
- › Are rented at or below market, or if over-rented are valued as such.
- › Offer room for value enhancement as they require to be upgraded to new real estate standards.
- › Have the potential to offer the best value for money to tenants in the micro-location.

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

- › alstria has a long-term leased portfolio (around 7.1 years weighted average lease lengths). Some 72% of rental income derives from a small number of high-quality tenants. Around 40% of rental income is generated from public or public-related entities, which are less affected by economic developments.
- › alstria pursues a non-trading strategy, and focuses on long-term value creation through asset management. Thus alstria is conducting real estate operations (i.e. asset and property management) internally, which differentiate us from the competition in a positive way.
- › The operating strategy involves helping alstria's tenants to optimise their real estate operating costs. There is no contradiction in reducing the overall real estate costs of alstria's tenants and increasing the returns of alstria. In fact, the current environment could create opportunities for alstria at a time when most German corporations are looking to reduce costs.

### Corporate management

alstria proactively focuses on the following indicators: revenues, FFO or rather cash flow, LTV and the G-REIT equity ratio. Returns are realised through the Company's active asset management model.

By proactive management of its balance sheet, alstria was able to improve its LTV, reducing it from 56.4% on December 31, 2011, down to 55.0% as at year-end 2012. The mid-term target is to reduce the overall LTV down to below 50%.

The G-REIT equity ratio was at 50.0% at year-end which compares to 48.7% in the prior year and a legal covenant of 45%.

In 2012, alstria agreed terms and conditions for the acquisition of six assets in Düsseldorf, Frankfurt, Neu-Isenburg and Norderstedt (DIVE portfolio). The transfer of benefits and burden took place in May 2012.

Additionally, four assets have been sold in 2012. While two assets in Hamburg and Nuremberg were transferred in 2012, one other asset in Dresden was transferred on January 1, 2013. Furthermore, one asset in Düsseldorf was transferred on February 1, 2013.

Further, in March 2012 benefits and burden of the asset "Alte Post" in Hamburg, which was sold at the end of 2011, have been transferred.

alstria will stay focused on its buy-and-manage strategy and will constantly review growth opportunities if and when they arise. » Please refer to the section “recent development and outlook” for further details.

In 2012, revenues were up from EUR 90.8 m to EUR 101.3 m and funds from operations (FFO)\* were up 25.6%, from EUR 34,685 k in 2011 to EUR 43,571 k. On a per share basis the FFO increased from EUR 0.48 to EUR 0.55. The year-on-year increase in revenues and funds from operations was mainly driven by the new acquisitions executed during the financial year 2012.

### Portfolio overview

On December 31, 2012, alstria's portfolio consisted of 83 office properties and one retail property with a total of approx. 928,500 sqm of lettable area and a contractual vacancy rate of 11.4%. The portfolio is valued at a yield of 6.5% and the remaining weighted average unexpired lease term is approx. 7.1 years.

### Acquisitions support alstria's buy-and-manage strategy

#### Acquisitions 2012

Asset	City	Number of assets	Purchase price <sup>1)</sup> (EUR k)	Annual rent (EUR k)	Yield (%)	Avg. lease length (years)
Portfolio transaction	Frankfurt/ Düsseldorf/ Others	6	95,092	8,030	8.4	4.1

<sup>1)</sup> Incl. acquisition related costs.

### The key metrics for the portfolio<sup>1)</sup>

as at December 31, 2012

Metric	Value
Number of properties <sup>2)</sup>	84
Number of joint venture properties	1
Market value (EUR bn)	1.6
Contractual rent (EUR m/annum)	105.5
Valuation yield (contractual rent/OMV)	6.5%
Lettable area (k sqm)	929
Vacancy (% of lettable area) <sup>3)</sup>	11.4%
WAULT (years)	7.1
Average rent/sqm (EUR/month)	10.7

<sup>1)</sup> Includes assets classified under property, plant and equipment.

<sup>2)</sup> As at reporting date, two assets are classified as “assets held for sale”.

<sup>3)</sup> Contractual vacancy includes vacancy in assets of the Company development pipeline. EPRA vacancy rate is of 7.97%.

### Transactions

In February 2012, alstria successfully executed a capital increase and placed 7,170,362 new ordinary bearer shares, increasing its nominal share capital from EUR 71,703,625 to EUR 78,873,987. The funds raised through the capital increase – after deduction of fees and expenses in connection with the issuance – have been used to finance the equity portion of the acquisition of six assets. In February 2012, alstria signed a binding notarised agreement for the acquisition of these six assets, located in Düsseldorf, Frankfurt, Neu-Isenburg and Norderstedt (DIVE portfolio). The transfer of benefits and burden took place on May 1, 2012.

Investment decisions at alstria are based on the analysis of the local markets and on adequacy of a building within its local environment in terms of location, size and quality. alstria's strategy is to enter new markets and build critical mass through long-term secured assets. In light of this approach alstria added six properties and approx. 71,800 sqm of lettable space to the portfolio which helps to reinforce its position in two of its core markets, namely Hamburg and Düsseldorf. To maintain an appropriate asset and portfolio management, alstria established an office in Düsseldorf in July 2012.

\* For further details, please refer to » page 11.

## Disposals 2012

Asset	City	Number	Annual rent (EUR k)	Avg. lease length (years)	Sales price (EUR k)
Am Gräselein	Nuremberg	1	237	2.8	3,400
Schopenstehl	Hamburg	1	255	12.6	5,040
Zwinglistrasse	Dresden	1	203	2.5	2,640
Benrather Schlossallee	Düsseldorf	1	614	8.5	7,620

alstria signed binding and notarised agreements for four properties during the financial year 2012:

- › In February 2012, alstria signed a binding and notarised agreement for the sale of one asset in Nuremberg. The transfer of benefits and burden took place on April 1, 2012.
- › In May 2012, alstria signed a binding and notarised agreement for the sale of one asset in Hamburg. The transfer of benefits and burden took place on July 1, 2012.
- › In October 2012, alstria signed a binding and notarised agreement for the sale of one asset in Dresden. The transfer of benefits and burden took place on January 1, 2013.
- › In December 2012, alstria signed a binding and notarised sale agreement for one asset in Düsseldorf. The transfer of benefits and burden took place on February 1, 2013.

Additionally, in November 2011, alstria and its joint venture partners in the joint venture "Alte Post" signed a binding and notarised agreement for the disposal of the "Alte Post" property. This asset was transferred to the new owner in March 2012.

### Refurbishment projects

Considerable progress was also made with alstria's refurbishment projects.

- › Steinstrasse 5–7, Hamburg (Bartholomayhaus)  
The Bartholomayhaus is part of the "Kontorhaus" district in the heart of the city of Hamburg. The new multi-storey car park garage in the inner courtyard contains the original number of parking spaces, but is reduced in its external dimension. The reduction enables daylight and natural ventilation to reach the ground and intermediate floors of the surrounding main building. In addition, the new car park is equipped with a green roof as well as a charging station for electric vehicles. The retrofitting of the garage started in the second quarter of 2011 and was completed in April 2012. For further information about sustainability at alstria please refer to the sustainability report 2012  
» [www.alstria.com/en/sustainability/sustainability-reports/date/2012/](http://www.alstria.com/en/sustainability/sustainability-reports/date/2012/).

- › Hamburger Strasse 1–15, Hamburg

The retrofitting of the landmark Mundsburg Office Tower in Hamburg started in early 2010. This building, which was erected in the seventies, had never been upgraded. The main objective of this refurbishment project is to create efficient office space and reduce energy consumption and occupancy costs for the future tenants. It was therefore one of the first buildings in Germany to be certified as a sustainable building by the DGNB (Deutsche Gesellschaft für nachhaltiges Bauen e. V.) in accordance with the new "modernisation of office and administrative buildings" certification programme. The DGNB silver pre-certificate demonstrates the project's sustainability, particularly with regard to space and energy efficiency, as well as tenant comfort. The refurbishment of the Mundsburg Office Tower was completed in 2012. The building was handed over to its main tenant in January 2013.

In 2012, alstria invested around EUR 12.8 m\*\* in ongoing refurbishment projects. Of this EUR 12.8 m, around EUR 8.0 m refers to development projects. The main part of the 2012 capex investment was linked to the refurbishment of the two Hamburg buildings Bartholomayhaus (Steinstrasse 5–7) and the Mundsburg Office Tower (Hamburger Strasse 1–15).

In the next two years, the Company plans to invest between EUR 40 m and EUR 45 m in the portfolio. These investments depend on ongoing lease discussions with existing and potential tenants. Major projects are related to the properties Hamburger Strasse 1–15, Mundsburg Center, the Kaiser-Wilhelm-Strasse and Schaartor in Hamburg, as well as the Arndtstrasse in Hanover. This Capex plan is part of alstria's ongoing asset value enhancement programme.

\*\* Excluding joint ventures.

### Lease-ups

Leasing activity in 2012 was very successful. In 2012, alstria signed new leases\* totalling approx. 44,800 sqm. The increase of the vacancy rate by 280 basis points (bps) to 11.4% or 105,890 sqm is due to the recent acquisitions that incorporated a significant portion of vacancy. Of these 105,890 sqm, 37,400 sqm represents strategic vacancy (intended vacancy implemented by alstria as part of its repositioning process for certain assets), while the remainder is operational vacancy. From the lease agreements which were due to expire in 2012, over 60% (of lettable area) could be retained during the year.

A further key re-letting achievement was the lease-up with one of our key tenants in Hanover, Werner-von-Siemens-Platz. The tenant signed a new contract for the next three years for around 19,400 sqm of office and ancillary space.

In the newly acquired assets, the vacancy was substantially reduced with the lease-up of more than 4,700 sqm. The asset located in Norderstedt is testimony of the Company's strong position, as the occupancy rate increased from 62% at acquisition up to 79% at year-end, boosting the rental income by more than 39%.

### Portfolio valuation

alstria's portfolio was valued in accordance with the RICS\*\* Red Book guidance by Colliers International at December 31, 2012.

The total valuation result on investment properties was EUR 1,623 m.

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

### Tenants

Our key focus on a set number of major tenants is still one of the main characteristics of the alstria portfolio. Some 72% of total revenues are generated by alstria's top ten tenants. The 2012 portfolio also reflects the clear focus on the office asset class; 94%\*\*\* of the total lettable area is dedicated to offices.

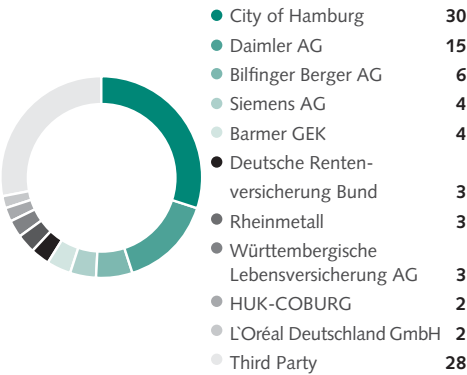
### Total portfolio by utilisation

% of total lettable area



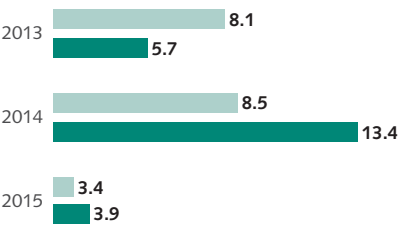
### alstria's core tenants 2012

% of annual rent



### Lease expiry profile

% of annual rent



■ as at Dec. 31, 2011  
■ as at Dec. 31, 2012

\* New leases correspond to lease of vacant space. It does not account for any lease renewal, prolongation or tenant exercise of renewal option.  
\*\* Royal Institution of Chartered Surveyors.

\*\*\* Office and storage.

## Financial analysis

The year 2012 was a busy and successful year for alstria, which was completed with the best operational result (FFO) since the foundation. In the first quarter of 2012, alstria successfully executed a capital increase and placed 7,170,362 new ordinary bearer shares, increasing its nominal share capital from EUR 71,703,625 to EUR 78,873,987. The funds raised through the capital increase – after deduction of fees and expenses in connection with the issuance – have been used to finance the equity portion of the acquisition of the DIVE portfolio, which was acquired for EUR 95 m incl. acquisition-related costs in spring 2012. Following the acquisition of the new assets, alstria successfully financed the acquisition with a bullet loan of EUR 42.5 m in the fourth quarter of 2012, which has a maturity of seven years.

### Earnings position

Following the transfer of the newly acquired assets in the first half of 2012, revenues increased by 11.6% in comparison to the previous year. Total revenues in this reporting period amounted to EUR 101,286 k (2011: EUR 90,798 k). Real estate operating expenses slightly decreased by 0.2 percentage points to 10.3% of revenues or EUR 10,398 k compared to 10.5% of revenues or EUR 9,506 k in 2011. Net rental income for 2012 was EUR 90,110 k (2011: EUR 80,868 k).

The following table shows the key operating figures of the income statements for the financial years 2012 and 2011:

EUR k	2012	2011
Gross rental income	101,286	90,798
Net rental income	90,110	80,868
Operational expenses	-12,571	-13,138
Net other income	2,124	1,822
<b>Operating income</b>	<b>79,663</b>	<b>69,552</b>
Net result from fair value adjustments on investment properties	-1,876	-16,682
Net result on disposals of investment properties	369	120
<b>Net operating result</b>	<b>78,156</b>	<b>52,990</b>

Operational expenses (including administrative and personnel expenses) were EUR 12,571 k for the year, compared to EUR 13,138 k in 2011. Accordingly, total operating expenses represent 12.4% of total revenues. Compared to 2011, the rate could be lowered by 2.1 percentage points.

Net other income mainly comprises compensation payments due to the early termination of lease contracts (EUR 1,130 k), success fee paid by the joint venture for the disposal of the "Alte Post" asset in Hamburg (EUR 579 k) as well as other income (EUR 1.451 k). On the other hand, it comprises expenses of EUR 1,036 k, which mainly represent allocation to provision for rental guarantees (EUR 895 k) and other expenses (EUR 141 k).

alstria closed the financial year 2012 with a net operating result before finance costs and taxes of EUR 78,156 k. This compares to EUR 52,990 k for the previous year, which was significantly influenced by the better net result on fair value adjustments of investment properties and a higher revenue level.

### Funds from operations (FFO) per share up 15% (EUR 0.55)

EUR k	2012	2011
<b>Pre-tax income (ETB)</b>	<b>39,957</b>	<b>27,448</b>
Net profit/loss from fair value adjustments on investment property	1,876	16,682
Net profit/loss from fair value adjustments on financial derivatives	1,380	3,247
Profit/loss on disposal of investment property	-369	-120
Other adjustments <sup>1)</sup>	54	-1,126
Fair value and other adjustments in joint ventures	673	-11,446
<b>Funds from operations (FFO)<sup>2)</sup></b>	<b>43,571</b>	<b>34,685</b>
Maintenance capex	-3,795	-1,479
<b>Adjusted funds from operations (AFFO)<sup>3)</sup></b>	<b>39,776</b>	<b>33,206</b>

<sup>1)</sup> Non-cash income or expenses and non-recurring effects.

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

<sup>3)</sup> The AFFO is equal to the FFO with adjustments made for capital expenditures used to maintain the quality of the underlying investment portfolio.

Funds from operations amounted to EUR 43,571 k in 2012 as against EUR 34,685 k in 2011. As a result, FFO per share\* was EUR 0.55 in the financial year 2011 (2011: EUR 0.48).

The increase in comparison with 2011 resulted mainly from the growth of revenues after the acquisition and transfer of six new assets in 2012.

### Hedging instruments

The change in valuation of the financial derivatives was driven by the development of the yield curve in the year 2012. alstria applies hedge accounting on all qualifying hedges in order to limit the impact on profit and loss of the volatility of the interest rate markets. This allows the losses or gains on the qualifying part of the derivatives to be recognised under the equity cash flow hedge reserve with no effect on income.

In line with the Group-wide financing strategy for floating interest hedging, new derivative financial instruments were entered into in 2012.

In the financial year 2012, the effective devaluation in the value of the swaps, which is recorded in equity as "hedging reserve", was EUR 5,363 k. This change in fair value of effective cash flow hedges is therefore not recognised in the income statement. The fair value changes of derivatives not categorised as cash flow hedges as well as the ineffective part in fair value changes of cash flow hedges are recognised in the income statement under "Net result from fair value adjustments on financial derivatives". The interest expenses on swaps and caps are stated in the financial result.

The fact that alstria's main debt exposure is hedged by financial derivatives, the current overall cost of debt for the existing portfolio amounts to around 4%.

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

### Financial result

The following table shows the financial result for the period January 1 to December 31, 2012:

EUR k	2012	2011
<b>Financial income</b>	<b>657</b>	<b>959</b>
Interest expenses syndicated loan	-14,383	-17,869
Interest expenses other loans	-9,385	-8,625
Interest result derivatives	-12,589	-9,611
Other interest expenses	-250	-7
<b>Financial expenses</b>	<b>-36,607</b>	<b>-36,112</b>
<b>Other financial expenses</b>	<b>-135</b>	<b>-206</b>
<b>Net financing result</b>	<b>-36,085</b>	<b>-35,359</b>

As at December 31, 2012 alstria was not in breach of any of its financial covenants. Net financing costs increased by EUR 726 k to EUR 36,085 k in comparison with the year 2011. The increase is attributable to a higher average loan notional compared to the previous reporting period. For details on the new loans, we refer to the section entitled "financial and asset position" » see below.

### Consolidated net result at EUR 39,911 k

The pre-tax result is EUR 39,957 k for the financial year 2012 (2011: EUR 27,448 k). The consolidated net income amounted to EUR 39,911 k for the reporting period in comparison to EUR 27,448 k in 2011. The reasons for the improvement are mainly driven by the positive developments in revenues and in net result from fair value adjustments on investment properties.

REIT-AGs are fully exempt from German corporate income tax and trade tax. Hence, alstria office REIT-AG has been exempt from income and trade tax with retrospective effect since January 1, 2007. Tax payment obligations of EUR 46 k arose in 2012 on Group level for affiliates serving as a general partner of a partnership or for REIT service companies.

Earnings per share were EUR 0.51 for 2012 up by 28% (2011: EUR 0.40).

### Financial and asset position

#### Financial management

alstria's financial management is carried out at corporate level, with individual loans being taken out at property and portfolio level. The main goal of alstria's financial policy is the establishment of secured,

\* Divided by the number of shares at the end of the reporting period (December 31, 2012: 78,933,487; December 31, 2011: 71,703,625).

long-term structures to support the development of its business whilst providing the required degree of flexibility. Corporate management of debt financing forms the basis for optimised capital procurement, proactive management of interest and liquidity risks and efficiency improvements for the whole Group.

In conjunction with the disposal of three assets, EUR 6,619 k of the syndicated loan has been repaid in 2012. Following the acquisition of the DIVE portfolio for EUR 95.1 m (including additional purchase costs) in early 2012, alstria successfully closed the financing of this transaction with the withdrawal on a new loan at the end of 2012. The bullet loan has a total amount of EUR 42.5 m and a term of seven years.

### Existing loan agreements as at December 31, 2012

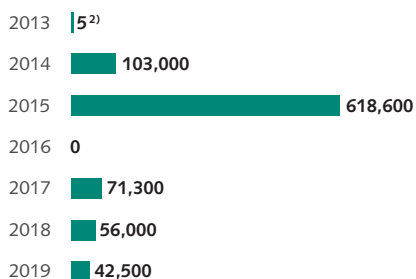
Loan	Maturity	Principal amount outstanding (EUR k)	Current LTV (%)	LTV covenant (%)
Syndicated loan	Jul. 20, 2015	564,721	54.1	70.0
Non-recourse loan #1	Oct. 20, 2015	47,902	70.2	80.0
Non-recourse loan #2	Dec. 31, 2014	42,670	64.9	80.0
Non-recourse loan #3	Jun. 30, 2014	29,568	56.0	60.0
Non-recourse loan #4	Oct. 20, 2014	30,747	55.0	65.0
Non-recourse loan #5	Jan. 31, 2017	71,376	60.2	75.0
Loan #6	Dec. 31, 2015	11,500	58.7	75.0
Loan #7	Dec. 17, 2018	56,000	48.8	60.0
Loan #8	Sept. 30, 2019	42,500	45.6	65.0
<b>Total as at Dec. 31, 2012</b>		<b>896,984</b>	<b>55.0</b>	

alstria's main financial goal is to establish a sustainable long-term finance structure. An integral part of this structure is that long-term loans are covered by corresponding hedging instruments, such as swaps and caps. The aim of this strategy

is to largely eliminate short-term interest volatility from the income statement. The average debt maturity was at 3.0 years as at December 31, 2012 compared to 3.8 years as at December 31, 2011, whereas the average cost of debt of the Group decreased slightly to around 3.9% (compared to 4.3% p.a. in the previous year).

### Financial debt by maturities<sup>1)</sup>

EUR k



As at Dec. 31, 2012

<sup>1)</sup> Excluding regular amortisation.

<sup>2)</sup> Repayment due to disposal of one property in Düsseldorf.

### Cash position is EUR 118,548 k

Cash flows from operating activities for the financial year 2012 amounted to EUR 45,735 k. The significant increase compared to the reporting period 2011 (EUR 38,457 k) resulted mainly from higher rental revenues and lower payments for interest expenses.

The cash flow from investing activities is impacted by the cash outflows resulting from the acquisitions of the DIVE portfolio and investments in existing properties (cash outflow EUR 107,125 k). Cash inflows of EUR 11,080 k relate to payments received for the sale of investment properties. Proceeds from



the equity release of interests in joint ventures generated cash inflows in an amount of EUR 25,212 k.

The cash flows from financing activities mainly reflect the proceeds from shares issued in an amount of EUR 59,756 k net and the dividend payment (EUR 34,705 k). Furthermore, cash outflows were made for the acquisition or termination of financial derivatives (EUR 10,002 k) and in an amount of EUR 10,317 k for the redemption of loans.

As a result, alstria ended the financial year 2012 with a cash position of EUR 118,548 k (2011: EUR 96,009 k). The Group is adequately funded to comply with its financial obligations.

### Investment properties up by 6.2%

Total investment property value amounted to EUR 1,622,988 k in comparison with EUR 1,528,589 k at the beginning of the year. The increase of investment property was particularly based on the acquisition of six assets in Düsseldorf, Frankfurt am Main, Neu-Isenburg and Norderstedt (DIVE portfolio) as well as the capitalisation of modernisation measures. Reclassifications of EUR 10,356 k refer to the assets held for sale with EUR 9,750 k of latest appraised value and the area of the property Friedrichstrasse in Düsseldorf, which has been partially occupied by alstria for its own use since July 2012. The valuation result amounted to EUR -1,876 k and therefore was slightly negative in 2012. Extraordinary burdens of EUR 5 m resulted from the depreciation of acquisition-related costs (DIVE portfolio), EUR 2 m reflected the increase of transfer tax in the state of Hesse. However, this negative impact was partly compensated by valuation gains resulting from successful asset-management activities and yield compression.

EUR k	
<b>Investment properties at Dec. 31, 2011</b>	<b>1,528,589</b>
Subsequent acquisition and production costs	12,867
Acquisitions	101,844
Disposals	-8,080
Reclassification	-10,356
Revaluations	-1,876
<b>Investment properties at Dec. 31, 2012</b>	<b>1,622,988</b>
Fair value of owner-occupied properties	5,923
Fair value of property held for sale <sup>1)</sup>	10,010
Interests in real estate partnerships	18,183
<b>Fair value of immovable assets</b>	<b>1,657,104</b>

<sup>1)</sup>Incl. valuation gains of EUR 260 k.

The fair value of immovable assets is used for the G-REIT equity ratio calculation.

### Equity ratio of 46.4% – G-REIT equity ratio at 50.0%

The balance sheet reflects a total equity position of EUR 829,287 k with an equity ratio of 46.4% (December 31, 2011: EUR 768,195 k, 45.5%). The G-REIT equity ratio, which is defined as total equity divided by immovable assets, was 50.0% (December 31, 2011: 48.7%). According to the G-REIT Act (REITG), the minimum requirement for compliance is a G-REIT equity ratio of 45% calculated at year-end.

### NNNAV at EUR 10.50 per share

NNNAV (Triple Net Asset Value according to EPRA\*) is EUR 10.50 per share (2011: EUR 10.71 per share).

Following the capital increase at the end of the first quarter 2012, equity increased compared to December 2011. Due to a decline in fair value of financial instruments, the hedging reserve decreased by EUR 4,377 k from EUR -17,760 k as at December 31, 2011 to EUR -22,137 k as at December 31, 2012. The consolidated profit for the period resulted in equity growth of EUR 39,911 k. This led to a total increase in equity from EUR 768,195 k to EUR 829,287 k.\*\*

### New loan increased financial debt

Long-term loans increased by 3.2% to EUR 882,105 k in 2012. This is mainly related to the financing of the acquisition of the DIVE portfolio with a bullet loan expiring in 2019.

### Increase in current liabilities

Current liabilities amounted to EUR 28,101 k, of which EUR 9,986 k were categorised as short-term loans, representing financial liabilities that will be repaid due to the disposal of the property in Düsseldorf (EUR 5,460 k) or were part of scheduled amortisation in 2012. Other current liabilities amounting to EUR 14,035 k mainly comprised outstanding invoices (EUR 5,071 k), deferred income (EUR 1,309 k) and other current liabilities (EUR 7,337 k). Please refer also to the » Section 11.4 of the notes for financial year 2012.

