



# Report of the Supervisory Board of Prime Office REIT-AG



*Prof. Dr. h.c. Roland Berger,  
Chairman of the Supervisory Board*

**The Supervisory Board  
focuses on basic questions  
of company planning,  
the future direction and  
strategy.**

**Dear Shareholders,  
Dear Sir or Madam,**

In this statement, the supervisory board of Prime Office REIT-AG reports on its activities in the past financial year 2012. Its deliberations focused on the future development of Prime Office in the context of the economic environment and the property market in Germany, general aspects of corporate planning, strategic positioning and corporate strategy as well as the financing of Prime Office REIT-AG.

The supervisory board of Prime Office REIT-AG complied with its obligations under the law and the articles of association in financial year 2012, monitoring and advising at the executive board throughout. The supervisory board was always comprehensively informed of fundamental aspects of the corporate development and the general business performance. Whenever decisions and measures of the executive board required supervisory board approval, the members of this body carefully reviewed the relevant proposals and made their decisions based on the written and oral information at hand.

Four regular supervisory board meetings, one strategy workshop and a telephone conference were held in 2012. The executive board reported comprehensively on the situation of Prime Office REIT-AG and the current developments in all meetings. In addition, the chairman of the supervisory board and the CEO, Mr Claus Hermuth, communicated intensively and regularly the current development of the business and important business transactions.

As specified in its applicable by-laws, the supervisory board of Prime Office REIT-AG formed the following committees: executive committee, investment committee, audit committee and IPO committee. The committees serve to increase the efficiency of supervisory board work and examine complex issues. The executive committee, which currently consists of three members, Prof. Dr. h.c. Roland Berger, Prof. Dr. Kurt Falthäuser and Dr. Lutz Mellinger, coordinates work in the supervisory board and prepares its meetings as well as the staffing decisions of the supervisory board, particularly concerning the structure of the executive board. The investment committee currently consists of two members, Prof. Dr. Kurt Falthäuser and Dr. Lutz Mellinger, and advises the supervisory board by preparing the approval of business transactions for which the executive board requires supervisory board approval. The audit committee currently consists of two members, Prof. Dr. Franz-Joseph Busse and Prof. Dr. Harald Wiedmann, and prepares the supervisory board's decisions on the approval of the annual financial statement and the agreements with the certified auditors, analyses the company's risk management and advises the supervisory board on risk management developments. The IPO committee consists of two members, Prof. Dr. Franz-Joseph Busse and Stefan Giesler, and advised the supervisory board in connection with the IPO in 2011.

The supervisory board's strategy workshop on 08 February 2012 started with a report on the current situation of the business delivered by the executive board. This was followed by in-depth analyses and discussions of the company's strategic approach as well as alternative strategic approaches in the light of the property and capital market situation. The supervisory board meeting on 13 March 2012 focused on the annual financial statement of Prime Office REIT-AG for the 2011 financial year and the current situation of the business. The meeting on 10 May, ahead of the general shareholders' meeting, was dedicated to the state of the company and the business development in the first quarter of 2012.

During the supervisory board meeting on 18 September 2012, the executive board informed the supervisory board extensively about the situation of the business according to section 90 of the German Stock Corporation Act (AktG), the sales process of the property in Hamburg and corporate governance, and discussed the elections to the supervisory board during the annual shareholders' meeting in financial year 2013. In its meeting on 17 November 2012, the supervisory board thoroughly examined the executive board's budget and liquidity planning for Prime Office REIT-AG. On 13 December 2012, the supervisory board held a joint telephone conference with the executive board in order to obtain information on the business development through to year end.

The audit committee met once each quarter to focus predominantly on the annual and quarterly financial statements, the risk management system and the system of internal controls. The chairman of the audit committee reported regularly on the activities of the audit committee to the supervisory board.

No member of the supervisory board participated in less than half of the supervisory board meetings. On the contrary, all supervisory board members participated in all meetings; where members were unable to attend on site, they were conferenced in. Acting in line with section 5.6 of the German Corporate Governance Code, the supervisory board also again reviewed the efficiency of its activities in financial year 2012.

With the exception of Dr. Mellinger, there are no actual or potential conflicts of interest between the obligations, the private interests or other obligations of the company's executive board members and supervisory board members. Dr. Mellinger is the chairman of the supervisory board of Quantum Immobilien AG and Quantum Kapitalanlage GmbH. The interests of Prime Office REIT-AG in the event of potential conflicts of interests are sufficiently protected under sections 5.5.2 and 5.5.3 of the German Corporate Governance Code.

On 1 March 2013, the executive board prepared the annual financial statement as of 31 December 2012 according to the requirements of the German Commercial Code (HGB) and the AktG, the management report for 2012 and the separate financial statement under the International Financial Reporting Standards (IFRS) pursuant to section 325 para. 2a HGB as of 31 December 2012. All of the above documents were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, that issued an unqualified opinion.

The annual financial statement, the management report, the separate financial statement pursuant to section 325 para. 2a HGB, the audit reports and the separate opinion by the auditor pursuant to section 1 para. 4 sentence 5 of the REIT law as well as the executive board's proposal for the use of the

**Intensive communications about essential business transactions between the chairman of the management board and the chairman of the supervisory board.**

distributable profit have been available to all supervisory board members. In its meeting on 7 March 2013, the audit committee examined the annual financial statement including the management report, the separate financial statement pursuant to section 325 para. 2a HGB and the separate opinion of the auditor pursuant to section 1 para. 4 sentence 5 of the REIT law ahead of the supervisory board's balance sheet meeting. The auditor participated in the deliberations of the audit committee and reported on the key results of its audit that also encompassed the internal control and risk management system in as far as it relates to the accounting process. The auditor did not report meaningful weaknesses. The supervisory board also reviewed the above documents and discussed them extensively in its meeting on 7 March 2013. The auditor also participated in the balance sheet meeting of the supervisory board plenum and reported on the main result of its audit.

The supervisory board concurs with the results of the audit. The reviews by the audit committee and the supervisory board, which have now been completed, do not give rise to objections. The supervisory board approves the annual financial statement of Prime Office REIT-AG as of 31 December 2012 and the separate financial statement pursuant to section 325 para. 2a HGB. The annual financial statement has therefore been approved according to section 172 of the AktG.

The supervisory board thanks the executive board and the employees of Prime Office REIT-AG for their strong personal commitment and their work during the past financial year.

**MUNICH, 7 MARCH 2013**



**PROF. DR. H.C. ROLAND BERGER**

*Chairman of the Supervisory Board*