



Prime Office REIT-AG

EXCELLENCE IN GERMAN REAL ESTATE

Presentation accompanying the Annual Analyst and Press Conference
Frankfurt, 21 March 2013



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Prime Office – FY 2012 at a glance

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Funds from operations increase year-on-year to 22.8 m Euro in spite of temporary vacancies (2011: 21.8 m Euro)

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Net income before valuation effects (EPRA-Earnings) up year-on-year to 16.0 m Euro (previous year: 15.3 m Euro)

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Substantial reduction of liabilities by 70.1 m Euro to 642.5 m Euro (LTV declines by 500 bps from 65.2% to 60.2%)

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REIT equity ratio of 42.9% below statutory minimum by the REIT law due to market values of swaps

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Disciplined implementation of sustainability strategy:
70% of rental spaces are certified

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New leases and lease prolongations extend WALT to 7.0 years

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Proposed dividend of 0.18 Euro per share in line with the guidance: tax-free distribution in Germany (corresponding gross dividend: 0.24 Euro per share)



Real estate portfolio



Property valuation CBRE

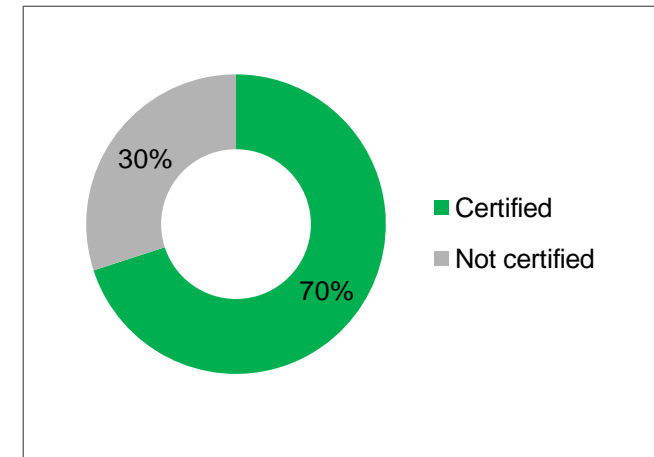
	Market value 12/2012 (in EUR m)	Market value 12/2011 (in EUR m)	Delta y-o-y (in %)	Occupancy (in %)	Rental space (in sqm)
Munich, Hufelandstrasse	24.4	24.1	1.2%	100%	8,224
Frankfurt, Ludwig Erhard Anlage	155.1	161.8	-4.1%	2%	35,101
Darmstadt, T-Online Allee	172.5	172.5	0.0%	100%	72,528
Essen, Alfredstrasse	73.0	73.1	-0.1%	100%	30,314
Darmstadt, Dt. Telekom Allee	53.3	53.2	0.2%	100%	24,686
Stuttgart, Breitwiesenstrasse	39.2	41.7	-6.0%	39%	25,284
Nuremberg, Richard Wagner Platz	13.0	13.0	0.0%	100%	6,445
Heilbronn, Bahnhofstrasse	29.9	29.7	0.7%	99%	14,750
Dusseldorf, Am Seestern	67.6	75.7	-10.7%	100%	35,819
Stuttgart, Philipp Reis Strasse	39.1	39.7	-1.5%	100%	19,854
Munich, Hultschiner Strasse	186.5	186.6	-0.1%	100%	62,237
Dusseldorf/ Meerb., Earl Bakken Pl.	16.4	16.4	0.0%	100%	8,038
Essen, Opernplatz	38.5	38.6	-0.3%	100%	24,531
	908.5	926.1	-1.9%	86%	367,811

Disciplined implementation of green building strategy

Certified portfolio properties

Property	Certified by	Year	Ranking
T-Systems	BREEAM DE	2013	Building: very good; operation: good
Alfredstrasse	BREEAM DE	2013	Building: very good; operation: good
emporia	BREEAM DE	2013	Building: very good; operation: good
T-Online HQ	BREEAM DE	2012	Building: excellent; operation: good
Xcite	BREEAM DE	2012	Building: very good; operation: good
SZ-Tower	LEED	2010	Gold
Medtronic HQ	DGNB	2009	Silver

Breakdown of rental spaces



- 7 properties accounting for a total 70% of the rental space are certified under sustainability criteria
- This makes Prime Office the Germany market leader in this area
- The amount of certified rental space testifies to the importance of sustainability and green building for Prime Office

Results of the certification process highlight the strong quality of the portfolio properties



Breitwiesenstrasse 5-7, Stuttgart-Moehringen



Letting activities

- The property consists of two buildings one of which (Industriestrasse, about 10,000 sqm) has been rented long-term to two tenants (WALT 7.9 years)
- Marketing of the second building (Breitwiesenstrasse):
 - Advanced lease negotiations for the remaining spaces (approx. 95%) with a prospective tenant from the automotive sector
 - Subject to board approval, signing of the lease is scheduled for Q2/2013