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

\*\* See also the consolidated statement of changes in equity on » page 30.



# Report on risks and opportunities

## Risk reporting Risk management

alstria has implemented a Group-wide structured risk management and an early warning system in accordance with Section 91 (2) of the German Stock Corporation Act (AktG). All risks are recorded, evaluated and monitored on at least a quarterly basis. The goal of alstria Group's risk management strategy is to minimise or, where possible, completely avoid the risks associated with entrepreneurial activity in order to safeguard the Group against potential losses, and against risks to the Company as a going concern. The system of the early detection of risks is in active use. The Company's risk identification process allows the early identification of sources of any potential new risks on an ongoing basis. Risk mitigation measures are defined in order to undertake any necessary steps to circumvent the identified risks, i. e. to insure, diversify, manage or avoid risks. For alstria, risk management means the targeted securing of existing and future potential for success, and improving the quality of the Company's planning processes.

Organisationally, risk management is assigned to the controlling department. A risk report is prepared by the risk manager on a quarterly basis and provided to the Management Board. The bases for the preparation of the risk report are the reports from the risk owner responsible for a particular risk area. The risk report presents the organisational measures and regulations that are to be observed with regard to risk identification, assessment, response, reporting and monitoring. At the same time, the comprehensive documentation of this report ensures an orderly assessment, which is conducted by the responsible departments and by the Supervisory Board.

Risks are assessed according to their likelihood of occurrence and their magnitude of impact. Overall risk is calculated and updated over a specific period of time by linking various parameters. By monitoring the risk management system, alstria is able to continually advance and adapt its structures and processes.

## Key characteristics of the accounting-related internal control and risk management system

The objective of the control and risk management system regarding the (Group) reporting process is to make sure that the reporting is consistent and in line with the legal requirements, the generally accepted accounting principles and the International Financial Reporting Standards (IFRS), as well as internal Group guidelines, so as to give recipients of the annual financial statements true and reliable information. 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, namely control and monitoring. In organisational terms, the treasury, controlling and accounting divisions are responsible for control.

The monitoring measures consist of elements incorporated in the process and external, independent elements. Among others, the integrated measures include manual controls such as the "dual control principle", which is applied universally, and technical controls, essentially software-based checking mechanisms. In addition, qualified employees with the appropriate expertise as well as specialised Group departments such as controlling, legal and treasury perform monitoring and control functions as part of the various processes.

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

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

In addition, the accounting-related monitoring is executed by the controlling department of the Company. All items and main accounts of the income statement and the balance sheet are reviewed regularly for accuracy and plausibility. This refers both to the consolidated financial statements and to the individual financial statements of the Group's companies. Accounting-related data is monitored monthly or on a quarterly basis, depending on the frequency of preparation.

The accounting-related risk management system forms part of the Group's risk management system. Risks that are relevant for the accuracy of accounting-related data are monitored by the risk owner who is responsible for the risk area of finance. Risks are identified quarterly, and assessed and documented by the risk management committee. Appropriate action is taken in order to monitor and optimise accounting-related risks throughout the alstria Group.

### Risk areas

Within the context of its business activities, the alstria Group faces various risks, which are explained in greater detail below.

alstria's risks are divided into four categories:

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

All material risks to the future development of the Group's position and performance are described in this chapter in accordance with alstria's risk management system. The individual risks described relate to the planning horizon of 2013 to 2015.

### Strategic risks

Strategic risk management consists mainly of the implementation of guidelines contained in the investment policy, asset management policy and management rules governing the relationship with the Group's core tenants.

Furthermore, risks resulting from the effect of key market dynamics on alstria's business are categorised as strategic risks. In view of the impact of the so-called sovereign debt crisis on the financial markets, consequences on the general strategic risk situation due to the future macroeconomic environment as compared to the previous year are not evident. As long as there is no material change in the economic environment, alstria's strategic risk situation will remain stable.

### Operational risks

alstria's operational risk management refers to property-specific risks and general business risks. This includes, among others, vacancy risk, the creditworthiness of tenants and the risk of falling market rents. Personnel-related risks such as loss of know-how and competences are also monitored in this risk area. The Group uses various early warning

indicators to monitor these risks. Rent projections, vacancy analyses, the control of the lease terms and termination clauses, and ongoing insurance checks are designed to help identifying potential dangers and risks. Operational risks that could arise as a result of the financial crisis are viewed mainly in terms of a potential shortfall of payment by a major tenant. Due to the fact that all of alstria's main tenants are public institutions or highly rated, the risk of shortfall in payments is currently limited.

**Refurbishment projects** alstria realises refurbishment projects to a material extent. All risks related to these projects, e.g. risk of not-in-time completion, risk of budget overrun as well as the risk of deficiencies in the construction, is managed through with the implementation of an extensive project controlling and a budget management process. Compared to the end of the previous reporting period the risk resulting from refurbishment projects is categorised unchanged at a moderate level.

**Employees** The skills and motivation of alstria's employees are decisive factors in the Group's success. A risk of knowledge loss exists from staff fluctuations as well as from not recruiting sufficiently qualified experts to fill vacancies in the Group in good time. In both cases, this could result in a shortfall of suitable experts and key personal, which could influence the competitive advantages on the markets as well as the further growth opportunities for the Group. alstria mitigates these risks by selective, needs-oriented development of skills of the existing staff, strengthening the image as an attractive employer, university marketing, promoting employee motivation through strong leadership and corporate culture and profit-oriented variable remuneration schemes. Overall alstria estimates the described risks to be at a low level, improved compared to the previous year.

**IT security** The majority of our business processes are supported by efficient IT systems. Any fault affecting the reliability or security of the IT system could lead to delays or interruptions to operating activities. alstria has protected itself against IT risks by constant examination and enhancement of the information technology deployed, modern hardware and software solutions and safeguards against attacks. Structural security measures are in place to protect the computer centre. All data are backed up daily in an internal, and once a week in an external data depository. Detailed rules on access rights ensure that employees can only access the systems

they need for their work. Overall, therefore IT risks are assessed to be unlikely and their possible consequences are assessed to be moderate, basically unchanged compared to last year's assessment.

**Property transactions** alstria is exposed to risks related to the acquisition and disposal of real estate properties, such as a lack of revealing all, or the full extent, of the risks and liabilities associated with properties in the due diligence examination carried out or the risk associated with/inherent in the valuation method used to appraise the property. In the case of the disposal of real estate assets, alstria will usually give certain warranties to a potential purchaser as regards factual and legal matters of the sold property. It cannot be fully excluded that alstria's management is not aware of a risk that is covered by certain representation and warranty in the sales agreement. As a result, there will generally be a risk that alstria as seller may be charged by a prospective purchaser for breach of warranty. From a purchasing perspective, alstria is exposed to the risks that hidden deficiencies on land and/or property are not observed or unfavourable contractual agreements are transferred to the Company, resulting into additional future cost.

alstria responds to these risks – both in acquisition and selling proceedings – by thorough technical, legal and tax analysis with respect to all relevant property and contractual issues by employing internal and external lawyers, tax advisors, architects, construction engineers and other experts required. Risks relating to transactions of properties are assessed to be of a low to moderate level.

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

Furthermore, insurances covering the impacts of natural catastrophes are in place.

## Compliance risks

**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 a high profile to investors and distinguish itself as a REIT on the capital market. The REIT shares are traded at the Frankfurt Stock Exchange. The G-REIT status does not have any influence on the admission on 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 relevant of these requirements are as follows: The G-REIT must be a stock corporation listed on an organised market and its registered seat and management must be in Germany. The registered share capital must amount to at least EUR 15 m, and all shares must be voting shares of the same class. The 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 under German GAAP 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.

REIT corporations are fully exempted from German corporate income tax (KSt) and German trade tax (GewSt). This tax transparency applied with retrospective effect starting January 1, 2007.

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

The alstria Group manages its capital structure and makes adjustments in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group can issue new shares or make a capital repayment to its shareholders. No changes were made to the aims, guidelines and processes as at December 31, 2012 and December 31, 2011.

The capital structure is monitored by the Company using key performance indicators (KPIs) relevant for classification as a G-REIT. The G-REIT equity ratio (the ratio of equity to the fair value of immovable

assets) is the most important KPI. Under the Group's strategy, the G-REIT equity ratio must be between 45% and 55%.

In particular, the exemption from corporate income tax (KSt) and trade tax (GewSt) would cease at the end of the third financial year if the minimum equity ratio (alstria's equity must not fall short of 45% of its immovable assets, based on alstria's consolidated financial statements) has not been satisfied for three consecutive financial years.

The G-REIT equity ratio at the balance sheet date is 50.0%. Accordingly, alstria complied with the minimum G-REIT equity ratio requirement according to Section 15 G-REIT Act (REITG) calculated at year-end of 45%. Generally, the risk remains that alstria may fail to meet the minimum G-REIT equity ratio of 45% in the following three consecutive years and faces the prospect of losing its status as G-REIT and its tax exemption. Within a three-year forecasting period until December 31, 2015, it is excluded that alstria will lose its G-REIT status by reason of shortfall of the 45% barrier.

**Compliance risks** alstria is dependent on the observance of compliance standards by all employees and management. On the basis of documented policies and procedures as well as applicable law, alstria's business depends on its employees and the members of the management being in compliance with such laws, policies and procedures. If alstria's senior management fails to document and reinforce the Company's policies and procedures, or employees commit criminal, unlawful or unethical acts (including corruption), this could have a material adverse effect on alstria's business, financial condition and results of operations, also by harming alstria's reputation in the real estate market and thereby negatively affecting future business opportunities. alstria has implemented a compliance organisation comprising adequate and documented compliance rules and regulations as well the training of compliances related topics to all employees. The materialisation of compliance risks is assessed to be unlikely.

**Legal risks** The Company is not subject to major legal proceedings arising from any individual or other kind of legal dispute outside of its day-to-day business.

### Financial risks

With respect to alstria's refinancing strategy, the financial risk situation proved to be stable as compared to the previous year's end of the reporting period.

The Group normally uses financial instruments such as bank loans and derivative financial instruments. The main purpose of the bank loans is to finance alstria's business activities. Derivative financial instruments include interest swaps and caps. The purpose of these derivative financial instruments is to hedge against interest risks arising from the Company's business activities and its sources of finance. The main risks arising from the Group's financial instruments are cash flow risks, interest rate risks and liquidity risks. alstria's current debt ratio is approx. 54%. This is a reasonable rate compared to the average leveraging rate of German real estate companies. alstria's syndicated loan facility agreement allows for a loan-to-value ratio (LTV) of up to 70%. After the refinancing of the main loan in 2010, alstria managed to keep the LTV at 54.1% at the relevant test date. The risk of covenant breach was encountered effectively.

The next refinancing requirement for the main part of alstria's loans will be effected according to plan in mid-2015, enabling alstria a two and a half year cushion for performing the refinancing. Thus the risk of refinancing on unfavourable terms is limited for the time being.

The Group is not otherwise exposed to any significant credit risks.

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

alstria's hedging policy uses a combination of plain vanilla swaps and caps in order to limit the exposure of the Company to interest rate fluctuations, but still provides enough flexibility to allow the disposal of real estate assets, avoiding any cost linked to an over-hedged situation. The interest base for the financial liability (loan) is the three-month EURIBOR, which is adjusted every three months. A number of different derivative financial instruments were acquired to manage the interest expense. The maturity of the derivative financial instruments is based on the term of the borrowings. The derivative financial instruments relate to interest swaps in which the Company agrees to exchange with contracting partners, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed notional principal amount. Interest caps were also acquired in order to cap the interest at a

set maximum. If the maximum interest rate is exceeded, the difference between the actual interest rate and the cap rate will be paid out.

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

With the refinancing implemented in 2010, the major liquidity risk resulting from the balloon repayment on the main syndicated loan facility was successfully averted. Since the new syndicated loan facility will not be due until mid-2015, the liquidity risk resulting from repayment obligations is currently mitigated.

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

By factors such as economic changes, interest rate fluctuations and inflation, the value of the properties may be adversely affected. To minimise these risks, a regional diversification of investment portfolios, a consistent focus on the individual needs of tenants and a detailed market research and analysis (broker reports) are used. In addition, the market value of all alstria assets will be determined annually at year-end by independent, internationally recognised experts.

**Counterparty risk** alstria hedges a portion of its risk by using third-party instruments (interest rate derivatives, property insurances and others). alstria's counterparties in these contracts are internationally recognised institutions, which are rated by the leading rating agencies. alstria reviews the ratings of its counterparties on a regular basis in order to mitigate any risk of default. The financial crisis has raised doubts as to the reliability of rating agencies' assessments. As a reaction to this objection, alstria started to perform a review of the main counterparties in order to reinforce the rating agencies' assessments.

### Overall assessment

Compared to the previous year, the overall risk situation of alstria stays unchanged stable. On the one hand, the economic situation in Germany is remaining relatively stable compared to other European economies affected by the sovereign debt crisis. On the other hand, the stable refinancing position and a solid G-REIT equity ratio allow a solid development of the Company. Sufficient precautions have been taken against identifiable risks. No risk specific to the Company that would threaten its continued existence can be identified from past or future events. This applies as well to the single Group companies as to the Group.

### Opportunities of the Group

The refinancing position of the Group safeguards a stable financial position until at least mid-2015 at favourable interest rates. On the revenue side, alstria benefits from long-term rent agreements of approx. 7.1 years' average lease length and potential rent increases due to consumer price indexation.

In addition, the Group possesses a range of properties available for attractive and value-add refurbishment opportunities.

The alstria portfolio is well balanced and contains many first-class anchor buildings with high-quality tenants.

Therefore, alstria is well positioned to continue its buy-and-manage strategy and to benefit from future market opportunities using the next growth cycle of the markets.

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

## Sustainability report

In 2012, alstria published its third sustainability report. In this report alstria's sustainability approach and the stakeholder approach are described. Furthermore, it provides information about alstria's key achievements within the framework and gives the reader a deeper insight into the operational impacts. The key values within the framework expressed for each and every stakeholder group are alstria's main drivers for the integration of sustainability issues into the Company's daily business decisions. The associated operational impacts specify the overall values.

For further information on our sustainability engagement and targets, please refer to the annual sustainability report 2012, which is available on alstria's website » [www.alstria.com/sustainability/sustainability-reports/2012](http://www.alstria.com/sustainability/sustainability-reports/2012) and/or to » Part I/II – Company Report of the annual report 2012.

## Mandatory disclosures

**Disclosure requirements in accordance with Section 315 para. 4 of the German Commercial Code (HGB) for the financial year 2012 and the explanatory report of the Management Board**

### Composition of subscribed capital

As per the balance sheet date at December 31, 2012, the share capital of alstria amounted to EUR 78,933,487.00, divided into 78,933,487 no par value bearer shares. All shares have equal rights and obligations. Each share entitles the bearer to one vote at general shareholders' meetings and is decisive for the shareholder's share in the profit of the Company. The individual rights and duties of the shareholders result from the provisions of the German Stock Corporation Act (AktG), in particular Sections 12, 53a et seq., 118 et seq. and 186.

### Restrictions on voting rights or the transfer of shares

The exercise of voting rights and the transfer of shares are based on the general statutory requirements and alstria's articles of association, which does not restrict either of these activities. Under Section 136 of the German Stock Corporation Act (AktG) the voting right of the affected shares is excluded by law. There are no other restrictions as to voting rights or the transfer of shares, or, as far as they arise from agreements between shareholders, are not known to the Management Board.

### Shareholdings which exceed 10% of the voting rights

As per the balance sheet date at December 31, 2012, alstria was not aware of any shareholders holding directly or indirectly 10% of the voting rights.

### Shares with special rights

alstria has not issued any shares with special rights that grant control rights.

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

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



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

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

Amendments to the articles of association may be made pursuant to Sections 179 and 133 of the German Stock Corporation Act (AktG). The Supervisory Board is also authorised to make changes in, and amendments to, the articles of association that merely affect the wording without a resolution of the shareholders in general meeting, Section 12 para. 2 of the articles of association. Pursuant to Section 15 para. 5 of the articles of association in conjunction with Sections 179 para. 2 and 133 of the German Stock Corporation Act, shareholders may make resolutions regarding such amendments at a general meeting with a simple majority of the votes cast and a simple majority of the share capital represented. Insofar as a larger majority is prescribed by law, such majority shall be decisive. The articles of association were last amended by resolution of the Supervisory Board on September 19, 2012: Section 5 para. 1, 2 and 7 of the articles of association were formally adapted to a capital increase executed under the employee participation programme of the Company.

## Authority of Management Board regarding issuance and buyback of shares

### 1. Authorised Capital

The articles of association authorise the Management Board, with the approval of the Supervisory Board, to increase the share capital until October 23, 2013 by issuing new bearer shares against contribution in cash and/or kind once or repeatedly up to a total amount of EUR 39,436,993.00. Further details are governed by Section 5 para. 3 to 4b of the articles of association.

### 2. Conditional Capital

alstria has four conditional capital (pursuant to Sections 192 et seq. of the German Stock Corporation Act, AktG), which are regulated in Sections 5 para. 5 to 8 of the Company's articles of association.

#### a) Conditional Capital 2010

The share capital is conditionally increased by an amount of up to EUR 26,500,000.00 by the issuance of up to 26,500,000 no par value bearer shares. The Management Board is authorised to stipulate the profit entitlement for the new shares issued on the basis of the exercise of options or conversion rights or the fulfilment of a conversion obligation at variance from Section 60 para. 2 of the German Stock Corporation Act (AktG). The conditional capital increase is only carried out insofar as the holders of option rights or conversion rights, or those holders with conversion obligations from bonds with warrants or convertible bonds, profit participation rights or participating bonds issued or guaranteed on the basis of the authorisation resolved by the shareholders in general meeting on June 16, 2010, utilise their option rights or conversion rights or, insofar as such holders have conversion obligations, such holders fulfil their conversion obligations, unless a cash settlement is granted or treasury shares or shares of another listed company are used to fulfil the option rights or conversion rights.

#### b) Conditional Capital II

The share capital is conditionally increased by an amount of up to EUR 515,625.00 by the issuance of up to 515,625 no par value bearer shares. The sole purpose of the conditional capital increase is to grant shares to the holders of subscription rights (stock options) which were issued by alstria in accordance with the authorisation of the Annual General Meeting held on March 15, 2007. The conditional capital increase is only carried out insofar as the holders exercise their stock options and no treasury shares are used to fulfil the stock options. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence to satisfy the exercise of the stock options.

### c) Conditional Capital III

The share capital is conditionally increased by an amount of up to EUR 336,874.00 by the issuance of up to 336,874 no par value bearer shares. The conditional capital increase shall be used solely to grant shares to the holders of convertible profit participation certificates which were issued by the Company until March 14, 2012 in accordance with the authorisation of the general meeting held on March 15, 2007. The conditional capital increase is only carried out insofar as issued convertible profit participation certificates are converted into shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence as a result of the conversion of certificates.

### d) Conditional Capital III 2012

Furthermore, the share capital is conditionally increased by an amount of up to EUR 500,000.00 by the issuance of up to 500,000 no par value bearer shares. The conditional capital increase shall be used solely to grant shares to the holders of convertible profit participation certificates which were issued by the Company until April 23, 2017 in accordance with the authorisation of the general meeting held on April 24, 2012. The conditional capital increase is only carried out insofar as issued convertible profit participation certificates are converted into shares of the Company and no treasury shares are used to satisfy the certificates. The new shares shall participate in the Company's profits from the beginning of the financial year in which they come into existence as a result of the conversion of certificates.

### 3. Purchase of treasury shares

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

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

A significant syndicate loan agreement of alstria entitles the creditor to declare the loan due for payment after alstria's shares are no longer admitted for trading on an organised market within the EU and the current majority shareholder at the time of the conclusion of the loan agreement is not in a position to control alstria, or a person other than the then current majority shareholder holds a larger shareholding in alstria than the then current majority shareholder.

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

There are no compensation agreements with Management Board members or employees in case of a takeover bid.

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

## Additional Group disclosures

### Employees

As at December 31, 2012, alstria had 59 employees (December 31, 2011: 50). The annual average number of employees was 55 (2011: 48). These figures exclude Management Board members.

### Remuneration report

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

Members of the Supervisory Board receive fixed remuneration.

The remuneration report » appendix to the Group management report pages 90 to 93, containing details of the principles for the definition of the Management Board and Supervisory Board remuneration, forms an integral part of the audited Group management report.



## Subsequent events and outlook

### Subsequent events

As at October 2012, a binding and notarised agreement for the sale of one property located in Dresden was signed. The transfer of benefits and burden took place on January 1, 2013.

As at December 2012, a binding and notarised agreement for the sale of one property located in Düsseldorf was signed. The transfer of benefits and burden took place on February 1, 2013.

In February 2013, alstria received from a former majority shareholder EUR 1,800 k as a compensation for expenses relating to certain capital market transactions and associated liabilities, which have been recognised at the end of the reporting period 2012 an amount of EUR 1,229 k.

### Outlook

Based on the latest transactions and the contracted rent for 2013, alstria expects revenues of around EUR 103 m and funds from operations of EUR 45 m.

This projection could be impacted by changes in interest rates and further property acquisitions or disposals or other changes of the assumptions in 2013. Since the Company pays out a significant part of its funds from operations as dividends, future external growth largely depends on the Company's ability to raise additional equity. Consequently, further portfolio growth is highly dependent on the development of the global equity markets and is therefore difficult to predict over a longer period of time. On a like-for-like basis, however, the Company expects revenues and funds from operations to be stable in 2014. Again, these results may be impacted by further acquisitions and disposals or interest rate changes.

The management report contains statements relating to anticipated future developments. These statements are based on current assessments and are, by their very nature, exposed to risks and uncertainty. Actual developments may differ from those predicted in these statements.

Hamburg, February 14, 2013

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# Consolidated financial statements

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# Consolidated financial statements

## Consolidated income statement

for the period from January 1 to December 31, 2012

EUR k	Notes	2012	2011
Revenues	9.1	101,286	90,798
Income less expenses from passed-on operating expenses	9.2	-778	-424
Real estate operating expenses	9.3	-10,398	-9,506
<b>Net rental income</b>		<b>90,110</b>	<b>80,868</b>
Administrative expenses	9.4	-5,722	-6,799
Personnel expenses	9.5	-6,849	-6,339
Other operating income	9.6	3,160	3,380
Other operating expenses	9.7	-1,036	-1,558
Net loss from fair value adjustments on investment property	10.1	-1,876	-16,682
Gain on disposals of investment property	9.9	369	120
<b>Net operating result</b>		<b>78,156</b>	<b>52,990</b>
Net financial result	9.8	-36,085	-35,359
Share of the result of joint venture accounted for using the equity method	4	-734	13,064
Net loss from fair value adjustments on financial derivatives	9.8	-1,380	-3,247
<b>Pre-tax result (EBT)</b>		<b>39,957</b>	<b>27,448</b>
Income tax expense	9.10	-46	0
<b>Consolidated profit</b>		<b>39,911</b>	<b>27,448</b>
Attributable to:			
Shareholder		39,911	27,448
<b>Earnings per share in EUR</b>			
Basic earnings per share	14	0.51	0.40
Diluted earnings per share	14	0.51	0.40

## Consolidated statement of comprehensive income

for the period from January 1 to December 31, 2012

EUR k	Notes	2012	2011
<b>Consolidated profit for the period</b>		<b>39,911</b>	<b>27,448</b>
Cash flow hedges	10.7	-5,363	-14,171
Reclassification from cash flow hedging reserve	10.7	986	1,333
<b>Other comprehensive income for the period:</b>		<b>-4,377</b>	<b>-12,838</b>
<b>Total comprehensive income for the period:</b>		<b>35,534</b>	<b>14,610</b>
Total comprehensive income attributable to:			
Owners of the Company		35,534	14,610

## Consolidated statement of financial position

as at December 31, 2012

### Assets

EUR k	Notes	2012	2011
<b>Non-current assets</b>			
Investment property	10.1	1,622,988	1,528,589
Equity-accounted investments	10.2	18,183	44,128
Property, plant and equipment	10.3	5,334	4,576
Intangible assets	10.4	467	450
Derivatives	10.7	403	1,471
<b>Total non-current assets</b>		<b>1,647,375</b>	<b>1,579,214</b>
<b>Current assets</b>			
Assets held for sale	10.5	10,010	0
Trade receivables	10.6	3,656	2,449
Accounts receivable from joint ventures	10.6	89	2,095
Derivatives	10.7	403	0
Other receivables	10.6	6,812	6,870
Cash and cash equivalents	10.8	118,548	96,009
<i>thereof restricted</i>		252	270
<b>Total current assets</b>		<b>139,518</b>	<b>107,423</b>
<b>Total assets</b>		<b>1,786,893</b>	<b>1,686,637</b>

## Equity and liabilities

EUR k	Notes	2012	2011
<b>Equity</b>	11.1		
Share capital		78,933	71,704
Capital surplus		769,412	751,084
Hedging reserve		-22,137	-17,760
Retained earnings		3,079	-36,833
<b>Total equity</b>		<b>829,287</b>	<b>768,195</b>
<b>Non-current liabilities</b>			
Long-term loans, net of current portion	11.2	882,105	854,814
Derivatives	10.7	35,080	37,553
Other provisions	11.3	5,191	3,767
Other liabilities	11.4	7,129	989
<b>Total non-current liabilities</b>		<b>929,505</b>	<b>897,123</b>
<b>Current liabilities</b>			
Short-term loans	11.2	9,986	4,505
Trade payables	11.4	3,735	3,201
Profit participation rights	19	345	291
Derivatives	10.7	0	2,479
Other current liabilities	11.4	14,035	10,843
<b>Total current liabilities</b>		<b>28,101</b>	<b>21,319</b>
<b>Total liabilities</b>		<b>957,606</b>	<b>918,442</b>
<b>Total equity and liabilities</b>		<b>1,786,893</b>	<b>1,686,637</b>

## Consolidated statement of changes in equity

for the period from January 1 to December 31, 2012

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



for the period from January 1 to December 31, 2011

EUR k	Notes	Share capital	Capital surplus	Hedging reserve	Treasury shares	Retained earnings	Total equity
<b>As at Jan. 1, 2011</b>		<b>61,600</b>	<b>700,036</b>	<b>-4,922</b>	<b>-26</b>	<b>-64,280</b>	<b>692,408</b>
<b>Changes in the financial year 2011</b>							
Consolidated profit		0	0	0	0	27,448	27,448
Other comprehensive income		0	0	-12,838	0	0	-12,838
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>-12,838</b>	<b>0</b>	<b>27,448</b>	<b>14,610</b>
Payments of dividends	15	0	-31,503	0	0	0	-31,503
Share-based remuneration	19	0	407	0	0	0	407
Proceeds from shares issued	11.1	10,000	85,000	0	0	0	95,000
Transaction costs of issue of shares	11.1	0	-2,938	0	0	0	-2,938
Conversion of convertible participation rights		104	104	0	0	0	208
Conversion of treasury shares		0	-22	0	26	0	4
<b>As at Dec. 31, 2011</b>	<b>11.1</b>	<b>71,704</b>	<b>751,084</b>	<b>-17,760</b>	<b>0</b>	<b>-36,833</b>	<b>768,195</b>

## Consolidated statement of cash flows

for the year ended December 31, 2012

EUR k	Notes	2012	2011
<b>1. Cash flows from operating activities</b>			
Consolidated profit for the period		39,911	27,448
Unrealised valuation movements		3,990	6,982
Interest income	9.8	-656	-959
Interest expense	9.8	36,741	36,318
Result from income taxes	9.10	46	0
Other non-cash expenses (+)		2,530	1,590
Gain (-)/loss (+) on disposal of investment properties	9.9	-369	-138
Depreciation and impairment of fixed assets (+)	10.3; 10.4	402	500
Decrease (+)/increase (-) in trade receivables and other assets that are not attributed to investing or financing activities		-914	-376
Decrease (-)/increase (+) in trade payables and other liabilities that are not attributed to investing or financing activities		-787	5,135
<b>Cash generated from operations</b>		<b>80,894</b>	<b>76,500</b>
Interest received		656	959
Interest paid		-35,769	-39,002
Income taxes paid		-46	0
<b>Net cash generated from operating activities</b>		<b>45,735</b>	<b>38,457</b>
<b>2. Cash flows from investing activities</b>			
Acquisition of investment properties		-107,125	-192,442
Proceeds from the sale of financial assets		11,080	2,738
Payment of transaction cost in relation to the sale of investment properties		-251	0
Acquisition of other property, plant and equipment		-571	-843
Proceeds from the equity release of interests in joint ventures		25,212	1,321
Proceeds from the repayment of loans granted to joint ventures		1,771	0
<b>Net cash used in investing activities</b>	12.3	<b>-69,884</b>	<b>-189,226</b>

EUR k	Notes	2012	2011
<b>3. Cash flows from financing activities</b>			
Cash received from equity contributions		61,066	95,208
Payment of transaction costs of issue of shares		-1,310	-2,939
Proceeds from the disposal of own shares		0	4
Proceeds from the issue of bonds and borrowings		42,500	72,887
Payments of dividends	15	-34,705	-31,503
Payments for the acquisition and termination of financial derivatives		-10,002	-2,467
Payments of the redemption of bonds and borrowings		-10,317	-5,051
Payments of transaction costs		-543	-149
<b>Net cash generated from financing activities</b>	12.3	<b>46,689</b>	<b>125,990</b>
<b>4. Cash and cash equivalents at the end of the period</b>			
Change in cash and cash equivalents (subtotal of 1 to 3)		22,539	-24,779
Cash and cash equivalents at the beginning of the period		96,009	120,788
<b>Cash and cash equivalents at the end of the period</b>			
<i>thereof restricted: EUR 252 k; previous year: EUR 270 k</i>		<b>118,548</b>	<b>96,009</b>

# Notes to the consolidated financial statements

## 1 Corporate information

alstria office REIT-AG is a listed real estate property corporation within the meaning of the G-REIT Act. Pursuant to Section 2 of its Articles of Association, the Company's objective is the acquisition, management, operation and sale of owned real estate property, as well as the holding of participations in enterprises, which acquire, manage, operate and sell owned property. All of the aforementioned objectives are subject to the conditions of the G-REIT Act legislation.

alstria office REIT-AG was transformed into a German Real Estate Investment Trust (G-REIT) in the financial year 2007 and was registered as a REIT corporation (hereinafter also referred to as a "REIT-AG") in the commercial register on October 11, 2007.

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

The Company's registered office and address is Bäckerbreitergang 75, 20355 Hamburg, Germany. Registration was made in the commercial register at the local court of Hamburg under HRB No. 99204.

The consolidated financial statements of alstria office REIT-AG (hereinafter also referred to as the "Company" or "alstria office REIT-AG") as at December 31, 2012 were prepared and authorised for issue by resolution of the Company's Management Board on February 14, 2013.

The financial year ends on December 31 of each calendar year.

## 2 Basis of preparation

The consolidated financial statements of alstria office REIT-AG and its subsidiaries (together "the Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards

Board (IASB), including the interpretations of the standards (IFRIC). All IFRS and IFRIC were observed as adopted and prescribed by the EU as of the reporting date.

The consolidated financial statements have been prepared under the historical cost convention method except for investment property (land and buildings) and financial instruments that have been measured at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in » Note 5.

The consolidated financial statements are presented in euros. All values are rounded to the nearest thousand (EUR k) except when otherwise indicated.

These consolidated financial statements are financial statements for the period from January 1 to December 31, 2012.

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

Assets and liabilities are classified as non-current – for items due in more than one year – or current.

## 3 Changes in accounting policy and disclosures

### New and amended IFRS adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2012:

EU endorsement until Dec. 31, 2012	Standards	Content	Applicable for financial years beginning on/after	
				Effects
Nov. 22, 2011	Amendments to IFRS 7	Disclosures: transfer of financial assets	Jul. 1, 2011	Notes disclosure

› Amendments to IFRS 7 “Financial instruments: Disclosures”, issued October 7, 2010. The amendments are applicable to financial years starting on or after July 1, 2011. The amendments require enhanced derecognition disclosures in case of transfer transactions of certain financial assets. As transfer transactions of financial assets are not a normal part of alstria's business, these amendments have no significant influence on alstria's financial reporting.

The initial application of the newly applied IFRS does not have any material effect on the presentation of the consolidated interim financial statements.

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

In its 2012 consolidated financial statements, alstria office REIT-AG did not apply the following accounting standards or interpretations which have already been adopted by the IASB but were not required to be applied for the financial year 2012:

EU endorsement until Dec. 31, 2012	Standards/interpretations	Content	Applicable for financial years beginning on/after	Effects
Not yet endorsed	IFRS 9	Financial instruments: Classification and measurement	Jan. 1, 2015	No material effects
Dec. 11, 2012	IFRS 10	Consolidated financial statements	Jan. 1, 2013	Still to be assessed
Dec. 11, 2012	IFRS 11	Joint arrangements	Jan. 1, 2013	No material effects
Dec. 11, 2012	IFRS 12	Disclosure of interests in other entities	Jan. 1, 2013	Still to be assessed
Dec. 11, 2012	IAS 27	Separate financial statements	Jan. 1, 2013	None
Dec. 11, 2012	IAS 28	Investments in associates and joint ventures	Jan. 1, 2013	None
Dec. 11, 2012	IFRS 13	Fair value measurement	Jan. 1, 2013	Still to be assessed
Dec. 11, 2012	Amendments to IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	Jul. 1, 2011	None
Not yet endorsed	Amendments to IFRS 1	Government loans	Jan. 1, 2013	None
Dec. 13, 2012	Amendments to IFRS 7	Disclosures-offsetting financial assets and financial liabilities	Jan. 1, 2013	Notes disclosure
Not yet endorsed	Amendments to IFRS 7 and IFRS 9	Mandatory effective date and transition disclosure	Jan. 1, 2015	None
Jun. 5, 2012	Amendments to IAS 1	Presentation of items of other comprehensive income	Jul. 1, 2012	No material effects
Dec. 11, 2012	Amendments to IAS 12	Deferred tax: recovery of underlying assets	Jan. 1, 2012	None
Jun. 5, 2012	Amendments to IAS 19	Amendments to IAS 19, “Employee benefits”	Jan. 1, 2013	None
Dec. 13, 2012	Amendments to IAS 32	Offsetting financial assets and financial liabilities	Jan. 1, 2014	Notes disclosure
Dec. 11, 2012	IFRIC 20	Stripping costs in the production phase of a surface mine	Jan. 1, 2013	None
Not yet endorsed	Improvements to IFRSs	Improvements to IFRSs 2009–2011	Jan. 1, 2013	None
Not yet endorsed	Transition Guidance	Amendments to IFRS 10, IFRS 11 and IFRS 12	Jan. 1, 2013	No material effects
Not yet endorsed	Investment Entities	Amendments to IFRS 10, IFRS 12 and IAS 27	Jan. 1, 2013	No material effects

- › IFRS 9 “Financial instruments”; new standard originally issued on November 12, 2009. In November 2012 the IASB submitted a further draft concerning the limited amendment of IFRS 9. The standard addresses the classification and measurement of financial assets and is likely to affect the Group’s accounting of financial assets. Application of the standard is not mandatory until January 1, 2015, but subject to EU endorsement, the standard is available for early adoption. The Group has not yet assessed the full impact of IFRS 9.
- › IFRS 10 “Consolidated financial statements”; new standard issued on May 12, 2011. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The standard supersedes the guidelines on consolidation as outlined in the present IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities”. IFRS 10 is applicable to annual reporting periods beginning on or after January 1, 2013\*. It is not expected that the application of the new standard will lead to a change in the basis of consolidation of the Group.
- › IFRS 11 “Joint arrangements”; new standard issued on May 12, 2011. The core principle of IFRS 11 is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations, and accounts for those rights and obligations, in accordance with that type of joint arrangement. The standard supersedes IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. IFRS 11 is applicable to annual reporting periods beginning on or after January 1, 2013\*. It is not expected that the application of the new standard will lead to a change in the accounting for joint ventures.
- › IFRS 12 “Disclosures of interests in other entities”; new standard issued on May 12, 2011. The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, the interests in other entities and the effects of those interests on their financial position, financial performance and cash flows. IFRS 12 is applicable to annual reporting periods beginning on or after January 1, 2013\*. The Group has not yet assessed the full impact of IFRS 12.
- › IAS 27 “Separate financial statements”; new revised standard issued on May 12, 2011. IAS 27 (revised 2011) has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements. IAS 27 (2011) together with IFRS 10 “Consolidated Financial Statements” supersedes the previous version of IAS 27 (2008) “Consolidated and Separate Financial Statements” including the related interpretation SIC-12 “Consolidation – Special Purpose Entities”. IAS 27 (revised 2011) is applicable to annual reporting periods beginning on or after January 1, 2013\*. Since none of alstria’s Group companies prepares single-entity financial statements in accordance with IFRS, no impact on accounting is expected as a result of the revised standard.
- › IAS 28 “Investments in associates and joint ventures”; new standard issued May 12, 2011. The objective of IAS 28 (revised 2011) is to prescribe the accounting for investments in associates, and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 (2011), together with IFRS 12 “Disclosures of interests in other entities”, supersedes the previous version of IAS 28 (2008) “Investments in Associates”. IAS 28 (revised 2011) is applicable to financial years beginning on or after January 1, 2013\*. It is not expected that the application of the new standard will lead to a change in the accounting for joint ventures.
- › An entity may apply the aforementioned standards IFRS 10 “Consolidated Financial Statements”, IFRS 11 “Joint Arrangements”, IFRS 12 “Disclosure of Interests in Other Entities”, IAS 27 (2011) “Separate Financial Statements” and IAS 28 (2011) “Investments in Associates and Joint Ventures” to an earlier accounting period, but if it elects to do this prematurely, it must adopt all standards together.
- › IFRS 13 “Fair value measurement”; new standard issued on May 12, 2011. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument

\* Estimated shift of the mandatory application date for EU companies to January 1, 2014.

items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements, except for share-based payment transactions within the scope of IFRS 2 “Share-based Payment”, leasing transactions within the scope of IAS 17 “Leases”, measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 “Inventories”, or value in use in IAS 36 “Impairment of Assets”. IFRS 13 is applicable to annual reporting periods beginning on or after January 1, 2013. The management does not rule out that the application of the new standard may affect certain amounts reported in the financial statements and anticipates a more extensive disclosure in the financial statements.

- › Amendments to IFRS 1 “Severe hyperinflation and removal of fixed dates for first-time adopters”, issued on December 20, 2010. The amendment will be applicable for financial years starting on July 1, 2011 or later. Since alstria has no exposure to hyperinflation markets, the amendments will have no effect on alstria’s financial reporting.
- › Amendment to IFRS 1 with regard to government grants with interest rates not in line with market level. The Amendment was published on March 13, 2012 and will give first-time adopters the same relief to recognition and measurement of government grants as existing preparers. The amendment applies to annual periods beginning on or after January 1, 2013 and will have no effect on the Group’s financial reporting.
- › The IASB has revised the requirements for offsetting financial assets and financial liabilities and as a result, published on December 16, 2011 amendments to IAS 32 “Financial instruments: presentation” and IFRS 7 “Financial instruments: disclosure”. The current offsetting model in IAS 32 has been basically maintained and was solely substantiated by additional application guidance, which applies to annual periods beginning on or after January 1, 2014. A new feature is the IFRS 7 disclosure requirements inserted in connection with certain settlement agreements. The amendments to IFRS 7 are to apply retrospectively for annual periods beginning on or after January 1, 2013. Impact from these changes may result in terms of reporting in the event that there is a netting agreement.
- › Amendments to IFRS 10 “Consolidated financial statements”, IFRS 11 “Joint arrangements” and IFRS 12 “Disclosures of interests in other entities” – Transition Guidance. The amendments

will clarify the transition guidance in IFRS 10 and grants additional relief in all three standards. The amendments are applicable – similar to IFRS 10, IFRS 11 and IFRS 12 – to annual periods beginning on or after January 1, 2013\*.

- › Amendments to IAS 1 “Presentation of financial statements”. On June 16, 2011, the International Accounting Standards Board (IASB) published amendments to IAS 1. The amendments to IAS 1 retain the “one or two statement” approach at the option of the entity and only revise the way other comprehensive income is presented, requiring separate subtotals for those elements which may be “recycled”, and those elements that will not. The amendments are applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted. The amendments are not expected to affect presentation of the Group’s financial statements.
- › Amendment to IAS 12 “Deferred tax: Recovery of underlying assets”, issued on December 20, 2010. This amendment, which will have no impact on the financial reporting of alstria is generally to apply from January 1, 2012, but to date the endorsement by the EU is still pending.
- › Amendments to IAS 19 “Employee benefits”. On June 16, 2011, the IASB published amendments to IAS 19, implementing new reporting procedures on employee benefits. The amendments are applicable to annual periods beginning on or after January 1, 2013, with early adoption permitted. The amendments are not expected to affect presentation of the Group’s financial reporting.
- › IFRIC 20 “Stripping costs in the production phase of a surface mine”: IFRIC 20 considers when and how to account separately for benefits arising from the stripping activities in surface mining operations. IFRIC 20 applies to annual periods beginning on or after January 1, 2013. The interpretation has no relevance for the Group.
- › The International Accounting Standards Board (IASB) issued “Annual Improvements 2009–2011”, a collection of amendments to IFRSs, in response to issues addressed during the 2009–2011 cycle. Five standards (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) are primarily affected by the amendments, with consequential amendments to numerous others. The improvements apply to annual periods beginning on or after January 1, 2013 and will be of only minor, if any, relevance for the Group

The Group did not early adopt any new or amendment standards in 2012.

#### 4 Basis of consolidation

The consolidated financial statements comprise the financial statements of alstria office REIT-AG and its subsidiaries as at December 31, 2012. The financial statements of the subsidiaries are prepared for the same reporting year as for the parent company, using consistent accounting policies.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which the Group obtains control, which generally coincides with the date of acquisition. Inclusion in the consolidated financial statements ends on the date on which the Group ceases to have control.

All intra-Group balances, transactions, income and expenses, and profits and losses resulting from intra-Group transactions are eliminated in full upon consolidation.

In accordance with IFRS 3, all business combinations are accounted for using the acquisition method. The recognised assets and the acquired liabilities are measured in full at their fair value regardless of the ownership interest. The carrying values on the date on which control over the subsidiary was obtained are relevant. Any remaining debit difference is recognised as goodwill. After reassessment, any remaining credit difference is recognised immediately as profit. In the periods following the business combination, the disclosed hidden reserves and charges are carried forward, amortised or released, depending on the treatment of the corresponding assets.

The Company generally applies IFRS 3 to account for transactions under common control. However, for transactions under common control, any credit and debit differences resulting from capital consolidation are recognised as an increase or decrease in capital surplus.

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

The Group of consolidated companies includes 20 companies as well as two joint venture companies accounted for using the equity method.

#### Fully consolidated subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Group entity (subsidiaries of alstria office REIT-AG)	Share in capital (%)
alstria Bamlerstrasse GP GmbH, Hamburg	100
alstria Portfolio 1 GP GmbH, Hamburg	100
alstria Gänsemarkt Drehbahn GP GmbH, Hamburg	100
alstria Halberstädter Strasse GP GmbH, Hamburg	100
alstria Hamburger Strasse 43 GP GmbH, Hamburg	100
alstria Englische Planke GP GmbH, Hamburg	100
alstria Ludwig-Erhard-Strasse GP GmbH, Hamburg	100
alstria Mannheim/Wiesbaden GP GmbH, Hamburg	100
alstria office Bamlerstrasse GmbH & Co. KG, Hamburg	100
alstria office Englische Planke GmbH & Co. KG, Hamburg	100
alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg	100
alstria office Halberstädter Strasse GmbH & Co. KG, Hamburg	100
alstria office Hamburger Strasse 43 GmbH & Co. KG, Hamburg	100
alstria office Insterburger Strasse GmbH & Co. KG, Hamburg	100
alstria office Ludwig-Erhard-Strasse GmbH & Co. KG, Hamburg	100
alstria office Mannheim/Wiesbaden GmbH & Co. KG, Hamburg	100
alstria office Steinstrasse 5 GmbH & Co. KG, Hamburg	100
alstria solutions GmbH, Hamburg	100
alstria Steinstrasse 5 GP GmbH, Hamburg	100

Two entities – a limited partnership (Kommanditgesellschaft), alstria office Portfolio 2 GmbH & Co. KG, Hamburg, and its general partner (Komplementärin), alstria Portfolio 2 GP GmbH, Hamburg – were established in the first quarter of 2012. As fully owned affiliates of alstria office REIT-AG, these companies have been consolidated as part of the alstria Group. During the second quarter, a merger agreement between alstria office REIT-AG and alstria Portfolio 2 GP GmbH was closed, leading to the accretion of the alstria Portfolio 2 GP GmbH on alstria office REIT-AG by way of an up-stream merger with an effective date of May 1, 2012.

There have been no further changes to the consolidated Group since the consolidated financial statements as at December 31, 2011.



## Interests in joint ventures

The Group holds interests in two joint ventures resulting in a carrying amount at the end of the reporting period of EUR 18,183 k. alstria office REIT-AG holds a share of 49% in each of the two joint ventures. The joint ventures are Alstria IV. Hamburgische Grundbesitz GmbH & Co. KG, Hamburg, and Alstria VII. Hamburgische Grundbesitz GmbH & Co. KG, Oststeinbek.

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

EUR k	2012	2011
Non-current assets	30,896	85,159
Current assets	7,417	3,918
Non-current liabilities	17,685	45,913
Current liabilities	4,187	589
Profit or loss for the period	-734	13,064

## 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.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

### Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership in these properties and so accounts for the contracts as operating leases.

## Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Estimates are required in particular in order to:

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

In particular, in determining the fair value of the investment property, alstria office REIT-AG must apply and take account of numerous factors. A fair value measurement was performed by an independent third party (Colliers International UK plc, London; see » Note 7). If the future development of these properties differs from the estimate, large-scale losses resulting from the change in the fair value may be incurred. This can have a negative impact on the future results of operations.

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

### Value of the properties (EUR m)

Capitalisation rates	2012	2011
-0.25 %	1,697	1,686
0.00 %	1,622	1,529
0.25 %	1,553	1,458

A fair value measurement of the derivative financial instruments was performed by an independent third party and the market data compiled thereof were included in the standard measurement models. Thus, the usual estimation uncertainties exist regarding possible deviations from the market data used. We consider the models used to be adequate and believe that they do not engender any uncertainty as to their applicability.

The fair value of share-based virtual shares granted to the Management Board is measured at each balance sheet date until settlement and is classified as provisions. The expense of the period comprises the addition to, and the reversal of, the provision between two reporting dates and the dividend equivalent paid during the period. 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 according to the determinations in the underlying share-based incentive plan. The resulting personnel expenses caused an addition to provisions of EUR 563 k (December 31, 2011: EUR 558 k) and a provision in an amount of EUR 1,472 k in the consolidated financial statements as at December 31, 2012. Furthermore, the provisions are made up of provisions for rental guarantees in an amount of EUR 3,829 k. The determination of the amount of the provision for rental guarantees is based on the assessment of the possible exercise of the probability of use, which refers to information about the situation of tenants in relation to the possible exercise of the break option.

The fair value of convertible profit participation certificates granted to the employees of the Group was estimated at the respective granting dates using a binary barrier option model based on the Black-Scholes model; assumptions since the conversion will be affected automatically once the barrier has been reached. The model takes into account the terms and conditions upon which the instruments were granted. This valuation requires the Company to make estimates about these parameters, and hence they are subject to uncertainty.

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

EUR k	Dec. 31, 2012	Dec. 31, 2011
Investment property	1,622,988	1,528,589
Properties held for sale	10,010	0
Positive fair values of derivatives	806	1,471
Negative fair values of derivatives	35,080	40,032
Other provisions	5,191	3,767
Valuation of stock options, convertible profit participation rights and virtual shares	-1,174	-1,016

## 6 Seasonal or economic effects on business

The activities of alstria office REIT-AG (primarily the generation of revenues from investment properties) are not generally affected by seasonal factors. However, the sale of one or more large properties may 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 the net income of consumers or GDP, changes in interest rates, consumer confidence, and demographic and other factors inherent to the market. The change of the interest rate might lead to a modified valuation of the investment property and derivatives.

## 7 Summary of significant accounting policies

The following accounting and valuation methods have been used to prepare the consolidated financial statements of alstria office REIT-AG.

### Investment property

Investment property comprises all property that is held in order to generate rental income or long-term value increases in assets and is used neither in production nor for administrative purposes. It is recognised at acquisition costs at the time of addition. The costs include the transaction costs which have to be capitalised (particularly real estate transfer tax). In accordance with IAS 40.17, costs incurred subsequently for dismantling, replacing in parts or maintenance of property are also included.

Costs of debt which can be directly allocated to the acquisition or production of investment property are capitalised in the year in which they arise.

For subsequent measurement, the Company uses the fair value model according to IAS 40.33 et seq., which reflects market conditions at the end of reporting period.

All market values were determined by Colliers International UK plc, London, a renowned appraiser and brokerage firm, as at December 31, 2012.

The basis for deriving the fair values as defined by IAS 40.33 should be, where possible, prices in an active market for similar property (IAS 40.45). An analysis showed that there was not a sufficient number of official comparable transactions to derive any market values. In accordance with IAS 40.46, therefore, the fair value was determined on the basis of an income approach.

The method used is a hard-core and top-slice method, whereby rental income is horizontally segmented, with the hard-core portion representing the prevailing contractual rent. The top slice represents the difference between market rent and contractual rent. This method fulfils the requirements of the Red Book, a set of international valuation standards set forth by the Royal Institution of Chartered Surveyors. The method used by Colliers International UK plc is also appropriate and suitable for determining market values in accordance with the provisions of the International Valuation Standards (IVS, or the White Book).

In order to derive the fair value, the properties were divided into two groups and valued accordingly. Group 1 contained properties with anchor lease terms of five years or less and Group 2 held properties with anchor lease terms of more than five years.

Group 1 is for properties with leases set to expire in five years or less: Hard-core and top-slice method, taking account of:

- › the contractual rent for the remaining term of the lease;
- › a vacancy period of at least 18 months following expiry of the lease;
- › the necessary maintenance costs to re-let the properties at a comparable rent level;
- › re-lets at market rents;
- › the capitalisation rates reflecting the individual risk of the property as well as market activity (comparable transactions);

- › non-allocable operating costs in the amount of 5% of rental income p. a.; and
- › the net selling price.

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

- › the contractual rent for the remaining term of the lease;
- › re-lets at market rents (accounting for the difference between market rent and contractual rent);
- › the capitalisation rates reflecting the individual risk of the property as well as market activity (comparable transactions);
- › non-allocable operating costs in the amount of 5% of rental income p. a.; and
- › the net selling price.

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

Investment properties are derecognised when either 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 recognised in profit or loss in the year of retirement or disposal.

## Leases

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

## Operating leases

Lease agreements that alstria office REIT-AG has entered into with commercial tenants are classified as operating leases under IFRS. Accordingly, alstria office REIT-AG is lessor in numerous different types of operating lease agreements for investment properties. These leases generate the majority of proceeds and income for alstria office REIT-AG. Moreover, alstria office REIT-AG is, to a limited extent, lessee within the scope of operating leases.

## Impairment of assets

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

Assets that are amortised are tested for impairment whenever triggering events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

An impairment loss is charged in the amount of 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.

## Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation of plant and equipment is calculated on a straight-line basis over the useful life of the asset (three to 15 years). The useful life of own occupied property is estimated at 50 years. While the building is depreciated on a scheduled basis, the land is not part of a scheduled depreciation.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Cost of debt items which can be directly allocated to the acquisition or production of property, plant and equipment are capitalised in the year in which they arise.

## Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

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

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Depreciation of licences is calculated on a straight-line basis over the useful life of the asset (three to eight years).

Currently, the Company does not have intangible assets with indefinite useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

## Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

There are no deferred taxes because, according to the REIT status, alstria office REIT-AG is tax transparent and exempt from income taxation.

## Financial instruments

Pursuant to IAS 39, a financial instrument is any contract that gives rise to both a financial asset to one entity and a financial liability or equity instrument to another entity. Financial assets comprise in particular cash and cash equivalents, trade receivables, as well as other loans and receivables originated by the enterprise, held-to-maturity investments and original and derivative financial assets held for trading. Financial liabilities frequently underlie a claim to their return in cash or another financial asset. These include in particular liabilities to banks and other creditors, trade payables and derivative financial liabilities. Financial assets and liabilities are generally not offset.

## Financial assets

The recognition and measurement of financial assets are subject to the provisions of IAS 39. Depending on the classification prescribed by IAS 39:

- › held-to-maturity;
- › measured at fair value through profit or loss;
- › available-for-sale; or
- › loans and receivables

financial assets are either measured at amortised cost or at fair value and recognised as at the end of the reporting period.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the

Group determines fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

When financial assets are recognised initially, they are measured at fair value plus transaction costs for all financial assets not carried out at fair value through profit or loss. Management decides on the classification of financial assets on initial recognition and reviews the classification at the end of each reporting period. A financial asset is derecognised when the entity loses control of the contractual rights that comprise the financial instrument.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. A purchase or sale of financial assets is customary when it requires the delivery of assets within the period generally established by regulation or convention in the marketplace.

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

Derivative financial instruments which are not part of an effective hedge pursuant to IAS 39 must be classified as held for trading and recognised in profit or loss at fair value. If their fair value is negative, the instruments are disclosed under financial liabilities.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period, or unless the maturity at the end of reporting period is less than twelve months. The available-for-sale financial assets are initially recognised at fair value and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity; when they are sold or impaired their accumulated fair value adjustments are included in the income statement.

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

Financial assets have not been designated as "at fair value through profit or loss".

### Receivables

Receivables are classified as loans and receivables as defined by IAS 39 and measured initially at fair value and subsequently at amortised cost, if necessary after deduction of any impairment. Amortised costs are computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Within the scope of the measurement of trade receivables, a solvency check was performed on the tenants (risk associated with the legal validity of receivables) and certainty gained that there were no reasons for a rent reduction (delcredere risk). This is done for each individual property and portfolio basis, respectively.

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

Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired as well as through the amortisation process.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced directly. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying value of the receivable does not

exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

Provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced directly. Impaired assets are derecognised when they are assessed as uncollectable.

### Derivative financial instruments and hedge accounting

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

The instruments were measured as at December 31, 2012 by an independent third party. The fair value of derivative financial instruments is determined by discounting the expected future cash flows over the remaining life of the agreement based on current market rates or term structures of interest rates.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The method used for recording gains and losses depends upon whether the derivative was assigned to an underlying transaction as a hedge. To this end, financial management defines the hedge relationship between the hedging instrument and the hedged item and the aim of the risk management measure and underlying strategy when concluding the hedge transaction.

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

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes 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 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 their effectiveness throughout the financial reporting periods for which they were designated.

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

- › The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in profit or loss.
- › Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is realised.

The Group uses no financial derivatives that qualify for the hedging of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), nor such financial derivatives that qualify for the hedging of a net investment in a foreign operation (net investment hedge).

### Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprise current bank balances.

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

Current bank balances are recognised in the nominal amount.

### Treasury shares

Company equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### Liabilities

Financial liabilities, in particular trade payables, are stated at the amount repayable and are, if non-current and non-interest bearing, discounted.

The fair values are determined by discounting the future contractually agreed cash flows at the interest rates from the term structure of interest rates to the end of the reporting period.

The recognition and measurement of financial liabilities is subject to the provisions of IAS 39. Depending on the classification prescribed by IAS 39:

- › at amortised cost or
- › measured at fair value through profit or loss

financial liabilities are either measured at amortised cost or at fair value and recognised as at the end of reporting period.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated as "at fair value through profit or loss". After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.



The component of the convertible profit participation rights (Wandelgenussrechte) which exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of the jouissance shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond, and this amount is classified as a financial liability measured at amortised cost until it is extinguished on conversion or redemption.

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

### Provisions

Provisions are recognised where a present obligation exists to third parties as a result of a past event, where a future outflow of resources is probable and where a reliable estimate of that outflow can be made. Provisions are measured, taking account of all risks, at the best estimate of future cash outflows required to meet the obligation, and – if non-current – are discounted. Provisions are not offset with reimbursements.

### Share-based payment transactions

Share-based payment comprises cash-settled liability awards and equity-settled equity awards.

The fair value of equity awards is generally determined by using a modified Black-Scholes option pricing model at the grant date and represents the total payment expense to be recognised during the service period with a corresponding increase in equity (paid-in capital).

Liability awards are measured at fair value at each balance sheet date until settlement and are classified as provisions. The expense of the period comprises the addition to, and the reversal of, the provision between two reporting dates and the dividend equivalent paid during the period.

Further details on the share-based payment schemes are given in » Notes 17, 18 and 19, and in the remuneration report, respectively.

### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

**Rental income** Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

**Interest income** Revenue is recognised as interest accrues (using the effective interest rate that is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

### Income taxes

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

## 8 Segment reporting

IFRS 8 requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes.

As the type of services offered by alstria office REIT-AG is comprised exclusively of lessor activities for commercial property tenants in Germany, according to IFRS 8, a single reporting segment can be identified that is comprised of the Groups' total operations.

This reporting segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to, and assesses the performance of, the operating segments of an entity. The chief operating decision-maker has been identified as the Management Board.



Revenues are generated by a larger number of tenants. Of total revenues of EUR 101,286 k (previous year: EUR 90,798 k) EUR 31,127 k and EUR 15,671 k relate to leases with the two largest customers of the Group. No other single customer has, neither in the financial year 2011 nor in the financial year 2012, contributed with 10% or more to the consolidated revenues.

## 9 Notes to the consolidated income statement

### 9.1 Revenues

EUR k	2012	2011
Revenues from investment property	101,286	90,798

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

### 9.2 Income and expenses from passed-on operating expenses

EUR k	2012	2011
Income from passed-on operating expenses	15,967	13,257
Income from passed-on operating expenses related to the prior year	434	1,333
	<b>16,401</b>	<b>14,590</b>
Expenses from passed-on operating expenses	-15,967	-13,257
Expenses from passed-on operating expenses related to the prior year	-1,212	-1,757
	<b>-17,179</b>	<b>-15,014</b>
Income less expenses from passed-on operating expenses	<b>-778</b>	<b>-424</b>

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

### 9.3 Real estate operating expenses

EUR k	2012	2011
Maintenance and refurbishment	4,900	3,932
Vacancy	3,166	2,297
Running repairs	1,203	1,293
Property management	427	566
Tax on land and building	50	190
Brokerage fees	0	598
Other	652	630
	<b>10,398</b>	<b>9,506</b>

### 9.4 Administrative expenses

EUR k	2012	2011
Legal and consulting fees	1,754	3,193
Communication and marketing	607	548
Depreciation	471	401
IT maintenance	377	259
Audit fee (audit and audit-related services)	330	362
Travel expenses	318	376
Supervisory Board compensation	302	290
Insurances	179	122
Leasing costs	158	162
Recruitment	110	114
Sustainability expenses	54	66
Other	1,062	906
	<b>5,722</b>	<b>6,799</b>

### 9.5 Personnel expenses

EUR k	2012	2011
Salaries and wages	3,625	3,225
Social insurance contribution	524	457
Bonuses	1,228	1,204
Expenses for share-based compensation	1,174	1,016
<i>thereof relating to virtual shares</i>	564	558
<i>thereof relating to the convertible profit participation certificates</i>	610	458
Amounts for retirement provisions and disability Management Board	186	183
Other	112	254
	<b>6,849</b>	<b>6,339</b>

Convertible profit participation rights granted to employees entitle not only a conversion when the conditions apply, but also an annual payment equivalent to the dividend per share. Therefore, expenses for share-based compensation resulting from the convertible profit participation rights are to be recognised in equity (for the conversion right) as well as against liabilities (for the dividend entitlement). Out of the EUR 610 k expense in relation to the profit participation rights, EUR 506 k was recognised in equity (2011: EUR 407 k), while EUR 104 k was reflected in the liabilities (2011: EUR 51 k).

Within the course of 2012 the Group had 55 employees on average (2011: 48).

## 9.6 Other operating income

EUR k	2012	2011
Compensation payment for the early termination of leases	1,130	600
Success fee	579	0
Income from the reversal of accrued liabilities	387	431
Income in relation to development projects	326	156
Property management services	110	161
Payments on provisions on doubtful debts	80	302
Car use	52	40
Other	496	1,690
	<b>3,160</b>	<b>3,380</b>

The success fee relates to the procurement of a property transaction.

Income in relation to development projects relates to compensation received from tenants in individual cases for the restructuring of leased premises and can vary each year.

Among last year's other operating income of EUR 1,690 k an amount of EUR 1,229 k is included for charges passed on to a former majority shareholder. These are expenses that have been incurred in connection with the placement of shares of that shareholder in the capital market.

## 9.7 Other operating expenses

EUR k	2012	2011
Allocation to provision for rental guarantees	895	870
Impairment on trade receivables	64	117
Other	77	571
	<b>1,036</b>	<b>1,558</b>

Explanation of the allocation to provision for rental guarantees can be found in » Note 11.3.

## 9.8 Financial and valuation result

The financial result breaks down as follows:

EUR k	2012	2011
<b>Financial income</b>	<b>657</b>	<b>959</b>
Interest expenses syndicated loan	-14,383	-17,869
Interest expenses other loans	-9,385	-8,625
Interest result derivatives	-12,589	-9,611
Other interest expenses	-250	-7
<b>Financial expenses</b>	<b>-36,607</b>	<b>-36,112</b>
Expense resulting from net present value adjustments due to the discount of provisions	-76	-159
Commitment fees	-18	-23
Other	-41	-24
<b>Other financial expenses</b>	<b>-135</b>	<b>-206</b>
<b>Net financing result</b>	<b>-36,085</b>	<b>-35,359</b>

Total interest income and expenses for financial assets and liabilities which are not financial derivatives were EUR 657 k (interest income; 2011: EUR 959 k) and EUR 24,018 k (interest expenses; 2011: EUR 26,494 k), respectively.

Total interest expenses calculated using the effective interest method for financial liabilities that are not recognised at fair value through profit or loss were EUR 1,700 k (interest expenses; 2011: EUR 1,555 k).

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

The net loss from the fair value loss from the fair value adjustments on financial derivatives is shown below:

EUR k	2012	2011
Transfer of cumulated loss from cash flow hedge reserve to income statement	-986	-1,333
Ineffective change of the fair value of cash flow hedges	-1,069	-2,770
Change in fair value of financial derivatives not qualifying as a cash flow hedge	675	857
<b>Net loss from fair value adjustments on financial derivatives</b>	<b>-1,380</b>	<b>-3,247</b>

In 2012, EUR 986 k relates to cumulative loss in the fair value of cash flow hedge derivatives which was reported in equity and for which a forecast transaction is no longer expected to occur.

Further details and explanation on derivatives are shown under » Note 10.7.

## 9.9 Gain or loss on disposal of investment property

EUR k	2012	2011
Investment property disposal proceeds	8,189	2,820
Carrying value of investment property disposals	-8,080	-2,700
Valuation result of held-for-sale properties	260	0
	<b>369</b>	<b>120</b>

The loss from objects and portfolios sold below their carrying value amounts to EUR 146 k in 2012 and EUR 18 k in 2011.

## 9.10 Income taxes

Because of obtaining the G-REIT status, alstria office REIT-AG was subject to final taxation on the effective date of the transfer into a G-REIT in 2007 and is tax-exempt with regard to corporate tax and trade tax effective as of January 1, 2007.

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

**Deferred income tax** Due to the REIT tax exemption, there were no impacts on profit and loss, the financial statements, or equity or profit and loss in 2011 and 2012.

## 10 Notes to the consolidated statement of financial position – assets

### 10.1 Investment property

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

EUR k	2012	2011
<b>Fair values</b>		
<b>As at Jan. 1</b>	<b>1,528,589</b>	<b>1,348,400</b>
Property acquisition	101,844	169,200
Capital expenditure	12,867	26,309
Disposals	-8,080	-2,100
Reclassification to investment property	0	3,462
Reclassification from investment property	-606	0
Transfers to held for sale	-9,750	0
Net result from the adjustment of the fair value of investment property	-1,876	-16,682
<b>As at Dec. 31</b>	<b>1,622,988</b>	<b>1,528,589</b>

alstria office REIT-AG uses the fair value model pursuant to IAS 40.33 et seq. for subsequent measurement of investment property. External appraisals were obtained for measurement. For a detailed description of the valuation of assets, please see » Note 7.

In February 2012, alstria concluded a binding and notarised sales agreement for the acquisition of a property portfolio with six office properties. The transfer of benefits and burden of the properties took place in the second quarter of 2012. The investment for the portfolio amounted to EUR 95,092 k. One land asset of the portfolio is owned through a leasehold which was taken over by alstria. The fair value of the leasehold liability at the transfer date was EUR 6,752 k. The fair value of the leasehold as at December 31, 2012 amounted to EUR 7,130 k.

Capital expenditure (EUR 12,867 k) is made up of subsequent acquisition and production costs in relation to property acquisitions and refurbishment projects.

In the financial year 2012, alstria office REIT-AG sold two office properties with a transaction price of EUR 8,440 k.

In the financial year 2012, alstria office REIT-AG concluded two further binding and notarised sale agreements for the disposal of two investment properties. The assets have been reclassified to "held for sale" at the end of the reporting period. The properties were transferred to the buyer in the first quarter of 2013.

Borrowing costs that would have to be capitalised as construction cost of an asset were not incurred during the reporting period (2011: EUR 0 k).

Expenses/income disclosed in the income statement pursuant to IAS 40.75 (f):

- › EUR 101,286 k (2011: EUR 90,798 k) rental income from investment property;

› EUR 7,232 k (2011: EUR 7,209 k) operating expenses (including repairs and maintenance) directly allocable to investment property from which rental income was generated during the period under review; and

› EUR 3,166 k (2011: EUR 2,297 k) operating expenses (including repairs and maintenance) arising from investment property which did not generate rental income during the period under review.

Investment properties (including held-for-sale investment properties) have been used as security for bank loans in the amount of EUR 1,632,998 k (2011: EUR 1,528,589 k).

### 10.2 Equity-accounted investment

At the end of the reporting period, two companies in which alstria office REIT-AG holds a share of 49% were treated as joint ventures and accounted for using the equity method. The carrying amount of the joint ventures at the end of the reporting period was EUR 18,183 k (December 31, 2011: EUR 44,128 k). For further information please refer to » Note 4.

### 10.3 Property, plant and equipment

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

EUR k	Plant	Furniture and fixtures	Own occupied property	Total 2011
<b>Acquisition and production cost</b>				
As at Jan. 1, 2011	1,101	562	7,513	9,176
Additions	49	63	388	500
Transfer to investment property	0	0	-3,558	-3,558
<b>As at Dec. 31, 2011</b>	<b>1,150</b>	<b>625</b>	<b>4,343</b>	<b>6,118</b>
<b>Accumulated amortisation, depreciation and write-downs</b>				
As at Jan. 1, 2011	1,010	142	199	1,351
Additions	107	81	99	287
Disposals	0	0	-96	-96
<b>As at Dec. 31, 2011</b>	<b>1,117</b>	<b>223</b>	<b>202</b>	<b>1,542</b>
<b>Net book values as at Dec. 31, 2011</b>	<b>33</b>	<b>402</b>	<b>4,141</b>	<b>4,576</b>

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

The plants consist of miscellaneous items such as fire extinguishers or a control panel for a closed-circuit television system.

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

In order to secure Group liabilities, the properties are pledged with land charges as security.

#### 10.4 Intangible assets

EUR k	Licences	
	2012	2011
<b>Acquisition and production cost</b>		
As at Jan. 1	1,192	849
Additions	288	343
<b>As at Dec. 31</b>	<b>1,480</b>	<b>1,192</b>
<b>Accumulated amortisation, depreciation and write-downs</b>		
As at Jan. 1	742	530
Additions	271	212
<b>As at Dec. 31</b>	<b>1,013</b>	<b>742</b>
<b>Net book values as at Dec. 31</b>	<b>467</b>	<b>450</b>

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

The intangible assets consist of software licences and licences to other rights in an amount of EUR 266 k and EUR 201 k, respectively.

#### 10.5 Assets held for sale

Assets held for sale as presented in the consolidated statement of financial position refer exclusively to investment properties which have been transferred to the buyer until the issue date of these consolidated financial statements. The disposal of the two properties resulted in a disposal gain in an amount of EUR 260 k » Note 9.9.

#### 10.6 Receivables and other assets

Due to the specific nature of the business, the Group considers receivables due up to one year to be current. The following table presents an overview on the receivables of the Group:

EUR k	Dec. 31, 2012	Dec. 31, 2011
<b>Trade receivables</b>		
Rent receivables	3,656	2,449
<b>Accounts receivable from affiliates</b>	<b>89</b>	<b>2,095</b>
<b>Other receivables</b>		
"Rent-free period" receivables	2,998	3,461
Deposit account	1,624	1,586
Prepayments	142	154
Receivables and other assets	2,048	1,669
<b>Other receivables</b>	<b>6,812</b>	<b>6,870</b>

All receivables except EUR 1,624 k receivables (December 31, 2011: EUR 1,586 k) against an escrow holder are due within one year from the end of the reporting period. The fair value of all receivables is equal to their carrying amount in the balance sheet.

Trade receivables were written down by EUR 64 k (2011: EUR 117 k) due to rent payments in arrears. Other receivables, other than trade receivables, were not impaired.

As at December 31, 2012, trade receivables of EUR 1,343 k (2011: EUR 818 k) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

EUR k	Dec. 31, 2012	Dec. 31, 2011
<b>Trade receivables</b>		
Up to 3 months	820	508
3 to 6 months	103	91
Over 6 months	420	219
<b>Total</b>	<b>1,343</b>	<b>818</b>

To secure the loans of the Group, all receivables from rental and property sale agreements, as well as insurance receivables and derivative financial instruments, were assigned to the lenders » Note 11.2.

A total of EUR 2,998 k of the other receivables is made up of accruals resulting from the recognition of total rental revenues on a straight-line basis over the term of the lease agreements (rent smoothing).

Among the receivables and other assets of EUR 2,048 k an amount of EUR 1,229 k of receivables is included for charges passed on to a former majority shareholder. These are expenses that have been incurred in connection with the placement of shares of that shareholder in the capital market.

## 10.7 Derivative financial instruments

The following derivative financial instruments existed as at the end of reporting period or have been terminated during the reporting period:

Product	Strike p.a. (%)	Maturity date	Dec. 31, 2012		Dec. 31, 2011	
			Notional (EUR k)	Fair value (EUR k)	Notional (EUR k)	Fair value (EUR k)
Cap	3.0000	Sept. 30, 2019	42,500	395	0	0
Cap <sup>1)</sup>	4.6000	Oct. 20, 2015	47,902	8	0	0
Cap	4.9000	Dec. 20, 2012	0	0	75,000	0
Swap	4.1160	Jul. 10, 2013 <sup>4)</sup>	0	0	47,902	-2,479
<b>Interest rate derivatives – held for trading<sup>2)</sup></b>			<b>42,500</b>	<b>403</b>	<b>122,902</b>	<b>-2,479</b>
Cap	3.0000	Dec. 17, 2018	56,000	395	56,000	1,421
Cap	3.2500	Dec. 31, 2015	11,500	5	11,500	35
Cap	3.3000	Oct. 20, 2014	22,876	2	23,630	11
Cap	3.3000	Oct. 20, 2014	7,871	1	8,130	4
Swap <sup>1)</sup>	4.6000	Oct. 20, 2015	0	0	95,000	-6,921
Swap	2.1940	Dec. 31, 2014	37,283	-1,632	37,283	-1,234
Swap	2.9900	Jul. 20, 2015	472,500	-33,448	472,500	-29,398
<b>Interest rate derivatives – cash flow hedges<sup>3)</sup></b>			<b>608,030</b>	<b>-34,677</b>	<b>609,043</b>	<b>-36,082</b>
<b>Total<sup>2)</sup></b>			<b>650,530</b>	<b>-34,274</b>	<b>731,945</b>	<b>-38,561</b>

<sup>1)</sup> Not effective before July 10, 2013.

<sup>2)</sup> Notional excluding the EUR 47,902 k not effective before July 10, 2013.

<sup>3)</sup> Notional excluding the EUR 95,000 k not effective before July 10, 2013.

<sup>4)</sup> Terminated as at December 28, 2012.

The changes of the derivatives result from various effects. The following table shows the changes of alstria office REIT-AG's financial instruments since December 31, 2011 by category:

### Changes in financial derivatives

EUR k	Financial derivatives					Total
	Cash flow hedge reserve	Financial assets		Financial liabilities		
		Non-current	Current	Non-current	Current	
Hedging instruments as at Dec. 31, 2011	-17,760	1,471	0	-37,553	-2,479	-38,561
Effective change in fair values cash flow hedges	-5,363	0	0	-5,363	0	-5,363
Ineffective change in fair values cash flow hedges	0	-1,068	0	-1	0	-1,069
Net result from fair value changes in financial derivatives not qualifying for cash flow hedging	0	0	-193	0	868	675
Reclassification of cumulated loss from equity to income statement	986	0	0	0	0	0
Changes in accrued interests concerning financial derivatives	0	0	0	-204	246	42
Acquisitions	0	0	596	0	0	596
Disposals	0	0	0	8,041	1,365	9,406
Hedging instruments as at Dec. 31, 2012	-22,137	403	403	-35,080	0	-34,274

The notional amount of the financial derivatives, which includes cash flow hedges and derivatives not qualifying for cash flow hedging, effective at the end of the reporting period is EUR 650,530 k (December 31, 2011: EUR 731,945 k). One cap with a notional amount of EUR 47,902 will not become effective before July 10, 2013. Derivatives with a notional amount of EUR 47,902 k (December 31, 2011: EUR 122,902 k) are not designated as a cash flow hedge.

A decrease of EUR 5,363 k in fair values of derivatives effective in a cash flow hedge has been recognised in the hedging reserve in 2012 (2011: decrease of EUR 14,171 k).

The ineffective portion recognised in profit or loss that arises from cash flow hedges amounted to a fair value loss of EUR 1,069 k (2011: gain of EUR 2,770 k).

Further gains totalling EUR 675 k (2011: gain of EUR 857 k) due to the market valuation of derivatives not included in hedge accounting were recorded in the income statement 2012.

A loss of EUR 986 k (2011: EUR 1,333 k) relates to cumulative losses from cash flow hedges for which the forecast transaction is no longer expected to occur due to premature repayment of the loans.

Together, this results in a loss of EUR 1,380 k (2011: loss of EUR 3,247), which is shown as "net result from fair value adjustments on financial derivatives".

In line with alstria's hedging strategy, the Group entered into a new interest rate forward cap with a notional amount of EUR 47,902 k and a strike of 4.6000%. The cap will become effective on July 10, 2013 and expires on October 20, 2015. This transaction became effective as at June 12, 2012.

The interest rate forward cap agreement partially replaced a so far existing interest rate forward swap with a notional amount of EUR 95,000 k, a swap rate of 4.6000% and an initial maturity between July 10, 2013 and October 20, 2015. The forward interest rate swap agreement was terminated in the total notional amount of EUR 95,000 k with effect from June 14, 2012.

A second financial derivative in the form of an interest rate cap was entered into on December 13, 2012. The interest rate cap with a notional amount of EUR 42,500 k and a strike of 3.0000%, became effective on December 28, 2012 and is scheduled to expire on September 30, 2019. The cap is not designated into a cash flow hedge relationship.

Additionally an existing interest rate swap with a notional amount of EUR 47,902 k, a swap rate of 4.1160% and an initial maturity date of July 10, 2013 was terminated with an effective date of December 28, 2012.

## 10.8 Cash and cash equivalents

EUR k	Dec. 31, 2012	Dec. 31, 2011
Bank balances	118,548	96,009

Bank balances earn interest at floating rates based on daily bank deposit rates. As at the end of the reporting period, EUR 252 k (December 31, 2011: EUR 270 k) of the cash and cash equivalents was restricted. The amount corresponds to accrued interest obligations and amounts on other bank accounts for which the Company does not have free disposition.

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

### 11.1 Equity

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

### Share capital

Thousand	Dec. 31, 2012	Dec. 31, 2011
Ordinary share of EUR 1 each	78,933	71,704

The issue of 7,170,362 new shares for cash increased the share capital of alstria office REIT-AG by EUR 7,170,362. The share capital increased from EUR 71,703,625 to EUR 78,873,987. This capital increase was registered in the commercial register (Handelsregister) on February 23, 2012.

The conversion of profit participation rights » Note 12 in the second quarter of 2012 resulted in the issue of 59,500 new shares by using the conditionally increased capital provided for such purposes (Conditional Capital III).

On December 31, 2012 alstria office REIT-AG's share capital amounted to EUR 78,933,487, represented by 78,933,487 non-par value bearer shares.

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

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

Number of shares	2012	2011
alstria's shares at Jan. 1	71,703,625	61,599,999
Treasury shares at Jan. 1	0	-2,374
<b>Shares outstanding at Jan. 1</b>	<b>71,703,625</b>	<b>61,597,625</b>
Issue of new shares	7,170,362	10,000,000
Conversion of convertible participation rights	59,500	103,626
Disposal of treasury shares	0	2,374
<b>As at Dec. 31</b>	<b>78,933,487</b>	<b>71,703,625</b>



### Capital surplus

The capital reserve changed as follows during the financial year:

EUR k	2012	2011
<b>As at Jan. 1</b>	<b>751,084</b>	<b>700,036</b>
Contributions to capital surplus	53,778	85,000
Transaction costs of issue of shares	-1,310	-2,938
Payment of dividends	-34,705	-31,503
Share-based payments	506	407
Conversion of convertible participation rights	59	104
Conversion of treasury shares	0	-22
<b>As at Dec. 31</b>	<b>769,412</b>	<b>751,084</b>

The new shares generated from the capital increase were offered and sold at a price of EUR 8.50 per share. The issue proceeds by which the nominal share capital increase was exceeded amounted to EUR 53,778 k and were recognised as capital reserve. The share placement resulted in an overall increase in the capital reserve of EUR 52,468 k, based on contributions of EUR 53,778 k and expenses of EUR 1,310 k.

An increase of EUR 506 k (2011: EUR 407 k) resulted from the vesting of the convertible profit participation certificates granted to employees of the Group.

In the course of dividend payments, in 2012 the Company distributed dividends totalling EUR 34,705 k (EUR 0.44 per outstanding share) out of the capital reserve to its shareholders.

### Hedging reserve

EUR k	Dec. 31, 2012	Dec. 31, 2011
Hedging reserve	-22,137	-17,760

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

### Treasury shares

As at December 31, 2012, the Company held no treasury shares.

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

### Retained earnings

Retained earnings as at December 31, 2012 showed an amount of EUR 3,079 k. Since the payment of the dividend could not be generated from positive retained earnings at the time the dividend was paid, the amount of the dividend pay-outs in 2012 was paid from the capital reserve.

## 11.2 Financial liabilities

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

EUR k	Non-current		Current		Total
	Loan		Accrued interest	Total current	Dec. 31, 2011
<b>Loans</b>					
Syndicated loan	566,507	0	92	92	566,599
Other loans	288,307	3,698	715	4,413	292,720
<b>Total</b>	<b>854,814</b>	<b>3,698</b>	<b>807</b>	<b>4,505</b>	<b>859,319</b>

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

As at December 31, 2012, the notional amount of the loans used by alstria office REIT-AG is EUR 896,984 k (December 31, 2011: EUR 864,801 k). The lower carrying amount of EUR 892,091 k (EUR 882,105 k non-current and EUR 9,986 k current) takes into account interest liabilities and transaction costs to be allocated under the effective interest method upon the raising of liabilities. Financial liabilities with a maturity of up to one year are recognised as current loans.

alstria successfully refinanced its main credit facility on July 20, 2010. A syndicate consisting of five banks has provided a credit facility totalling EUR 630 m ("syndicated loan"). Out of this nominal amount, EUR 564,721 k had been drawn as of December 31, 2012 (December 31, 2011: EUR 571,339 k). The carrying amount was EUR 561,070 k as of December 31, 2012 (December 31, 2011: EUR 566,507 k). The difference between the notional amount and the carrying amount is due to the allocated transaction costs accounted under the effective interest rate method.

The loan agreement has a maturity of five years until July 20, 2015. The syndicated loan was arranged by UniCredit Bank AG and underwritten by Berlin-Hannoversche Hypothekenbank AG, Hypothekenbank Frankfurt AG (formerly: Eurohypo Aktiengesellschaft), HSH Nordbank AG and Natixis S.A. In relation to the disposal of three office buildings, alstria repaid EUR 6,619 k on its syndicated loan in the reporting period 2012.

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

alstria office REIT-AG entered into a new floating rate loan in March 2011 in relation to the acquisition of two office buildings. The interest rate on this loan is based on the three-months EURIBOR rate plus a spread of 180 basis points. The loan facility, of which EUR 11,500 k has been drawn, amounts to EUR 14,000 k and matures at the end of 2015.

Two other new floating rate loans were closed in November 2011, both with an interest rate based on the three-months EURIBOR rate plus a spread of 135 basis points and a maturity until December 17, 2018. The loans serve to refinance a newly acquired portfolio of six investment properties and were drawn in an amount of EUR 56,000 k as at December 31, 2012. In the third quarter of 2012 a loan agreement for a credit facility of EUR 42,500 k was closed. The floating rate loan, based on the three-months EURIBOR rate plus a spread of 180 basis points has a maturity until September 30, 2019 and was paid out to the Group on December 28, 2012.

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

The variable interest of the loans is payable on a quarterly basis, with the standard margin and borrowing costs for the market added to the respective EURIBOR rate.

Due to the variable interest rate, there are no significant differences between the carrying amounts and fair value with the exception of transaction costs.

A total of EUR 100,945 k (December 31, 2011: EUR 103,629 k) in financial liabilities from non-recourse loans relates to two fixed interest rate loans. As at the end of the reporting period, these loans had a fair value of EUR 102,906 (December 31, 2011: EUR 104,587 k).

As at December 31, 2012, loans were reduced by transaction costs of EUR 5,418 k (December 31, 2011: EUR 6,289 k).

The average debt maturity as at the end of the reporting period decreased to 3.0 years compared to 3.8 years as at December 31, 2011.

The average interest rate of the Group's loans amounted to a rate of 3.9% at the end of the reporting period.

The carrying amounts of the loans are all denominated in euros; the fair value of all financial liabilities, with the exception of the transaction cost and the fixed interest rate loan, approximates their nominal value at the end of the reporting period.

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

EUR k	Dec. 31, 2012	Dec. 31, 2011
Up to 1 year	6,646	1,014
More than 1 year	789,393	720,336
<b>Total</b>	<b>796,039</b>	<b>721,350</b>

The following loans are secured by land charges:

EUR k	Dec. 31, 2012	Dec. 31, 2011
Financial liabilities secured by land charges	892,091	859,319
<i>thereof on investment property</i>	887,357	855,178

### 11.3 Other provisions

In respect of the sale of properties, the Group has accepted the commitment to compensate the buyer for possible rent income shortfalls in case of non-extension of rental agreements existing with certain tenants at the disposal date. A provision amount of EUR 3,829 k was calculated as the net present value of possible cash outflow due to this rental guarantee for which a realisation is expected more likely than not. The commitment relates to a six-year rental period starting in 2014. The same circumstances led to contingent liabilities » Note 12.2. At December 31, 2011, the provision for the rental guarantees amounted to EUR 2,858 k. The increase in this provision in an amount of EUR 76 k results from the change in the net present value due to the time shift and discount rate changes. The remaining EUR 895 k increase in the provision for rental guarantee is based on the modification in the expectation of realisation, which takes into account new information of the tenants' situation with regard to its claiming on using the possible break option.

In addition EUR 1,472 k (December 31, 2011: EUR 909 k) is recognised as provision for awarding the Long- and Short-Term Incentive Plan » Note 18.

## 11.4 Trade payables and other liabilities

EUR k	Due		Total	Due		Total
	Up to 1 year	In more than 1 year	Dec. 31, 2012	Up to 1 year	In more than 1 year	Dec. 31, 2011
<b>Trade payables</b>						
Trade payables	3,735	0	3,735	3,201	0	3,201
	<b>3,735</b>	<b>0</b>	<b>3,735</b>	<b>3,201</b>	<b>0</b>	<b>3,201</b>
<b>Other current liabilities</b>						
Property lease liability	361	6,387	6,748	0	0	0
Outstanding invoices	5,071	0	5,071	5,566	0	5,566
Advance disposal price payments received	2,640	0	2,640	0	0	0
Advance rent payments received	1,309	0	1,309	2,292	0	2,292
Accrued bonuses	1,210	0	1,210	1,140	0	1,140
Customers with credit balances	1,103	0	1,103	0	0	0
Received deposits	758	742	1,500	640	989	1,629
Value added tax liabilities	561	0	561	0	0	0
Supervisory Board compensation	302	0	302	268	0	268
Auditing costs	286	0	286	167	0	167
Consultancy costs	18	0	18	48	0	48
Miscellaneous other liabilities	416	0	416	722	0	722
	<b>14,035</b>	<b>7,129</b>	<b>21,164</b>	<b>10,843</b>	<b>989</b>	<b>11,832</b>

The disclosed carrying amounts approximate their fair values.

Trade payables relate to operating costs not yet invoiced of EUR 2,492 k (December 31, 2011: EUR 1,669 k), liabilities from project development, rental activities and third-party real estate management services of EUR 1,243 k (December 31, 2011: EUR 1,119 k).

The property lease liability resulted from property leasehold acquired within the financial year. The property lease matures in December 2088. The annual lease payment rate is EUR 381 k and its development is attached to the development of the annual average consumer price index in Germany.

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

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

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

## 11.5 Trust assets and liabilities

As at the end of the reporting period, alstria office REIT-AG had trust assets worth an amount of EUR 1,624 k (December 31, 2011: EUR 1,586 k) and liabilities of EUR 758 k (December 31, 2011: EUR 640 k), in particular from rent deposits.

### 11.6 Deferred taxes

According to its REIT status, alstria office REIT-AG has been fully tax transparent for income taxes starting from January 1, 2007. Therefore, at the end of reporting period, as well as at the end of the prior years' reporting period, deferred taxes do not exist.

## 12 Other notes

### 12.1 Compensation of Management

#### Board and Supervisory Board

**Management Board** In 2012, the overall compensation of the members of the Management Board totalled EUR 2,221 k (2011: EUR 2,260 k). As at the reporting date, liabilities for the compensation of the members of the Management Board amounted to EUR 360 k (2011: EUR 360 k). Under the stock option programme of alstria office REIT-AG, members of the Management Board held non-transferable stock options for 375,000 shares of alstria office REIT-AG as at December 31, 2012 and 2011, respectively. The stock options had been granted under the regime of the meanwhile terminated stock option programme implemented in 2007. Details of the stock option programme are also included in these notes » Note 17. Out of the subsequent cash-settled share-based incentive plan implemented in 2010, 292,294 virtual shares were granted to the members of the Management Board as at December 31, 2012 » Note 18.

**Supervisory Board** Pursuant to the articles of association, Supervisory Board members' fixed annual payment amounted to EUR 302 k (2011: EUR 290 k).

Further information on disclosures according to Section 314 para. 1 no. 6a HGB (German Commercial Code) and IAS 24.16 is provided in the remuneration report see » appendix to the Group management report pages 90 to 93.

### 12.2 Commitments and contingencies

Other financial obligations from refurbishment projects and ongoing maintenance amounted to EUR 6,481 k (2011: EUR 9,377 k).

In respect of the sale of properties, at the disposal date the Group accepted the commitment to compensate the buyer for possible rent income shortfalls in case rental agreements existing with certain tenants are not extended. Contingencies out of this commitment amounted to EUR 670 k (December 31, 2011: EUR 5,094 k). The commitment relates to a six-year rental period starting in 2014. According to the details of the rental guarantees and the lettability of the objects, the Company does not expect a claim to come out of the rental guarantees. The same circumstances led to provisions for rental guarantees » Note 11.3. The decrease in this commitment from EUR 5,094 k to EUR 670 k is based on the renewal of the lease length of a part of the rental areas in question, resulting in the termination of the rental guarantee originally granted for these areas.

As at December 31, 2012, there was no rental agreement for the administrative premises with a minimum lease length. Out of other leasing agreements, future financial obligations arose in an amount of EUR 248 k. EUR 128 k of which has a residual maturity up to one year and the remainder, EUR 120 k, a remaining maturity of one to five years.

Annual lease payments in an amount of currently EUR 381 k are to be paid for an existing property lease. The development of the lease payment rate is attached to the development of the annual average consumer price index in Germany.

#### Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio, consisting of the Group's surplus office and manufacturing buildings. These non-cancellable leases have remaining terms of between one and 23 years. Most leases include an indexation clause, i.e. the rental charges may be raised annually according to prevailing market conditions.

Future minimum rental charges receivable under non-cancellable operating leases are as follows:

EUR k	Dec. 31, 2012	Dec. 31, 2011
Within 1 year	98,079	89,826
After 1 year but not longer than 5 years	296,037	286,454
More than 5 years	314,741	379,458
	<b>708,857</b>	<b>755,738</b>

### 12.3 Consolidated cash flow statement

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

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

Cash flows from operating activities for the financial year 2012 amounted to EUR 45,735 k. The significant increase compared to the reporting period 2011 (EUR 38,457 k) resulted mainly from higher rental revenues and lower payments for interest expenses.

The cash flow from investing activities is impacted by the cash outflows resulting from the acquisitions of the DIVE portfolio and investments in existing properties (cash outflow EUR 107,125 k). Cash inflows of EUR 11,080 k relate to payments received for the sale of investment properties. Proceeds from the equity release of interests in joint ventures generated cash inflows in an amount of EUR 25,212 k.

The cash flows from financing activities mainly reflect the proceeds from shares issued in an amount of EUR 59,756 k net and the dividend payment (EUR 34,705 k). Furthermore, cash outflows were made for the acquisition or termination of financial derivatives (EUR 10,002 k) and in an amount of EUR 10,317 k for the redemption of loans.

The cash and cash equivalents in the cash flow statement relate to all cash disclosed in the balance sheet, i.e. cash on hand and bank balances.

## 13 Related party relationships

### 13.1 Preliminary remarks

Related parties are members of the management of alstria office REIT-AG (Management Board and Supervisory Board) and close family members of these persons. Related parties also include entities with controlling influence over the Group and entities with joint control over, or significant influence on, alstria office REIT-AG.

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

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

In the view of alstria office REIT-AG's management, all transactions with related parties, entered into in the financial year 2012, were effected on arm's length terms or under conditions in alstria office REIT-AG's favour.

### 13.2 Remuneration of key management personnel

For a detailed description of the remuneration of key management personnel, please refer to » Note 12.1 and the remuneration report » see appendix to the Group management report.

### 13.3 Related party transactions

At the end of the reporting period, the Group had receivables of EUR 89 k (December 31, 2011: EUR 2,095 k) against the joint ventures. Furthermore, alstria office REIT-AG received EUR 701 k (2011: EUR 317 k) from the joint venture as compensation for services connected to real estate.

Further transactions with related parties did not arise during the reporting period.

## 14 Earnings per share

Basic earnings per share are calculated as the quotient of the profit attributable to the shareholders and the weighted average number of shares outstanding during the financial year – except for the average number of treasury shares held by the Company itself.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary owners of the parent company by the weighted average number of ordinary shares outstanding during the year – except for the treasury shares held by the Company itself – plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2012	2011
Profit attributable to the shareholders (EUR k)	39,911	27,448
Average number of shares outstanding (thousands)	77,848	69,245
Basic earnings per share (EUR per share)	0.51	0.40

There were no dilution effects resulting from the granted stock options or the convertible profit participation rights during the period under review, as the related vesting conditions were not satisfied as at the end of the reporting period.

For further information concerning granted stock options and convertible profit participation rights, please see » Notes 17 and 19.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

alstria office REIT-AG is authorised to issue up to EUR 27,912 k shares as conditional capital. These contingently issuable shares could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are non-dilutive for the period presented.

## 15 Dividends paid

EUR k	2012	2011
Equity dividends on ordinary shares <sup>1)</sup> not recognised as a liability as at Dec. 31	34,705	31,503
Dividend per share (without treasury shares)	0.44	0.44

<sup>1)</sup> Refers to all shares except treasury shares at the dividend payment date.

The annual general meeting of alstria office REIT-AG held on April 24, 2012, resolved to distribute dividends totalling EUR 34,705 k (EUR 0.44 per outstanding share). The dividend was distributed on April 25, 2012. The dividends paid out in 2011 totalled EUR 31,503 k (EUR 0.44 per share outstanding).

## 16 Employees

During the period from January 1 to December 31, 2012, the Company had an average of 55 employees (January 1 to December 31, 2011: on average 48 employees). The average was calculated by the fourth part of the total of employed people at the end of each quarter. On December 31, 2012, 59 people (December 31, 2011: 50 people) were employed at alstria office REIT-AG, excluding the Management Board.

## 17 Stock option programme

On March 27, 2007, the Supervisory Board of the Company resolved to establish a stock option programme for the members of the Management Board. The Supervisory Board fixed the details of the stock option programme in accordance with the authorisation granted by the general meeting of shareholders of March 15, 2007, and granted a first tranche of stock options to the Management Board.

The main terms of the stock option programme resolved by the Supervisory Board can be summarised as follows:

Under the stock option programme, up to 2,000,000 options entitling to the subscription of a maximum of 2,000,000 shares of the Company with a total nominal value of EUR 2,000 k may be granted to members of the Management Board. The stock options will be granted in annual tranches. The first tranche was granted by the Supervisory Board in 2007, subject to the conditions below. The exercise price for the stock options granted in 2007 is EUR 16. In 2010, the stock option programme was replaced by a new long-term incentive plan that is described in detail in » Note 18. The stock options granted in 2007 under the terminated stock option program stay unaffected.

At the beginning of the reporting period, 515,625 stock options outstanding existed. Therefore, the amount of stock options outstanding as at the end of reporting period remained unchanged. None of these stock options are exercisable. The personnel expenses resulting from the allocation of the fair values of the stock options at the granting date over the vesting period amounted to EUR 0 k in 2012 and 2011.

The fair values of the options outstanding were estimated at the respective granting dates using a Black-Scholes model and partial-time barrier options, taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for the determination of the fair value of the stock options granted:

Fair value of stock options granted on	Mar. 27, 2007	Sept. 5, 2007
Dividend yield (%)	3.60	3.60
Risk-free interest rate (%)	4.21	4.29
Expected volatility (%)	30.00	30.00
Expected life of option (years)	4.50	4.50
Exercise share price (EUR)	16.00	16.00
Labour turnover rate (%)	0.00	0.00
Stock price as at valuation date (EUR)	16.00	13.93
Estimated fair value of one stock option at the granting date (EUR)	3.17	2.28

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

The term of each stock option is seven years beginning with the respective issue date. The stock options may only be exercised if the current stock exchange price of the Company's shares exceeds the stock exchange price of the Company's shares on the issue date by 20% or more for at least seven non-subsequent trading days of the Frankfurt Stock Exchange prior to the commencement of the respective exercise period. The stock options may only be exercised after the expiration of a vesting period of two years, and then during the four exercise periods each year. Each exercise period lasts 30 days, commencing with the day of announcement of the results for the first, second and third quarters, and the day of the Company's Annual General Meeting. There are no cash settlement alternatives.

### 18 Share-based remuneration

On March 2, 2010, the Company's Supervisory Board established a new share-based remuneration system as part of the success-based remuneration for members of the Management Board. The share-based remuneration is made up of a long-term component, the Long-Term Incentive Plan (LTIP), and a short-term component, the Short-Term Incentive Plan (STIP). The remuneration type is a cash-settled and share-based payment transaction, respectively.

Under the LTIP, alstria office REIT-AG grants virtual shares, which give an entitlement to conversion into cash payments after four years.

The amount of the conversion payment is based on the number of virtual shares, multiplied by the average stock market price of alstria's shares on the Frankfurt Stock Exchange during the last 60 trading days prior to the relevant maturity date, plus an amount equal to the sum of the dividend per share paid by the Company to its shareholders between the grant date and the maturity date, but in no event higher than 250% of the average stock market price of alstria's shares on the Frankfurt Stock Exchange in the last 60 trading days prior to the relevant grant date, multiplied by a specified discretionary factor.



The discretionary factor is a multiplier that can vary between 0.8 and 1.2, and is subject to the individual performance of each participant during the respective holding period.

The determination of virtual shares will depend in equal amounts on the absolute return of the alstria share price (absolute total shareholder return) and on the relative performance of alstria's share in relation to the EPRA Index Continental Europe (relative total shareholder return).

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

Virtual shares under the short-term variable remuneration (STIP) were granted for the first time on March 3, 2011. The virtual shares resulting from the STI are subject to a minimum vesting period of two years. The virtual STI shares will be converted into a cash amount after the expiry of the vesting period. This cash amount is calculated on the basis of the number of virtual shares, multiplied by the share price of one alstria share at that time, and is calculated on the basis of a reference period.

The development of the virtual shares until December 31, 2012 is shown in the following table:

Number of virtual shares	Dec. 31, 2012		Dec. 31, 2011	
	LTIP	STI	LTIP	STI
Jan. 1	175,711	11,718	99,009	0
Granted in the reporting period	91,954	12,911	76,702	11,718
<b>Dec. 31</b>	<b>267,665</b>	<b>24,629</b>	<b>175,711</b>	<b>11,718</b>

In 2012, the LTI and the STI generated remuneration expenses amounting to EUR 563 k (2011: remuneration expenses of EUR 558 k) and provisions amounting to EUR 1,472 k (December 31, 2011: EUR 909 k). The Group recognises the liabilities arising from the vested virtual shares under other provisions.

## 19 Convertible profit participation rights programme

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

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

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

The certificates are issued as non-transferable rights and are neither sellable nor pledgeable or otherwise chargeable.

The maximum term of each certificate is five years.

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

Each certificate shall be converted into one non-par-value bearer share of the Company on the second, third, fourth or fifth anniversary date of the issue date if the then current stock exchange price of the Company's shares has exceeded the stock exchange price of the Company's shares on the issue date by 5% or more on at least seven non-subsequent trading days (market condition). For the 86,000 certificates issued on June 18, 2012, this market condition was fulfilled until the end of the financial year 2012.

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

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

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

Granting date of tranche	Sept. 6, 2007	Jun. 6, 2008	Jun. 17, 2010	Jun. 9, 2011	Jun. 18, 2012	Total
<b>Jan. 1, 2012</b>	<b>2,200</b>	<b>36,000</b>	<b>59,500</b>	<b>80,000</b>	<b>0</b>	<b>177,700</b>
Expired due to time lapse	-2,200	0	0	0	0	-2,200
Expired due to termination of employment	0	-500	0	-7,000	0	-7,500
Converted	0	0	-59,500	0	0	-59,500
Granted	0	0	0	0	86,000	86,000
<b>Dec. 31, 2012</b>	<b>0</b>	<b>35,500</b>	<b>0</b>	<b>73,000</b>	<b>86,000</b>	<b>194,500</b>

Total expenses relating to convertible profit participation rights were EUR 610 k in 2012 » Note 9.5.

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

Granting date of tranche	Sept. 6, 2007	Jun. 6, 2008	Jun. 17, 2010	Jun. 9, 2011	Jun. 18, 2012
Dividend yield (%)	3.70	4.70	6.06	4.23	5.76
Risk-free interest rate (%)	4.20	4.65	0.47	1.67	0.04
Expected volatility (%)	30.00	35.00	58.00	47.00	38.00
Expected life of option (years)	2.00	2.00	2.00	2.00	2.00
Exercise share price (EUR)	2.00	2.00	2.00	2.00	2.00
Labour turnover rate (%)	10.00	10.00	10.00	10.00	10.00
Stock price as at valuation date (EUR)	13.18	11.03	8.25	10.40	7.64
Estimated fair value of one option for conversion at the granting date	10.77	8.76	6.19	8.25	5.45

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

## 20 Financial risk management

The financial instruments chiefly used by the Group are bank loans and derivative financial instruments. The main purpose of the bank loans is to finance the business activities of alstria office REIT-AG. The Company also has various financial assets, such as cash and short-term deposits, which arise directly from business activities.

Derivative financial instruments include interest swaps and caps. The purpose of these derivative financial instruments is to hedge against interest risks arising from the Company's business activities and its sources of financing.

The main risks arising from the Group's financial instruments are cash flow interest rate risks and liquidity risks. The Group is not exposed to any significant credit risks. The amount that best presents the maximum credit risk is the carrying amount of financial assets. The Management Board decides on strategies and processes for managing specific risk types. These are presented on the following pages.

Risks that could arise as a result of the financial crisis are seen mainly in a potential default of payment by a major tenant. Due to the fact that all of the Company's main tenants are public institutions or still highly rated, the risk of default of payments is currently limited.

alstria office REIT-AG's syndicated loan facility agreement allows for a loan to value (LTV) ratio of up to 70%. The Company managed to keep the LTV ratio for the syndicated loan on the relevant test date at 54.1%. The risk of a breach of covenant is effectively countered.

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

### Existing loan agreements

as at December 31, 2012

Loan	Maturity	Principal amount outstanding (EUR k)	Current LTV (%)	LTV covenant (%)
Syndicated loan	Jul. 20, 2015	564,721	54.1	70.0
Non-recourse loan #1	Oct. 20, 2015	47,902	70.2	80.0
Non-recourse loan #2	Dec. 31, 2014	42,670	64.9	80.0
Non-recourse loan #3	Jun. 30, 2014	29,568	56.0	60.0
Non-recourse loan #4	Oct. 20, 2014	30,747	55.0	65.0
Non-recourse loan #5	Jan. 31, 2017	71,376	60.2	75.0
Loan #6	Dec. 31, 2015	11,500	58.7	75.0
Loan #7	Dec. 17, 2018	56,000	48.8	60.0
Loan #8	Sept. 30, 2019	42,500	45.6	65.0
<b>Total as at Dec. 31, 2012</b>		<b>896,984</b>	<b>55.0</b>	

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

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

EUR k	< 1 year	1–2 years	2–3 years	3–4 years	> 4 years	Total
<b>Financial year as at Dec. 31, 2012</b>						
<i>Variable interest</i>						
Syndicated loan	5,460	0	559,261	0	0	564,721
Other loans	1,186	72,576	59,057	0	98,500	231,319
<b>Total</b>	<b>6,646</b>	<b>72,576</b>	<b>618,318</b>	<b>0</b>	<b>98,500</b>	<b>796,040</b>

EUR k	< 1 year	1–2 years	2–3 years	3–4 years	> 4 years	Total
<b>Financial year as at Dec. 31, 2011</b>						
<i>Variable interest</i>						
Syndicated loan	0	0	0	571,339	0	571,339
Other loans	1,014	1,186	72,576	59,057	56,000	189,833
<b>Total</b>	<b>1,014</b>	<b>1,186</b>	<b>72,576</b>	<b>630,396</b>	<b>56,000</b>	<b>761,172</b>

Due to the extensive portfolio of non-current financial liabilities with a variable interest risk, alstria office REIT-AG is exposed to risks from fluctuations in market interest rates. The interest base for the financial liability (loan) is the three-month EURIBOR rate, which is adjusted every three months. A number of different derivative financial instruments were acquired to manage the interest expense. The derivative financial instruments relate to interest swaps in which the Company agrees to exchange with con-

tracting partners, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed-upon notional principal amount. In addition, interest caps were acquired; that is, the interest is capped at a predetermined maximum. If the maximum interest rate is exceeded, the difference between the actual interest rate and the cap rate is paid out.

The derivative financial instruments of alstria office REIT-AG are presented below:

Product	Strike p.a. (%)	Maturity date	Dec. 31, 2012		Dec. 31, 2011	
			Notional (EUR k)	Fair value (EUR k)	Notional (EUR k)	Fair value (EUR k)
Cap	3.0000	Sept. 30, 2019	42,500	395	0	0
Cap <sup>1)</sup>	4.6000	Oct. 20, 2015	47,902	8	0	0
Cap	4.9000	Dec. 20, 2012	0	0	75,000	0
Swap	4.1160	Jul. 10, 2013 <sup>4)</sup>	0	0	47,902	-2,479
<b>Interest rate derivatives – held for trading<sup>2)</sup></b>			<b>42,500</b>	<b>403</b>	<b>122,902</b>	<b>-2,479</b>
Cap	3.0000	Dec. 17, 2018	56,000	395	56,000	1,421
Cap	3.2500	Dec. 31, 2015	11,500	5	11,500	35
Cap	3.3000	Oct. 20, 2014	22,876	2	23,630	11
Cap	3.3000	Oct. 20, 2014	7,871	1	8,130	4
Swap <sup>1)</sup>	4.6000	Oct. 20, 2015	0	0	95,000	-6,921
Swap	2.1940	Dec. 31, 2014	37,283	-1,632	37,283	-1,234
Swap	2.9900	Jul. 20, 2015	472,500	-33,448	472,500	-29,398
<b>Interest rate derivatives – cash flow hedges<sup>3)</sup></b>			<b>608,030</b>	<b>-34,677</b>	<b>609,043</b>	<b>-36,082</b>
<b>Total<sup>2)</sup></b>			<b>650,530</b>	<b>-34,274</b>	<b>731,945</b>	<b>-38,561</b>

<sup>1)</sup> Not effective before July 10, 2013.

<sup>2)</sup> Notional excluding the EUR 47,902 k not effective before July 10, 2013.

<sup>3)</sup> Notional excluding the EUR 95,000 k not effective before July 10, 2013.

<sup>4)</sup> Terminated as at December 28, 2012.

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

The following table shows the sensitivity of the Company's loans on consolidated profit or loss and equity accordingly to a reasonably possible change in the interest rates (due to the effect on the floating interest loans). All variables remain constant; the effects from the derivative financial instruments were not factored into this calculation.

### Interest expenses p. a.

EUR k	2012	2011
+ 100 bps	7,116	7,719
- 50 bps	-3,558	-3,860

The fair market value of derivative financial instruments is also subject to interest rate risks. A change in the interest rate would give rise to the following changes of the respective fair market values:

#### a) Impact on equity

### Financial derivatives qualifying for cash flow hedge accounting

EUR k	2012	2011
+ 100 bps	13,205	18,025
- 50 bps	-3,397	-9,383

#### b) Impact on income statement

### Financial derivatives not qualifying for cash flow hedge accounting

EUR k	2012	2011
+ 100 bps	1,254	2,985
- 50 bps	-263	-1,391

**Liquidity Risk** The Company continually monitors the Group-wide risk of potential liquidity bottlenecks using a liquidity planning tool, which uses the expected cash flows from business activities and the maturity of the financial liabilities as a basis for analysis. The long-term refinancing strategy of the Group ensures the medium and long-term liquidity requirements. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet targets and, if applicable, external regulatory or legal requirements – for example, G-REIT equity ratio.

As at the end of the reporting period, the nominal financial liabilities had the following maturities in line with their contractual maturity (the basis is the three-month EURIBOR as at December 31, 2012 plus the weighted average margin of 152 basis points for the Group's loans).

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

EUR k	<1 year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years	Total
<b>Financial year as at Dec. 31, 2012</b>							
Interests	18,346	18,502	12,814	5,887	3,581	5,026	64,156
Loans	9,461	102,911	620,236	2,009	63,867	98,500	896,984
Financial derivatives	14,220	13,464	6,555	0	0	0	34,239
Trade payables	3,735	0	0	0	0	0	3,735
Other current liabilities	9,180	7	7	7	8	6,713	15,922
	<b>54,942</b>	<b>134,884</b>	<b>639,612</b>	<b>7,903</b>	<b>67,456</b>	<b>110,239</b>	<b>1,015,036</b>

EUR k	<1 year	1–2 years	2–3 years	3–4 years	4–5 years	>5 years	Total
<b>Financial year as at Dec. 31, 2011</b>							
Interests	26,795	26,690	25,680	15,386	4,875	3,911	103,337
Loans	3,698	4,001	102,911	632,315	2,009	119,867	864,801
Financial derivatives	9,421	10,335	11,432	6,669	0	0	37,857
Trade payables	3,201	0	0	0	0	0	3,201
Other current liabilities	7,858	0	0	0	0	0	7,858
	<b>50,973</b>	<b>41,026</b>	<b>140,023</b>	<b>654,370</b>	<b>6,884</b>	<b>123,778</b>	<b>1,017,054</b>

The most significant liability consists of a syndicated loan provided by five banks with an amount of EUR 564,721 k (December 31, 2011: EUR 571,339 k). The second major part of liabilities is made up of loans entered into with several banks as a result of the Group's refinancing strategy, with an amount of EUR 332,264 k (December 31, 2011: EUR 289,764 k). To secure these liabilities, receivables from rental and property purchase agreements as well as insurance receivables and derivative financial instruments were assigned to the lenders; liens were granted on bank accounts and charges on the land registered. The obligations arising from the floating interest bank loans were fully secured. Land charges for real estate property with a carrying amount of EUR 1,638,921 k were furnished as security.

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

The Company manages its capital structure and makes adjustments in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group can make a capital repayment to its shareholders or issue new shares. No changes were made to the aims, guidelines and processes as at December 31, 2012, and at December 31, 2011.

The capital structure is monitored by the Company using the key performance indicators (KPIs) relevant for classification as a REIT. The REIT equity ratio, being the ratio of equity to immovable assets, is the most important KPI. According to the Group's strategy, the REIT equity ratio shall be between 45% and 55% within the relevant term provided by the REIT law. The G-REIT status is unaffected as long as the G-REIT ratio at the end of the business year is not below 45% for three consecutive business years.

The following KPIs are also used to manage capital:

### KPIs according to G-REIT law

%	2012	2011	G-REIT covenant
Equity ratio acc. to G-REIT law	50.04	48.68	> 45
Immovable assets	92.74	93.56	> 75
Revenues gained from immovable assets	100.00	100.00	> 75
Income gained from disposal of immovable assets	20.99	20.62	< 50 <sup>1)</sup>

<sup>1)</sup> Within five years based on the average property value during this period.

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

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

Liabilities as per balance sheet (EUR k) as at Dec. 31, 2012	Carrying amount	Non-financial liabilities	Financial liabilities				Total	Fair value
			Liabilities at fair value through profit and loss	Other liabilities	Derivative hedge accounting			
Long-term loans	882,105	0	0	882,105	0		882,105	889,484
Derivatives	35,080	0	0	0	35,080		35,080	35,080
Short-term loans	9,986	0	0	9,986	0		9,986	9,986
Trade payables	3,735	0	0	3,735	0		3,735	3,735
Other liabilities	21,164	3,949	0	17,215	0		17,215	17,215
<b>Total</b>	<b>952,070</b>	<b>3,949</b>	<b>0</b>	<b>913,041</b>	<b>35,080</b>		<b>948,122</b>	<b>955,501</b>

Assets as per balance sheet (EUR k) as at Dec. 31, 2011	Carrying amount	Non-financial assets	Financial assets					Total	Fair value
			Loans and receivables	Assets at fair value through profit and loss	Derivative hedge accounting	Available for sale			
Trade receivables	2,449	0	2,449	0	0	0	2,449	2,449	
Accounts receivable from joint ventures	2,095	0	2,095	0	0	0	2,095	2,095	
Derivatives	3,566	0	0	0	3,566	0	3,566	3,566	
Receivables and other assets	6,870	3,409	3,461	0	0	0	3,461	3,461	
Cash and cash equivalents	96,009	0	96,009	0	0	0	96,009	96,009	
<b>Total</b>	<b>110,989</b>	<b>3,409</b>	<b>104,014</b>	<b>0</b>	<b>3,566</b>	<b>0</b>	<b>107,580</b>	<b>107,580</b>	

Liabilities as per balance sheet (EUR k) as at Dec. 31, 2011	Carrying amount	Non-financial liabilities	Financial liabilities					Total	Fair value
			Liabilities at fair value through profit and loss	Other liabilities	Derivative hedge accounting				
Long-term loans	854,814	0	0	793,603	0	793,603	793,603	793,603	
Derivatives	40,032	0	2,479	0	37,553	40,032	40,032	40,032	
Short-term loans	4,505	0	0	4,505	0	4,505	4,505	4,505	
Trade payables	3,201	0	0	3,201	0	3,201	3,201	3,201	
Other liabilities	11,832	9,817	0	2,015	0	2,015	2,015	2,015	
<b>Total</b>	<b>914,384</b>	<b>9,817</b>	<b>2,479</b>	<b>803,324</b>	<b>37,553</b>	<b>843,356</b>	<b>843,356</b>	<b>843,356</b>	

The fair value of the derivative financial instruments and the loans was determined by an independent expert by discounting the expected future cash flows at prevailing market interest rates.

Net gains and losses from financial instruments are as follows:

EUR k	2012	2011
Financial instruments at fair value through profit or loss	-1,380	-3,247
Loans and receivables	-64	-117
<b>Total</b>	<b>-1,444</b>	<b>-3,364</b>

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

**Fair value estimation** Financial instruments which are measured in the balance sheet at fair value require the disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- › quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- › inputs other than quoted prices included within level 1 which are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2)
- › inputs for the asset or liability which are not based on observable market data (that is, unobservable inputs) (level 3)



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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to ascertain the fair value of an instrument are observable, the instrument is included in level 2.

## 21 Significant events after the end of the reporting period

The two properties classified as held for sale at the end of the reporting period were transferred to the buyer in the first quarter of the year 2013.

In February 2013, alstria received from a former majority shareholder EUR 1,800 k as a compensation for expenses relating to certain capital market transactions and associated liabilities, which have been recognised at the end of the reporting period 2012 an amount of EUR 1,229 k.

## 22 Utilisation of exempting provisions

The following German subsidiaries included in the consolidated financial statements of alstria office REIT-AG have made use of the exemption granted in Section 264b HGB:

- › alstria office Bamlerstrasse GmbH & Co. KG, Hamburg
- › alstria office Englische Planke GmbH & Co. KG, Hamburg
- › alstria office Gänsemarkt Drehbahn GmbH & Co. KG, Hamburg
- › alstria office Halberstädter Str. GmbH & Co. KG, Hamburg
- › alstria office Hamburger Str. 43 GmbH & Co. KG, Hamburg
- › alstria office Instenburger Strasse GmbH & Co. KG, Hamburg
- › alstria office Ludwig-Erhard-Strasse GmbH & Co. KG, Hamburg
- › alstria office Mannheim/Wiesbaden GmbH & Co. KG, Hamburg
- › alstria office Steinstrasse 5 GmbH & Co. KG, Hamburg

## 23 Disclosures pursuant to Wertpapierhandelsgesetz [German Securities Trading Act]

### 23.1 Ad-hoc announcement

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

Date	Topic
Feb. 21, 2012	Acquisition of a real estate portfolio and capital increase of up to 7,170,362 new shares
Feb. 22, 2012	alstria office REIT-AG successfully executed capital increase

### 23.2 Directors' dealings

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

Name of person subject to the disclosure requirement	Function	Classification of the financial instrument	ISIN
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Olivier Elamine	Member of the Management Board	Share	DE000A0LD2U1
Olivier Elamine	Member of the Management Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1
Alexander Stuhlmann	Member of the Supervisory Board	Share	DE000A0LD2U1

Transaction	Place	Transaction date	Price per share (EUR)	Number of shares	Deal volume (EUR)
Buy	XETRA	Feb. 27, 2012	8.440	1,000	8,440.00
Buy	XETRA	May 18, 2012	7.84	2,500	19,600.00
Buy	XETRA	May 21, 2012	7.73	500	3,867.00
Sell	XETRA	Aug. 15, 2012	9.044	1,750	15,827.00
Sell	XETRA	Aug. 15, 2012	9.033	681	6,151.47
Sell	XETRA	Aug. 15, 2012	9.031	1,048	9,464.49
Sell	XETRA	Aug. 15, 2012	9.025	1,228	11,082.70
Sell	XETRA	Aug. 15, 2012	9.020	293	2,642.86
Sell	XETRA	Sept. 14, 2012	9.380	1,900	17,822.00
Sell	XETRA	Sept. 14, 2012	9.373	650	6,092.45
Sell	XETRA	Sept. 14, 2012	9.370	1,200	11,244.00
Sell	XETRA	Sept. 14, 2012	9.365	1,100	10,301.50
Sell	XETRA	Sept. 14, 2012	9.360	750	7,020.00
Sell	XETRA	Sept. 27, 2012	9.226	1,169	10,785.19
Sell	XETRA	Sept. 27, 2012	9.224	1,500	13,836.00
Sell	XETRA	Sept. 27, 2012	9.223	1,400	12,912.20
Sell	XETRA	Sept. 27, 2012	9.222	82	756.20
Sell	XETRA	Sept. 27, 2012	9.210	249	2,293.29

### 23.3 Voting rights notifications

Information according to Section 160 para.

1 No. 8 German Stock Corporation Act (AktG): As per balance sheet date 2012, the

following share holdings in the Company existed that were communicated to us pursuant to Section 21 para. 1 WpHG and published pursuant to Section 26 para. 1 WpHG:

No.	Shareholders, registered office	Voting rights (new) (%)	Strike threshold (%)
1	Stichting Pensioenfonds ABP, Heerlen, Netherlands	3.45	3
2	APG Groep N.V., Heerlen, Netherlands	3.45	3
3	APG Algemene Pensioen Groep N.V., Heerlen, Netherlands	3.45	3
4	Morgan Stanley International Limited, London, United Kingdom	4.95	5
5	Morgan Stanley Group (Europe), London, United Kingdom	4.95	5
6	Morgan Stanley Investments (UK), London, United Kingdom	4.95	5
7	Morgan Stanley Investment Management Limited, London, United Kingdom	4.95	5
8	Grove International Partners LLP, New York, USA	7.87	5, 3
9	CGI Partners L.P., New York, USA	7.87	5, 3
10	Cypress Grove International Associates LLC, New York, USA	7.87	5, 3
11	Cypress Grove International D L.P., New York, USA	7.87	5, 3
12	Shamrock Cedobar Limited, Dublin, Ireland	7.87	5, 3
13	Cohen & Steers Inc., New York, USA	2.85	3
14	Morgan Stanley Bank AG, Frankfurt, Germany	0.00	5, 3
15	Morgan Stanley International Holdings Inc, Delaware, USA	4.28	10, 5
16	CG Delaware Malta Limited, Valetta, Malta	0.00	5, 3
17	CG Delaware Apellas Limited, Valetta, Malta	7.15	5, 3
18	Morgan Stanley, Delaware, USA	4.94	5
19	BPCE S.A., Paris, France	4.80	5
20	Natixis S.A., Paris, France	4.80	5
21	Natixis Alternative Assets S.A., Luxembourg, Luxembourg	4.55	5
22	RECM S.à r.l., Luxembourg, Luxembourg	4.55	5
23	Captiva Capital (Luxembourg) S.à r.l., Luxembourg, Luxembourg	0.00	3
24	Captiva Capital (Luxembourg) Partners II S.C.A., Luxembourg, Luxembourg	0.00	3
25	FTW II S.à r.l., Luxembourg, Luxembourg	0.00	3
26	CNP Assurances, Paris, France	5.14	5
27	PGGM Coöperatie U.A., Zeist, Netherlands	2.85	3
28	PGGM N.V., Zeist, Netherlands	2.85	3
29	PGGM Fondsenbeheer B.V., Zeist, Netherlands	2.85	3
30	Stichting PGGM Depositary, Zeist, Netherlands	2.85	3

<sup>1)</sup> Attribution pursuant to Section 22 para. 1 sentence 1 No. 1 WpHG.

<sup>2)</sup> Attribution pursuant to Section 22 para. 1 sentence 1 No. 5 WpHG.

<sup>3)</sup> Attribution pursuant to Section 22 para. 1 sentence 1 No. 6 WpHG.

<sup>4)</sup> Attribution in connection with Section 22 para. 1 sentence 2 WpHG.

<sup>5)</sup> Attribution in connection with Section 22 para. 1 sentence 3 WpHG.

Date of change	Attribution of voting rights	Contains 3% or more of voting rights from
Apr. 1, 2011	Yes <sup>1)</sup>	APG Groep N.V., APG Algemene Pensioen Groep N.V.
Apr. 1, 2011	Yes <sup>1)</sup>	APG Algemene Pensioen Groep N.V.
Apr. 1, 2011	No	–
Jun. 24, 2011	Yes <sup>3), 4)</sup>	–
Jun. 24, 2011	Yes <sup>3), 4)</sup>	–
Jun. 24, 2011	Yes <sup>3), 4)</sup>	–
Jun. 24, 2011	Yes <sup>3)</sup>	–
Jun. 30, 2011	Yes <sup>1)</sup>	CGI Partners L.P., Cypress Grove International Associates LLC, Cypress Grove International D L.P., CG Delaware Malta Limited, Shamrock Cedobar Limited
Jun. 30, 2011	Yes <sup>1)</sup>	Cypress Grove International Associates LLC, Cypress Grove International D L.P., CG Delaware Malta Limited, Shamrock Cedobar Limited
Jun. 30, 2011	Yes <sup>1)</sup>	Cypress Grove International D L.P., CG Delaware Malta Limited, Shamrock Cedobar Limited
Jun. 30, 2011	Yes <sup>1)</sup>	CG Delaware Malta Limited, Shamrock Cedobar Limited
Jun. 30, 2011	No	–
Jan. 19, 2012	Yes <sup>3), 4), 5)</sup>	–
Feb. 27, 2012	No	–
Feb. 27, 2012	Yes <sup>3), 4)</sup>	–
Aug. 3, 2012	No	–
Aug. 3, 2012	Yes <sup>1)</sup>	Shamrock Cedobar Limited
Aug. 31, 2012	Yes <sup>2), 3), 4)</sup>	–
Dec. 7, 2012	Yes <sup>1)</sup>	Natixis S.A., Natixis Alternative Assets S.A., RECM S.à r.l.
Dec. 7, 2012	Yes <sup>1)</sup>	Natixis Alternative Assets S.A., RECM S.à r.l.
Dec. 7, 2012	Yes <sup>1)</sup>	RECM S.à r.l.
Dec. 7, 2012	No	–
Dec. 7, 2012	No	–
Dec. 07, 2012	No	–
Dec. 07, 2012	No	–
Dec. 07, 2012	No	–
Dec. 21, 2012	Yes <sup>3), 4)</sup>	–
Dec. 21, 2012	Yes <sup>3), 4)</sup>	–
Dec. 21, 2012	Yes <sup>3)</sup>	–
Dec. 21, 2012	No	–

## 24 Declaration of compliance pursuant to Section 161 AktG [Aktengesetz: German Stock Corporation Act]

The declaration of compliance required by Section 161 AktG regarding the recommendations of the German Corporate Governance Code developed by the government commission has been submitted by the Management Board and the Supervisory Board and is made permanently available to the public on alstria office REIT-AG's website » [www.alstria.com](http://www.alstria.com). It is included in the declaration of corporate management according to Section 289a HGB.

## 25 Auditor's fees

On April 24, 2012, the general meeting elected Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Dammtorstraße 12, Hamburg, to audit the separate and consolidated financial statements for the financial year 2012. The fee expenses for audit services in 2012 amounted to EUR 255 k. Other consulting services accounted for expenses of EUR 75 k.

## 26 Management Board

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

### Mr Olivier Elamine

*Chief Executive Officer (CEO)*

### Mr Alexander Dexne

*Chief Financial Officer (CFO)*

The attached remuneration report contains details of the principles for the definition of the Management Board's and Supervisory Board's remuneration.

## 27 Supervisory Board

Pursuant to the Company's articles of association (Section 9), the Supervisory Board consists of six members, which are elected by the general meeting of 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 2015.

During the financial year 2012, the members of the Supervisory Board were:

### Alexander Stuhlmann (Chairman) Hamburg, Germany

**Management consultant;**

**Manager of Alexander Stuhlmann GmbH**

- › Capital Stage AG,  
Vice-Chairman of the Supervisory Board
- › Euro-Aviation Versicherungs AG,  
Chairman of the Supervisory Board
- › Frank Beteiligungsgesellschaft mbH,  
Chairman of the Advisory Board
- › HASPA Finanzholding,  
Member of the Board of Trustees
- › HCI Capital AG,  
Member of the Supervisory Board
- › LBS Bausparkasse Schleswig-Holstein-Hamburg AG, Member of the Supervisory Board
- › Ludwig Görtz GmbH,  
Member of the Administrative Board
- › until September 30, 2012: Otto Dörner GmbH & Co. KG,  
Chairman of the Advisory Board
- › Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG,  
Chairman of the Advisory Board
- › Studio Hamburg Berlin Brandenburg GmbH,  
Member of the Advisory Board

### Dr Johannes Conradi (Vice-Chairman) Hamburg, Germany

**Lawyer and Partner at Freshfields  
Bruckhaus Deringer LLP**

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

### Benoît Hérault

**from April 24, 2012**

**Uzès, France,**

**Managing Director at Chambres  
de l'Artémise S.á r.l.**

**Roger Lee**  
**Paris, France**  
**Director and Real Estate Investment**  
**Manager at Captiva Capital**  
**Management Ltd.**

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

**Richard Mully**  
**Cobham (Surrey), United Kingdom**  
**Director, Investment Advisor and**  
**Manager at Starr Street Limited**

- › Starr Street Limited,  
Director
- › from April 23, 2012:  
Aberdeen Asset Management PLC,  
Director
- › Hansteen Holdings PLC,  
Director
- › from August 8, 2012:  
ISG plc,  
Director

**Marianne Voigt**  
**Berlin, Germany**  
**Businessman, Managing Director at**  
**bettermarks GmbH**

**Daniel Quai**  
**until March 31, 2012**  
**Crans, Switzerland,**  
**Partner at Captiva International**  
**Partners LLP**

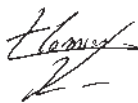
- › Captiva International Partners LLP,  
Partner
- › CDS Costruzioni SpA,  
Director
- › CDS Holdings SpA,  
Director
- › Mercurio Asset Management SGR SpA,  
Director
- › Natixis Capital Partners Ltd,  
Director

Mr Daniel Quai resigned from his office as member of the Company's Supervisory Board as at March 31, 2012. Ms Marianne Voigt was appointed as member of the Supervisory Board by court in October 2011.

By resolution of the Annual General Meeting held on April 24, 2012, Mr Benoît Hérault and Ms Marianne Voigt were elected as members of the Supervisory Board of alstria office REIT-AG.

Hamburg, February 14, 2013

The Management Board



**Olivier Elamine**  
 CEO



**Alexander Dexne**  
 CFO

## Management compliance statement

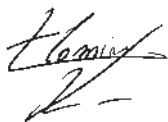
"We confirm that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the Group management report gives a true and fair view of the business performance including the results of operations and the situation of the Group, and describes the main opportunities and risks and anticipated development of the Group in accordance with the applicable financial reporting framework."

Hamburg, February 14, 2013

The Management Board

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Management compliance statement



**Olivier Elamine**  
CEO



**Alexander Dexne**  
CFO



## Independent auditors' report

We have audited the consolidated financial statements prepared by alstria office REIT-AG, Hamburg/Germany, – comprising the income statement and statement of comprehensive income, statement of consolidated financial statements, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements – and the group management report for the business year from January 1 until December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a (1) HGB ("German Commercial Code") are the responsibility of the Parent Company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual

financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements of alstria office REIT-AG, Hamburg/Germany, comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements.

The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg/Germany, February 15, 2013

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft

**sgd. Gerald Reiher**  
Wirtschaftsprüfer  
(German Public Auditor)

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

#### **Supervision and advising of the Company's management**

During the reporting year, the Supervisory Board advised and supervised the Management Board of the Company in accordance with the statutory provisions and the Company's articles of association. The Supervisory Board was intensively involved in matters of material importance to the Company.

During the meetings of the Supervisory Board and its committees, the Management Board reported regularly, promptly and in detail on the development of the business and financial situation of the Company, on planning, important business events and on current risks, risk management and on the Company's compliance. The Management Board and Supervisory Board cooperated to set the strategic direction of the Company. Between meetings, the Management Board further informed the Supervisory Board orally and in writing of important events. The Chairman of the Supervisory Board regularly met with the Management Board to exchange information and advice on matters of the strategy, the planning, the business development, the current risks, the risk management and the compliance of the Company.

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

In the financial year 2012, the Supervisory Board had six ordinary and two extraordinary meetings. All members of the Supervisory Board were present at almost every meeting of the Supervisory Board or participated in the meetings by telephone conference. Only in two meetings of the Supervisory Board respectively one member was absent and each was excused for a good cause. In one case the excused member of the Supervisory Board handed in a written vote. In 2013 one additional meeting of the entire Supervisory Board took place prior to the finalisation of this report.

The situation and development of the Company, the business performance, the market, the development of risks were discussed with the Management Board during all ordinary meetings of the Supervisory Board. With exception of the meetings in March and April 2012 the financial results of the Company (quarterly and half-year financial reports, financial statements of alstria office REIT-AG and the consolidated financial statements) were discussed in every ordinary meeting of the Supervisory Board.

#### **Focal points of discussion**

In addition to the regularly recurring topics, the Supervisory Board and its committees focused in the financial year 2012 in particular on the reappointment of both members of the Management Board, the successfully executed capital increase in spring 2012 and the acquisition of a real estate portfolio as well as the conclusion of a bank loan.

In the extraordinary meeting in January 2012, the Supervisory Board and Management Board consulted on matters of strategy and approved the conclusion of a loan agreement for financing an acquisition. Based on the respective recommendation of the nomination and remuneration committee, the Supervisory Board resolved upon the reappointment of the members of the Management Board as well as on the (remuneration-related) basic points of the new service contracts for the members of the Management Board and authorised the nomination and remuneration committee to negotiate and conclude respective contracts. Furthermore, the Supervisory Board resolved upon the appointment of the members of the Management Board as Managing Directors of a subsidiary.

In February 2012, the Supervisory Board and the Management Board consulted in an extraordinary meeting on the financing of an acquisition and the Supervisory Board approved the conclusion of all necessary advisory and service contracts in connection with a possible capital increase against cash contribution of up to 10% of the share capital using the Company's authorised capital under the exclusion of subscription rights. In this context the Supervisory Board formed a special committee, which was authorised to issue all necessary approvals and all declarations within the framework of the execution of the capital increase.

During its balance sheet meeting in February 2012, the Supervisory Board dealt with the consolidated financial statements and the financial statements as at December 31, 2011, the management reports and the report on relationships with affiliated companies for the period running from January 1 until March 30, 2011, and discussed them with the auditors. The Supervisory Board approved the financial statements of alstria office REIT-AG as well as the consolidated financial statements as at December 31, 2011, and after careful examination and due consideration joined the proposal of the Management Board regarding the profit appropriation.

During its meeting on March 1, 2012, the Supervisory Board and Management Board discussed the utilisation of the placement proceeds from the capital increase. The Supervisory Board decided on its resolution proposals and its report to the Annual General Meeting for the financial year 2011 and on the corporate governance statement including the declaration of compliance with the recommendations of the German Corporate Governance Code. On the basis of the nomination and remuneration committee's recommendation, the Supervisory Board discussed and resolved upon the amount of the short-term variable remuneration of the members of the Management Board for the financial year 2011 considering their individual performance. It also discussed the variable remuneration of the members of the Management Board for the financial year 2012.

During its meeting subsequent to the Annual General Meeting in April 2012, the Supervisory Board approved the conclusion of a loan agreement as well as the conditions of the new Employee Participation Program as resolved by the Annual General Meeting. It resolved on the personnel composition of the audit committee, substantiated the conditions of the long-term variable remuneration element of the members of the Management Board (long-term incentive plan) and made editorial amendments to the Company's articles of association.

In its meeting in June 2012, the Supervisory Board amended the rules of procedure for the nomination and remuneration committee and the investment committee and approved the Company's budget for the financial year 2012, which has been adapted during the year with regard to acquisitions and disposals. Furthermore, employees of the first management level below the Management Board and the departments they manage have been introduced to the Supervisory Board.

During the Supervisory Board's meeting in September 2012, the Supervisory Board approved the cancellation of a loan agreement, which had been concluded to finance an acquisition and that had not been drawn down due to the successful execution of the capital increase. The Supervisory Board dealt with the current amendments of the German Corporate Governance Code and adapted the rules of procedure for the audit committee accordingly. Moreover, the formal adaption of the Company's articles of association to the execution of a capital increase by EUR 59,500.00 in the course of the Company's Employee Participation Program has been resolved on by the Supervisory Board.

After intensive discussion with the Management Board, the Supervisory Board resolved on the business and budget planning for the financial year 2013 in its meeting in November 2012. The Supervisory Board dealt with the composition of the permanent Supervisory Board committees and resolved on the amendment of the personnel composition of the audit committee and investment committee as at January 1, 2013. The Supervisory Board reviewed the objectives for its composition as they were determined last in November 2011 (Diversity Statement) and adapted these to the current amendments of the German Corporate Governance Code. The current diversity statement and the status of its implementation are published in the Company's corporate governance report. Finally, the Supervisory Board discussed the positive results of the review of the efficiency of its work, which was carried out by the members of the Supervisory Board on the basis of a questionnaire.

In its balance sheet meeting in February 2013, the Supervisory Board dealt with the consolidated financial statements and the financial statements for the year ending December 31, 2012, as well as with the Management Board's recommendation for the profit appropriation, and resolved upon its report for the financial year 2012 to the Annual General Meeting and the corporate governance report. The Supervisory Board dealt with the variable remuneration for the members of the Management Board.

### **Committees of the Supervisory Board**

To increase the efficiency of its work, the six-person Supervisory Board formed three permanent committees, each composed of three members. To the extent permitted by law, the committees have been given decision-making powers in some cases, and

in some cases they prepare the resolutions of the Supervisory Board by making proposals. During the Supervisory Board's meetings, the committee's chairmen reported on the result of their committees' work.

In the financial year 2012, the audit committee had four meetings, which were always attended by the Chief Financial Officer. In the course of auditing the accounts of the Company, the audit committee dealt with the consolidated financial statements and the financial statements as at December 31, 2011 and the management reports. It discussed these with the independent auditors and carried out a respective preliminary examination of these documents and the Management Board's recommendation for the profit appropriation. Further topics were the recommendation to the Supervisory Board regarding the proposed resolution to the Annual General Meeting for the choice of the auditors, the review of the independency of the auditors, as well as the additional services performed by the auditors, granting the audit contract to Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch, and the engagement agreement, setting the key audit areas and the discussion of the accounting process, the risk management system and the included main risks, the effectiveness of the internal controlling and audit system and the compliance system. Finally the audit committee examined the efficiency of its own work. The evaluation revealed consistently good efficiency.

The nomination and remuneration committee, which also carries out the tasks of a nomination committee, met three times during the financial year 2012 and made one decision in writing after circulation of detailed documents to the members. The nomination and remuneration committee discussed the amount of the variable remuneration of the members of the Management Board for the financial year 2011, considering their individual performance, the parameters for the variable remuneration of the Management Board members for the financial year 2012, the proposed resolution of the Supervisory Board to the Annual General Meeting on the election of Supervisory Board members and the objectives for the composition of the Supervisory Board. The nomination and remuneration committee provided the Supervisory Board with corresponding resolution proposals. The nomination and remuneration committee resolved on the basis of the authorisation given by the Supervisory Board in the course of the reappointment of the

Management Board on the new service contracts for the members of the Management Board and it dealt with the appropriateness of the remuneration for the members of the Supervisory Board. Before the authority for these resolutions was transferred to the investment committee, the nomination and remuneration committee in addition dealt in two cases with its approval of advisory services by the law firm Freshfields Bruckhaus Deringer LLP, of which the member of the Supervisory Board, Dr Johannes Conradi, is a partner.

In the financial year 2012, the investment committee had two meetings and made one decision in writing after circulation of detailed documents to the members. It gave its approval for the acquisition of a real estate portfolio and advisory services by the law firm Freshfields Bruckhaus Deringer LLP.

In addition, in the financial year 2012 the Supervisory Board established a special committee that was authorised to issue all necessary approvals and declarations in the course of the execution of a capital increase against cash contribution of up to 10% of the share capital using the Company's authorised capital under the exclusion of subscription rights. The special committee met in February 2012 twice, discussed matters of the execution of the capital increase under the exclusion of subscription rights with the Management Board and approved the capital increase against cash contribution and all related actions and resolutions.

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

### **Audit of the annual financial statements and consolidated financial statements**

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch, audited the financial statements and the management report of alstria office REIT-AG, as well as the consolidated financial statements, including the management report of the Group for the financial year running from January 1 until December 31, 2012, all prepared by the Management Board, and issued its unqualified opinion on these documents.

The financial statements and the management report of alstria office REIT-AG, the consolidated financial statements including the management report of the Group as well as the Management Board's recommendation for the appropriation of

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

## Corporate Governance

During the reporting period the Supervisory Board also dealt with the issue of alstria office REIT-AG fulfilling the recommendations of the German Corporate Governance Code. The Management Board and the Supervisory Board last issued the annual declaration of compliance with the German Corporate Governance Code in February 2013, in accordance with Section 161 AktG; it was subsequently made permanently available to shareholders on the Company's website. In their declaration, the Management Board and Supervisory Board explained that most of the recommendations of the German Corporate Governance Code have been, or will be, implemented, as well as which recommendations were, or will not be, followed, and the reasons why they will not be followed.

In the financial year 2012, conflicts of interest for Dr Johannes Conradi arose in two approvals pertaining to the commissioning of the law firm Freshfields Bruckhaus Deringer LLP, of which Dr Johannes Conradi is a partner. In June 2012, for practical reasons the respective authority for approval was transferred to the investment committee, of which Dr Johannes Conradi is not a member. Since then no conflicts of interest occurred.

## Changes in the Supervisory Board

Mr Daniel Quai resigned from the Supervisory Board as at March 31, 2012. He has been a member of the Company's Supervisory Board since 2006. The Supervisory Board would like to thank Mr Quai for many years of valuable contribution to the Company.

During the Annual General Meeting 2012, Mr Benoît Hérault and Ms Marianne Voigt, who had already been appointed as member of the Supervisory Board by court since October 2011, were elected as members of the Supervisory Board.

The Supervisory Board would like to thank the Management Board and all employees for their dedication and their successful work in the financial year 2012.

Hamburg, February 2013

## Alexander Stuhlmann

*Chairman of the Supervisory Board*

## Corporate governance statement

The Management Board and Supervisory Board of alstria office REIT-AG ("alstria") are conscious of their responsibility for the corporate governance of the Company, which is undertaken with due regard to the Company's shareholders, employees and tenants. This sense of responsibility is expressed, among other ways, in transparent corporate governance with the aim of facilitating the confidence of alstria's shareholders, employees, tenants and the public in the management and supervision of the Company. In this statement, the Management Board and Supervisory Board report on alstria's corporate governance according to Section 3.10 of the German Corporate Governance Code ("Code") and Section 289a para. 1 of the German Commercial Code (HGB). This statement includes the declaration of compliance according to Section 161 of the German Stock Corporation Act, the relevant information on corporate governance practices, a description of the operating principles and the composition of the Management Board and Supervisory Board as well as corporate governance structures.

### German Corporate Governance Code and declaration of compliance

Many of the principles of the most recent version of the German Corporate Governance Code (dated May 15, 2012) have already become part of alstria's value-oriented corporate management, which are therefore stricter than the legal requirements. The principles and recommendations of the Government Commission appointed by the German Federal Ministry of Justice contain internationally and nationally recognised standards for effective and responsible corporate management.

The Company's declaration of compliance with the recommendations of the German Corporate Governance Code is published on alstria's website » [www.alstria.com](http://www.alstria.com). After careful consideration, alstria chose not to follow the recommendations of the Code in regard to a few points. These points and the reasons for nonconformity are detailed in the declaration of compliance issued by the Management Board and the Supervisory Board on February 28, 2013:

### Declaration of compliance dated February 28, 2013

"The recommendations of the 'Government Commission German Corporate Governance Code' as amended on May 15, 2012 were complied with since the prior declaration of compliance dated March 1, 2012 with the following exceptions. The Company intends to continue to comply with the recommendations of the Code as amended on May 15, 2012 to the same extent.

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

The D&O insurance for the Supervisory Board of alstria office REIT-AG does not include a deductible. The Management Board and Supervisory Board believe that the members of the Supervisory Board carry out their duties responsibly without any such deductible.

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

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

### Discussion of the half-year and quarterly financial reports between the Supervisory Board or its audit committee and the Management Board prior to publication, Section 7.1.2

Prior to their publication, the half-year and quarterly financial reports will be made available to the Supervisory Board. Furthermore, the financial reports will be discussed with the Supervisory Board in detail soon after their publication. In the event that there are considerable differences to the budget or business plan authorised by the Supervisory Board,



the Supervisory Board will have the opportunity to discuss the figures with the Management Board before they are published. The Management Board and Supervisory Board consider this approach appropriate and adequate.”

All other recommendations of the German Corporate Governance Code dated May 15, 2012 have been, or will be, fully implemented. alstria has appointed a corporate governance officer within the Company, who will report any changes of the Code to the Management Board and the Supervisory Board at least once per year and whenever necessary. In this way, alstria ensures consistent compliance with these principles. Analysis, supervision and transparency are the tools with which alstria lays the foundation for fair and efficient corporate management. They will also remain the key criteria in future.

### **Working methods of the Management Board and the Supervisory Board**

The Management Board and the Supervisory Board cooperate closely with confidence in the interest of the Company. The Chairman of the Supervisory Board has regular contact with the Management Board.

The Management Board has two members: Olivier Elamine as the Chief Executive Officer and Alexander Dexne as the Chief Financial Officer. The Management Board is responsible for running alstria in the interest of the Company with the aim of sustainably increasing the Company's value. It sets the business goals and – in conjunction with the Supervisory Board – the strategic direction of the Company. The work of the Management Board and the allocation of responsibilities between the individual members of the Management Board are stipulated in the rules of procedure and the role sort for the Management Board. The members of the Management Board are obligated to immediately disclose any conflicts of interest to the Supervisory Board. The members of the Management Board may only conduct secondary activities, particularly membership in the Supervisory Boards of companies not affiliated with the Group, with the approval of the Supervisory Board. The members of alstria's Management Board had no conflicts of interest in the reporting year. The members of the Management Board serve on no Supervisory Boards of listed companies outside of the Group or in Supervisory Boards of companies with comparable requirements. Major business transactions between the Company and members of the Management

Board, or with any persons or companies in close association with them, require the approval of the Supervisory Board. All such business transactions must be concluded at standard commercial conditions. There were no such contracts during the reporting period. The Management Board pays attention to diversity in filling its management positions and aims to adequately consider women for these positions. As at December 31, 2012, 44.44% of the management positions at alstria were held by female employees.

The Supervisory Board appoints the members of the Management Board and monitors and advises the Management Board on management issues. The Management Board involves the Supervisory Board in any decisions of fundamental importance for the Company. The rules of procedure for the Supervisory Board stipulate that certain, significant business transactions by the Company are subject to the approval of the Supervisory Board, for example acquiring or disposing real estate property for a consideration of more than EUR 30 m, entering financing agreements with a volume of more than EUR 30 m, entering or prematurely terminating leasing contracts with an annual consideration of more than EUR 2 m, or investing in Company assets (modernisation measures) with an annual total sum of more than EUR 2 m when such investments were not already included in the budget approved by the Supervisory Board. The Supervisory Board reports on its activity in the financial year 2012 in its report to the general meeting on » pages 80 to 83 of the annual report.

### **Composition of the Supervisory Board**

In accordance with the articles of association, the Supervisory Board is composed of six members. The Supervisory Board currently consists of Alexander Stuhlmann (Chairman), Dr Johannes Conradi (Vice-Chairman), Benoît Hérault, Roger Lee, Richard Mully and Marianne Voigt. The periods of office of all supervisory members expire at the end of the Annual General Meeting in which the shareholders resolve to discharge them in respect to their activities for financial year 2015. The following changes took place in the composition of the Supervisory Board in 2012: Daniel Quai resigned from office as at March 31, 2012. Benoît Hérault and Marianne Voigt have been appointed as members of the Supervisory Board by the shareholders in the Annual General Meeting for financial year 2012. Marianne Voigt had already been judicially appointed as Supervisory Board member in October 2011.

No former members of the Management Board sit on the Supervisory Board. The Supervisory Board is composed of members who have the necessary knowledge, competence and professional experience to properly carry out their duties. The Supervisory Board of alstria office REIT-AG first specified the goals for its composition in November 2010. In November 2012, the Supervisory Board recently reviewed and revised its goals for its composition, in particular with regard to the new recommendation of the German Corporate Governance Code that the Supervisory Board shall now stipulate the number of independent Supervisory Board members according to No. 5.4.2 of the Code, when naming the objectives for its composition. Furthermore, the term of independency has been specified effective as of May 15, 2012. The Supervisory Board agreed on a complete adaption of the definition of independency of Supervisory Board members in the objectives for the composition of the Supervisory Board to the term of independency according to No. 5.4.2 of the Code.

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

› **Diversity**

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

› **Women**

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

› **Experience abroad**

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

› **Independence**

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

› **Independent financial expert**

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

› **Other conflicts of interest**

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

› **Age limit**

Members of the Supervisory Board shall not be older than 70 years of age.

All of these goals are currently met.

## **Supervisory Board committees**

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

The audit committee monitors the Company's financial reporting process, engages the independent auditors to prepare audit reports, determines the key audit areas and the independent auditors' compensation, and is responsible for issues surrounding risk management, internal control, internal audit and compliance. Until March 31, 2012, the audit committee consisted of Dr Johannes Conradi, as Chairman, as well as Roger Lee and Daniel Quai. Marianne Voigt replaced the resigning member Daniel Quai on the committee on April 24, 2012. Effective as of January 1, 2013, Marianne Voigt took over the chairmanship of the audit committee, from this day on Dr Johannes Conradi sits on the audit committee as ordinary member.

The investment committee decides whether the Supervisory Board will approve the acquisition or disposal of real estate property or other assets worth between EUR 30 m and EUR 100 m. Transactions of a value greater than this amount are to be presented to the entire Supervisory Board for approval. The investment committee furthermore decides on the approval of the Supervisory Board regarding the conclusion, renewal or early termination of lease agreements with third parties with a total annual consideration of more than EUR 2 m, as well as regarding contracts with Supervisory Board members according to Section 114 German Stock Corporation Act (Ak-



tiengesetz, AktG). Up until December 31, 2012, the investment committee consisted of Richard Mully, as chair, as well as Roger Lee and Alexander Stuhlmann. Benoît Hérault was elected as member of the investment committee replacing Roger Lee effective as of January 1, 2013.

The nomination and remuneration committee, which also carries out the function of a nomination committee, prepares resolutions of the entire Supervisory Board for the appointment and dismissal of members of the Management Board, for the Management Board's compensation system and for the total remuneration of individual members of the Management Board, the resolution of, or amendments to, the rules of procedure for the Management Board, as well as the approval of certain other activities and primary contracts of members of the Management Board. The nomination and remuneration committee decides on the conclusion, amendment, extension and termination of contracts with Management Board members, as well as on the content of such contracts except for compensation. Finally, the nomination and remuneration committee prepares the resolutions of the Supervisory Board regarding the proposal of the appointment of suitable Supervisory Board members at Annual General Meetings. The nomination and remuneration committee consists of Alexander Stuhlmann, as Chairman, as well as Dr Johannes Conradi and Richard Mully.

In February 2012, the Supervisory Board additionally formed a special committee in the course of the execution of a capital increase consisting of Dr Johannes Conradi as Chairman and Roger Lee and Richard Mully as additional members.

The Supervisory Board reports on the activities of the committees of the Supervisory Board during the financial year 2012 in its report to the Annual General Meeting on » pages 80 to 83 of the annual report.

### **Remuneration of the Management Board and Supervisory Board**

The compensation system for the Management Board and the Supervisory Board is laid out in the remuneration report for the financial year 2012. The remuneration of each member of the Management Board and the Supervisory Board is also broken down there for the financial years 2011 and 2012. By way of resolution of the shareholders in general meeting on June 16, 2010, the shareholders

approved the remuneration system for the members of the Management Board with a large majority.

### **Stock option program and similar securities-oriented incentive systems**

#### **Stock option program and long-term incentive plan**

In March 2007, the Supervisory Board adopted a stock option program for the members of the Management Board and issued a first and only tranche of stock option rights to the Management Board pursuant to the authorisation granted by the shareholders in general meeting on March 15, 2007. The stock option program was replaced in March 2010 by a long-term incentive plan as a new long-term remuneration component, but the program continues in the scope of the tranche granted in 2007. The term of the stock options granted ends in financial year 2014. Within the framework of the long-term incentive plan, the members of the Management Board will be issued virtual shares with a four-year term each year starting in the financial year 2010. The stock option program and long-term incentive plan are described in the remuneration report on » pages 90 to 93 of the annual report.

#### **Employee participation program**

Pursuant to the authorisation granted by the shareholders in general meeting on March 15, 2007, the Management Board was authorised up until March 15, 2012 to issue up to a total of 500,000 convertible profit participation certificates with a total nominal value of EUR 500,000 to alstria employees and employees of companies directly or indirectly controlled by alstria within the framework of an employee profit participation program. Members of the Management Board are not considered employees for the purposes of this plan.

After expiration of the aforementioned authorisation, the annual general meeting on April 24, 2012 again authorised the Management Board up until April 23, 2017 to issue up to a total of 500,000 convertible profit participation certificates to alstria employees and employees of companies directly or indirectly controlled by alstria within the framework of an employee profit participation program.

Each convertible profit participation certificate issued under the employee participation programs can be converted into an alstria bearer share once the share price exceeds the price on the day the certificate was issued by 5% or more on at least

seven non-consecutive trading days. Conversion is only carried out on predefined dates and only when the subscriber pays the conversion price and is still employed at alstria or one of its subsidiaries on the date of conversion. The maximum term for a convertible profit participation certificate is five years.

A total of 300,100 certificates was issued in the course of this now expired employee profit participation program 2007 of which, so far, a total of 165,500 convertible profit participation rights were converted into shares of the Company. In the course of the new employee profit participation program 2012, 86,000 profit participation certificates were issued.

### **Directors' Dealings – Securities transactions subject to reporting requirement**

The Management Board and Supervisory Board of alstria office REIT-AG, as well as related parties (family members), are required, pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), to notify the Company of their own transactions involving Company shares. In addition to the acquisition and sale of alstria shares, every buy or sale transaction related to alstria shares (e.g. the purchase or sale of options on alstria shares) has to be reported. The Company must be informed of such transactions within five working days and publish them immediately. This only applies when the total of the transactions is EUR 5,000 or more within one calendar year. All transactions reported to alstria have been duly published in the relevant media throughout Europe and can be found on our website » [www.alstria.com](http://www.alstria.com).

### **Relationship to the shareholders of the Company**

alstria office REIT-AG respects the rights of its shareholders and makes best efforts to guarantee the exercise of those rights to the extent stipulated by law or the bylaws. In particular, these include the right to freely purchase and sell shares, appropriate access to information, an adequate number of voting rights per share (one share – one vote) and participation in our Annual General Meeting. Shareholders have the option of exercising their voting rights personally or by an authorised representative at the general meeting, or sending voting instructions to their proxies. The invitation to the general meeting includes an explanation of how voting instructions can be issued. The articles of association currently do not stipulate

an option to vote by mail. Shareholders already have the option of voting before the general meeting by authorising a proxy that the additional option of voting by mail would not facilitate the exercise of the shareholders' rights.

Since the shareholders in general meeting in 2008 approved the provision of transmitting information to shareholders electronically, it is now possible to send invitations and documents for shareholders' general meetings to shareholders electronically upon request. The invitation and the documents to be made available for viewing prior to the upcoming general meetings in accordance with the provisions of law will be published together with additional documents pursuant to Section 124a of the German Stock Corporation Act (Aktiengesetz, AktG) and the agenda on the Company website. The results of the votes will likewise be published on the website of the Company following the general meeting.

### **Communication with the public**

In sharing information with people outside of the Company, the Management Board follows the principles of transparency, promptness, openness, clarity and equal treatment of shareholders. In particular, alstria informs its shareholders and the interested public about the situation of the Company and significant business events through financial reports, analyst and press conferences, press and ad-hoc announcements and the general meeting. The website of alstria includes information on the Company and its shares, especially the financial reports, share price tracking and announcements about the acquisition or disposal of Company shares or related financing instruments pursuant to Section 15a WpHG. Moreover, alstria's financial reports and website include a financial calendar which indicates all dates of importance to shareholders. All announcements and information are additionally published in English.

### **Financial reporting and auditing**

During the financial year, alstria regularly informs shareholders and third parties by publishing its consolidated, half-year and quarterly financial statements. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). For legal reasons (calculating dividends, creditor protection), financial statements for alstria office REIT-AG are also prepared in accordance with the German Commercial Code (HGB).

The consolidated financial statements and the financial statements of alstria office REIT-AG are audited by both the independent auditor selected by the shareholders in general meeting, and by the Supervisory Board. The audit committee of the Supervisory Board appoints an external auditing firm, after examining its independence, to audit the financial statements and negotiates the auditing fees. Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft, Hamburg branch, was appointed to audit the annual and half-year financial statements of alstria office REIT-AG and of the Group for the financial year 2012. The auditors participate in the meetings of the audit committee and the Supervisory Board in plenum to advise on the consolidated financial statements and the financial statements of alstria office REIT-AG and to present the key findings of the audit.

## Compliance

In accordance with Section 4.1.3 of the German Corporate Governance Code, the Management Board is responsible for ensuring compliance with the legal provisions and Company guidelines throughout all of the Group companies. The good reputation of alstria and the trust of its shareholders, tenants and employees depend crucially on the behaviour of each individual employee.

For this reason, alstria drew up a code of conduct, listing guidelines for behaviour and orientation for resolving conflicts (e.g. conflicts of interest), thereby serving as a model of correct behaviour for all employees of the Group. The code of conduct is published on our website » [www.alstria.com](http://www.alstria.com).

alstria set up a compliance organisation to communicate the values inherent in the code of conduct and Company guidelines, and to monitor compliance with these values. The compliance officer is responsible for communicating these values by answering questions on the implementation of the code and by in-house training for all employees. Compliance is monitored through colleagues, supervisors and the compliance officer, as well as via regular investigation by auditors. alstria has also set up a hotline through which employees can anonymously report any violations of the code of conduct or the Company-internal guidelines. Furthermore, the Management Board regularly discusses Company compliance with the Supervisory Board's audit committee.

Violations of the code of conduct will not be tolerated; they will be fully investigated and the violators punished. This can be anything from disciplinary measures to dismissal, a claim for damages or even prosecution.

Hamburg, February 2013

## **The Management Board The Supervisory Board**

## Remuneration report\*

### Remuneration of the Management Board members

The remuneration system for the members of the Management Board is determined by the Supervisory Board and is reviewed regularly. In the financial year 2010, the Supervisory Board adapted the remuneration system to the new legal requirements of the German Act on Appropriateness of the Management Board Compensation (VorstAG) in accordance with the recommendations of an independent external remuneration expert. The Supervisory Board is of the opinion that this remuneration system still provides adequate remuneration for the members of the Management Board, which is based on customary market terms and conditions and, in particular, also takes account of the lasting success of the Company. The remuneration system for the members of the Management Board described below was approved by the shareholders in general meeting for the financial year 2009 by a large majority (98.11% of votes in favour) and has been incorporated into the new Management Board service contracts, which apply to the new appointment of the Management Board members since January 1, 2013.

In the remuneration system, the criteria for determining the appropriateness of the remuneration of the members of the Management Board are the duties of each individual Management Board member, his or her personal performance, the financial situation, the success and future prospects of the Company, as well as the customary practice regarding remuneration relative to its peer companies and the remuneration structure of the Company.

#### 1. Structure of the Management Board remuneration

The remuneration consists of a fixed basic salary, a short-term and a long-term variable component and ancillary benefits (benefits in kind) for each Management Board member. The majority of the remuneration is made up of the variable components which are primarily based on several years of assessment. Limits were introduced for extraordinary developments.

The fixed remuneration is a basic salary independent of performance which is paid as salary on a prorated basis each month. The fixed remuneration amounts to approx. 40% of the designated total remuneration without ancillary benefits.

The short-term variable remuneration (Short-Term Incentive or STI) is determined for each year on the basis of a performance target, the Budgeted Funds from Operations (FFO). The amount of the Short-Term Incentive depends on the degree to which the target is reached, whereby the target value must be met by at least 50% for the incentive to be paid out and by no more than a maximum of 150% (cap). The individual performance of each Management Board member is taken into account in a multiplier (0.8 to 1.2). The maximum amount to be paid is limited by a cap. Only 75% of the performance incentive will be paid to a Management Board member in cash. A total of 25% of the performance incentive will be converted to virtual shares, which are subject to a vesting period of two years. The number of virtual shares granted is calculated from the amount corresponding to 25% of the Short-Term Incentive divided by the share price of one alstria share at the time, which is calculated on the basis of one reference period. The virtual shares will be converted into a cash amount after the expiry of the vesting period. This cash amount is calculated based on the number of virtual shares multiplied by the share price of one alstria share at the time and is calculated on the basis of a reference period. The Short-Term Incentive amounts to approx. 20% of the planned total remuneration without ancillary benefits.

As a long-term variable remuneration component, virtual shares with a four year term are issued to the members of the Management Board each year within the framework of a performance share plan (Long-Term Incentive Plan or LTI Plan). The number of virtual shares to be granted results, in principle, from a target value divided by the share price of one alstria share upon the issue of the virtual shares (calculated on the basis of a reference period). The amount of virtual shares issued from the LTI Plan will be adjusted at the end of each performance period depending on the degree to which the target is met. A total of 50% of the performance targets determined by the Supervisory Board is the absolute total shareholder return derived from the Weighted Average Cost of Capital (WACC) and 50% is the relative total shareholder return calculated on the basis of the reference index EPRA NAREIT Europe Ex UK. The virtual shares will be converted into a one-time cash payment after the expiry of the term. The amount will be calculated by the number of virtual shares after adjustment multiplied by the share price of one alstria share at the time (calculated on the basis of a reference period) and a multiplier (0.8 to 1.2) which takes into consideration

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

the individual performance of the Management Board member. Just as with the Short-Term Incentive, a certain degree of the target must be reached in order for a payment to be made. Furthermore, the amount of the payment is also limited by a cap in the LTI Plan. The Long-Term Incentive amounts to approximately 40% of the prescribed total remuneration without ancillary benefits.

The members of the Management Board, furthermore, receive ancillary benefits in the form of benefits in kind which essentially consist of insurance premiums, pension benefits and the private use of a company car. As a component of remuneration,

each individual member of the Management Board is to pay taxes on such ancillary benefits. Each member of the Management Board is, in principle, equally entitled to such ancillary benefits though the amount varies in accordance with each personal situation.

## 2. Remuneration of the Management Board in the financial year 2012

The total remuneration for the members of the Management Board in the last financial year amounted to EUR 2,221 k. The individual remuneration of the members of the Management Board for the financial years 2012 and 2011 is composed as follows:

### Individual Management Board remuneration 2012

EUR k

Member of the Management Board	Fixed amount	Short-term variable remuneration <sup>1)</sup>		Long-term variable remuneration		Ancillary benefits <sup>4)</sup>	Total remuneration
		Paid-out component	Deferred component <sup>2)</sup>	Paid-out component	Deferred component <sup>3)</sup>		
Olivier Elamine, Chief Executive Officer	440	185	62	0	440	96	1,223
Alexander Dexne, Chief Financial Officer	360	151	50	0	360	77	998
<b>Total</b>	<b>800</b>	<b>336</b>	<b>112</b>	<b>0</b>	<b>800</b>	<b>173</b>	<b>2,221</b>

<sup>1)</sup> For performance in 2011.

<sup>2)</sup> Allotment of virtual shares with specified fair value with deferred cash payment after two years' vesting period.

<sup>3)</sup> Allotment of virtual shares with specified target value with deferred cash payment after four years' vesting period.

<sup>4)</sup> Includes benefits for company car, insurance and pension.

### Individual Management Board remuneration 2011

EUR k

Member of the Management Board	Fixed amount	Short-term variable remuneration <sup>1)</sup>		Long-term variable remuneration		Ancillary benefits <sup>4)</sup>	Total remuneration
		Cash component	Deferred component <sup>2)</sup>	Cash component	Deferred component <sup>3)</sup>		
Olivier Elamine, Chief Executive Officer	440	200	67	0	440	95	1,242
Alexander Dexne, Chief Financial Officer	360	164	55	0	360	79	1,018
<b>Total</b>	<b>800</b>	<b>364</b>	<b>122</b>	<b>0</b>	<b>800</b>	<b>174</b>	<b>2,260</b>

<sup>1)</sup> For performance in 2010.

<sup>2)</sup> Allotment of virtual shares with specified fair value with deferred cash payment after two years' vesting period.

<sup>3)</sup> Allotment of virtual shares with specified target value with deferred cash payment after four years' vesting period.

<sup>4)</sup> Includes benefits for company car, insurance and pension.

The individual Management Board remuneration for the financial year 2012 presented in the table above shows a short-term variable remuneration component for performances in the financial year 2011. The structure of this short-term variable remuneration component (STI) is described above in more detail. The target value for the financial year 2011 amounted to EUR 220 k for Mr Olivier Elamine and to EUR 180 k for Mr Alexander Dexne. The actual amount of the STI for the Management Board as described above is mainly based on the achievement of a funds from operations target.

As the FFO achieved in financial year 2011 was positively and materially impacted by new acquisitions, the Supervisory Board has changed the FFO target by increasing it with regard to acquisitions that became effective during 2011. In doing so, the Supervisory Board made sure that the Management Board is not incentivised to do acquisitions for short-term personal benefit. As a result of the adjustment, the short-term incentive awarded to the Management Board for financial year 2011 was lower than what it would have been if the FFO target had not been adjusted.

The impact of any real estate transaction on the management remuneration is solely linked to the multi-year remuneration elements, therefore aligning the interest of the Management Board with those of the Company and its shareholders. The Supervisory Board intends to also adapt the FFO target in future financial years accordingly in order to limit the performance measure to operational result, excluding any real estate transaction impact. 25% of the short-term incentive for the financial year 2011 was paid out in virtual shares of the Company, whereby Mr Elamine was allotted 7,101 virtual shares with the fair value specified above and Mr Dexne received 5,810 virtual shares with the fair value specified above.

The individual Management Board remuneration for the financial year 2012 presented in the table above shows a long-term variable remuneration component. The structure of this long-term variable remuneration component is described above in more detail. In the financial year 2012, virtual shares with a target value in total of EUR 800 k and a four years vesting period were granted in the course of the long-term variable remuneration

component. The target value for the long-term variable remuneration component in the financial year 2012 amounted for Mr Elamine to EUR 440 k and for Mr Dexne to EUR 360 k. Thus, Mr Elamine was granted 50,575 virtual shares valued at EUR 8.70 each and Mr Dexne was granted 41,379 virtual shares valued at EUR 8.70 each. Both will vest after four years subject to certain relative and absolute share price performance.

The ancillary benefits shown in the table above for 2012 and 2011 include payments for private pension plans for Mr Olivier Elamine in the amount of EUR 75 k and for Mr Alexander Dexne in the amount of EUR 50 k.

No advance remuneration payments were made to members of the Management Board in the financial year 2012, nor were any loans granted or confirmations of pension entitlements issued. No salary was paid to former members of the Management Board in the financial year 2012. No provisions needed to be set aside for former members of the Management Board.

### **3. Other mandatory disclosures** **Benefits upon premature termination of Management Board duties**

If membership of the Management Board is terminated, members have agreed to a post-contractual non-compete agreement of up to twelve months, which may be waived by alstria with a six months' notice period. As long as alstria exercises this post-contractual non-compete obligation, the members of the Management Board shall receive a compensation payment for this period equivalent to their last fixed salary. In the event of an early termination of a Management Board service contract by mutual agreement, the members of the Management Board are still entitled to their remuneration claims during the remaining term of the service contract, however, no more than the value of two years' remuneration. Benefits to be paid by the Company if the appointment is terminated by the death of the board member amount to the fixed salary for the month in which the member died and for the following three months. The incentive payment for this period shall be paid pro rata up to and including the month of death. The Management Board contracts do not include any change of control clauses.

### Additional information on share-based remuneration components

The long-term variable remuneration component was implemented in 2010 and thereby replaced the Company's stock option program 2007. The members of the Management Board were granted a single tranche of stock options in the course of the stock option program 2007 in financial year 2007. The term for these stock options ends in financial year 2014. No expenses arose in the financial year 2012 from the stock options granted in the financial year 2007.

The details of the stock option program 2007 are as follows: The term of the stock options is seven years from the time they are granted. The options may only be exercised if the current share price of the Company exceeds the exercise price by 20% or more on at least seven non-consecutive trading days of the Frankfurt Stock Exchange before the start of the respective exercise period. The stock options may only be exercised after expiry of a vesting period of two years and during one of the four exercise periods of each year. Each exercise period amounts to 30 days beginning on the date of publication of the Company's results for the first, second and third quarters and the date of the Company's Annual General Meeting. There are no cash settlement alternatives. The exercise price for

the stock options granted in 2007 is EUR 16.00. The performance target for the 2007 stock options amounts to EUR 19.20 and their term ends in financial year 2014.

## Remuneration of the Supervisory Board members

### 1. Structure of the Supervisory Board remuneration

The members of the Supervisory Board each receive an annual fixed remuneration in the amount of EUR 40 k. The Chairman of the Supervisory Board also receives an additional annual amount of EUR 20 k and the Vice-Chairman receives an additional amount of EUR 10 k. Members who only sit on the Supervisory Board for part of a year receive pro rata remuneration. Membership of the audit committee entails separate remuneration of EUR 10 k and the chair of the audit committee receives EUR 15 k. Membership in other committees does not give entitlement to any additional remuneration.

### 2. Remuneration of the Supervisory Board in the financial year 2012

The total remuneration for the Supervisory Board in 2012 amounted to EUR 301.86 k. The individual remuneration of the members of the Supervisory Board for the financial year 2012 and 2011 is composed as follows:

EUR k

Supervisory Board member	Supervisory Board membership	Audit committee membership	Remuneration for 2011	Remuneration for 2012
Alexander Stuhlmann	Chairman	n/a	60.00	60.00
Dr Johannes Conradi	Vice-Chairman	Chairman	60.67	65.00
Roger Lee	Member	Member	50.00	50.00
Richard Mully	Member	n/a	40.00	40.00
Daniel Quai	Member until March 31, 2012	Member until March 31, 2012	50.00	12.43
Marianne Voigt	Member	Member since April 24, 2012	7.56	46.89
Benoît Hérault	Member since April 24, 2012	n/a	n/a	27.54
John van Oost	Vice-Chairman until June 8, 2011	n/a	21.78	n/a
<b>Total</b>			<b>290.01</b>	<b>301.86</b>

No advance remuneration payments were made to members of the Supervisory Board in the financial year 2012, nor were any loans granted. No remuneration was paid out for individual services.

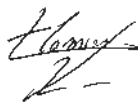


### Statement of the Management Board

In relation with our financial statements according to Section 264 of the German Commercial Code (Handelsgesetzbuch, HGB) and our consolidated financial statements according to Section 315a HGB as at December 31, 2012, the Management Board issues the following declaration regarding compliance with the requirements of Sections 11 to 15 of the German Real Estate Investment Trust Act (REIT-Gesetz, REITG) and regarding the calculation of the composition of income subject to and not subject to income tax for the purpose of Section 19 para. 3 REITG in conjunction with Section 19a REITG:

1. As per the balance sheet date, 73.80% of alstria's shares were free float according to Section 11 para. 1 REITG. This was disclosed to the German Federal Financial Supervisory Authority (BaFin).
2. In accordance with Section 11 para. 4 REITG, as per the balance sheet date, no shareholder owned directly 10% or more of our shares or shares of such an amount that he holds 10% or more of the voting rights.
3. In relation to the sum of the assets pursuant to the consolidated statements less the distribution obligation and the reserves pursuant to Section 12 para. 2 REITG
  - a) as per the balance sheet date the immovable assets amounted to EUR 1,657,104 k which equals to 92.74% of the assets, therefore at least 75% of the assets belong to the immovable assets;
  - b) the assets belonging to the property of REIT service companies as per balance sheet date which were included in the consolidated statements amount to a maximum of 20%, namely EUR 390 k and therefore 0.02%.
4. In relation to the sum of the entire sales revenue plus the other earnings from immovable assets pursuant to the consolidated statements according to Section 12 para. 3 and 4 REITG
  - a) for the financial year 2012, the entire sales revenues of the Group plus other earnings from immovable assets amounted to EUR 99.0 m. This equals 100% of total revenues plus other earnings from immovable assets;
  - b) the sum of the sales revenue plus the other earnings from immovable assets of REIT service companies amounted to EUR 204 k in the financial year 2012. This equals 0.21% of total revenue plus other earnings from immovable assets.
5. In the financial year 2012, a dividend payment of EUR 34,705 k for the prior financial year was distributed to the shareholders. The financial year 2011 did not result in a net income according to commercial law pursuant to Section 275 HGB.
6. alstria office REIT-AG's dividend does not derive from already taxed parts of the profit.
7. Since 2008, the Group has realised 20.99% of the average portfolio of its immovable assets and therefore did not trade with real estate according to Section 14 REITG.
8. On the balance sheet date the Group's equity as shown in the consolidated statements according to Section 12 para. 1 REITG was EUR 829.3 m. This equals to 50% of the value of the immovable assets which are shown in the consolidated statements in conformance with Section 12 para. 1 REITG.

alstria office REIT-AG  
Hamburg, February 14, 2013



**Olivier Elamine**  
CEO



**Alexander Dexne**  
CFO



## REIT memorandum

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

### **Auditor's memorandum according to Section 1 (4) of the Act on German Real Estate Stock Corporations with listed Shares (REIT Act)**

To alstria office REIT-AG, Hamburg

As auditor of the annual financial statements and the consolidated financial statements of alstria office REIT-AG, Hamburg, for the financial year from January 1 to December 31, 2012, we have audited the information given in the attached declaration of the Management Board members for the compliance with the requirements of Section 11 to 15 of the REIT Act and the composition of the proceeds concerning the pre-taxation of proceeds according to Section 19 (3) and Section 19a REIT Act as of December 31, 2012 (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 judgement 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, 2012, and if the provided information concerning the requirements of Section 12 to 15 REIT Act and the composition of the proceeds concerning the pre-taxation of proceeds according to Section 19a REIT Act is appropriate.

It was not part of our engagement to fully assess the 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, 2012 and agreed the provided information concerning the requirements of Section 12 to 15 REIT Act with the information disclosed in the annual financial statements and the consolidated financial statements of the Company. Furthermore, we tested the adjustments made to the valuation of immovable assets held as investment for their compliance with Section 12 (1) REIT Act. We believe that our audit provides a reasonable basis for our opinion.

In our opinion based on the findings of our audit, the information given in the REIT declaration concerning the free float ratio and the maximum stock ownership per shareholder due to Section 11 (1) and (4) REIT Act agrees with the announcements made according to Section 11 (5) REIT Act as of December 31, 2012 and the information provided concerning the compliance with Section 12 to 15 REIT Act and the composition of the proceeds concerning the pre-taxation of proceeds according to Section 19a REIT Act are appropriate.

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

Hamburg/Germany, February 15, 2013

Deloitte & Touche GmbH  
Wirtschaftsprüfungsgesellschaft

**sgd. Gerald Reiher**  
Wirtschaftsprüfer  
(German Public Auditor)

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

## Other information

### Glossary

#### **AFFO (adjusted funds from operations)**

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

#### **Annual financial statements**

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

#### **Annual General Meeting**

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

#### **Asset management**

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

#### **Cash flow**

Indicator that shows the net inflow of cash from sales activities and other current activities during a given period.

#### **CO<sub>2</sub>**

Carbon dioxide, a gas produced primarily through the combustion of fossil fuels. It is believed to be the main cause of climate change.

#### **Consolidated statement of financial position**

Balancing assets against liabilities, that is, “debits” and “credits”, at the end of the financial year. As a result one can see the net asset position of the joint stock company. A component part of the annual financial statements.

#### **Contractual rent**

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

#### **Contractual vacancy rate**

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

#### **CRESS (Construction and Real Estate Sector Supplement)**

Supplement to the GRI guidelines for the special disclosure requirements of companies from the real estate and construction sector.

#### **DAX**

The German Share Index (DAX) reflects the value trend of the 30 most important German shares. In addition to the market prices, the dividend payments are also included here. DAX began at the end of 1987 with a value of 1,000.

#### **DGNB (Deutsche Gesellschaft für Nachhaltiges Bauen)**

The German Sustainable Building Council establishes a system for the assessment and the certification of sustainable buildings.

#### **EPRA (European Public Real Estate Association)**

The EPRA index is the well-known international index which tracks the performance of the largest European and North American listed property companies. The European Public Real Estate Association (EPRA) is an organisation that represents the interests of the major European property management companies and supports the development and market presence of European public property companies. Its members include companies such as alstria office REIT-AG, financial analysts, investors, advisors and auditors.

#### **Fair value (or open market value [OMV])**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value for alstria's investment properties is reviewed regularly by external appraisers.

### **FFO (funds from operations)**

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

### **G-REIT**

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

### **IFRS**

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

### **Investment property**

Property, land and buildings, which are held as financial investments to earn rents or for growth, and not used for the Company's own purpose. The value of the investment property is determined according to IAS 40.

### **Joint venture**

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

### **LTV (loan to value)**

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

### **NAV (net asset value)**

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

### **NNNAV (triple net asset value)**

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

### **Office building**

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

### **Passing rent**

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

### **Property management**

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

### **Road shows**

Corporate presentations to institutional investors.

### **Sale-and-leaseback transaction**

Form of arrangement in which one party sells an asset to another party in exchange for cash and contracts to lease the asset for a specified term.

### **SDAX**

Small Cap Index; it contains, with variable weighting, the prices of the 50 most important, in terms of market capitalisation and turnover, German joint stock companies which are not included in DAX or MDAX. In addition to dividend payments, subscription right proceeds are also included when calculating the index.

### **Share**

The term share describes both the membership rights (holding in the joint stock company) and the security which embodies these rights. The holder of a share (shareholder) is a "sharer" in the assets of the joint stock company. Their rights are protected by the regulations contained in the Companies Act.

### **Share buy back**

A process whereby a joint stock company buys its own shares and thus allows capital to flow back to the shareholders. No rights are conceded to the company from these shares (voting right, dividend entitlement, subscription right, etc.).

### **Share capital**

The capital stipulated in a corporation's articles of association. The articles also specify the number of shares into which the share capital is divided. The company issues shares in the amount of its share capital.

### **Stakeholder**

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

### **Stock exchange**

The stock exchange is the market (meeting place for supplies and demands) for securities. Stock exchange dealing takes place in the Federal Republic of Germany in certain places and at certain times. The German stock exchanges are subject to state

control. The Stock Exchange Commission decides which persons are authorised to deal on the stock exchanges. A listing committee supervised by the federal state decides on the admission of securities for stock exchange dealing. There are various submarkets on the German stock exchanges which are also called trading or market segments. Purchase and sales contracts for securities which are not admitted to any of the market segments may not be accepted or negotiated in the dealing room during trading hours.

### **Supervisory Board**

The Supervisory Board is one of the three executive bodies of a joint stock company: Annual General Meeting, Management Board and Supervisory Board. The Supervisory Board appoints the Management Board and provides supervision and advice regarding management of the company's business.

### **Sustainability**

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

### **Transparency**

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

### **Vacant space**

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

### **Valuation yield**

Key performance indicator, which is determined at a given date by the contractual rent in relation to the fair value of the property.

## Events 2013

### Special dates you should note ...

#### March 27

##### Publication of the annual report 2012

Financial report (Hamburg)

#### May 7

##### Publication of Q1 report

Interim report (Hamburg)

#### May 29

##### Annual General Meeting

Hamburg

#### August 6

##### Publication of Q2 report

Half-year interim report (Hamburg)

#### November 5

##### Publication of Q3 report

Interim report (Hamburg)

##### Publication of the sustainability report 2013

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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 homepage.

### **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 – as mentioned in the risk report – 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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