Property

Lettable area:	25,284 sqm
WALT:	7.9 years
Market value (31/12/2012):	39.2 m Euro
Value per sqm:	1,550 Euro
Annual rent:	1.3 m Euro
Occupancy level:	39%

Ludwig-Erhard-Anlage 2-8, Frankfurt / Main



Property

Lettable area:	35,101 sqm
Market value (31/12/2012):	155.1 m Euro
Value per sqm:	4,419 Euro
Occupancy level:	2%

Letting activities

- Frankfurt property market remains challenging due to the economic environment (particularly in the financial sector)
- Deutsche Post moved out of the premises at the end of 2012 after the completion of the fire prevention measures
- Additional showrooms in the upper floor of the Senckenberg Carré and the Westend Palais to support the extensive marketing effort are now available
- Various marketing activities have been agreed; event marketing to increase awareness of potential tenants, for instance, is well under way
- The Frankfurt market has slightly rallied since the beginning of 2013
- The market is showing interest in the Westend-Ensemble
- Various prospective tenants seeking premises of 12,500 sqm or 22,000 - 37,000 sqm
 - 2 concrete offers have been made

Am Seestern 1, Dusseldorf



Property

Lettable area:	35,819 sqm
WALT:	0.2 years
Market value (31/12/2012):	67.6 m Euro
Value per sqm:	1,887 Euro

Letting activities

- Marketing to Vodafone partner companies is progressing
 - Seamless lease extension from 1 April 2013 at substantially lower capex (budget: 400 Euro/sqm vs. 200 Euro/sqm for Vodafone partner companies)
 - Tenants have already moved in approx. 7,000 sqm
 - Office operator has leased the premises
 - About 4,200 sqm (smaller letting units) with space for currently about 300 employees
 - Option for another 2,000 sqm
 - Rent between 9 - 15 Euro: initially 10.50 Euro/sqm on average
 - Term 5 + 5 years (both parties have a special right of termination after 2 years)
 - Direct leases by Vodafone partner companies for up to 4,000 sqm already concluded or shortly expected
 - Cafeteria and conference area with 1,600 sqm and 700 sqm respectively already in use
- Negotiations with new major prospect for 7,000 sqm under way

Imtech Headquarters, Hamburg



Another property sale in 2013 is contemplated.

Facts

- Notarization on 02 November 2012, transfer of economic ownership on 31 December 2012
- About 16 m Euro of excess liquidity after rents, other costs and loan repayments
 - Sales price exceeds the market value of the property determined between 2008 and the IPO valuation (39.7 m Euro)
- Proceeds from the sale were used inter alia for the early repayment of existing loans the interest rates of which substantially exceed current levels
- Reduction of the Company's financing costs
- Expected profit of about 4.5 m Euro as calculated under the German Commercial Code (HGB) carried forward as potential future dividend
- REIT equity ratio improves by two percentage points

Letting performance 2012

Property	Letting performance (in sqm)	Tenant
Heilbronn/Neckarturm	3,329	Lidl Stiftung, Kaufland Stiftung, Wirtschaftsprüfungsgesellschaft
Nürnberg/Sigmund Schuckert Haus	5,480	Deutsche Rentenversicherung
Stuttgart/Moehringen	3,636	Hochtief Solutions, printing outfit
München/Hufelandstrasse	8,224	BMW AG/ Semcon Group
Frankfurt/Westend-Ensemble	833	Deutsche Post branch
	21,502	

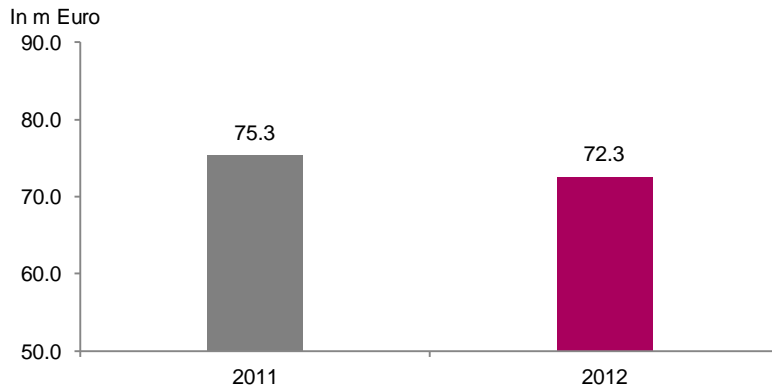
With a letting performance of approx. 21,500 sqm the new leases or renewals quota by the asset management function of Prime Office in fiscal year 2012 reaches 5.8%.

Financial data FY 2012 (IFRS)

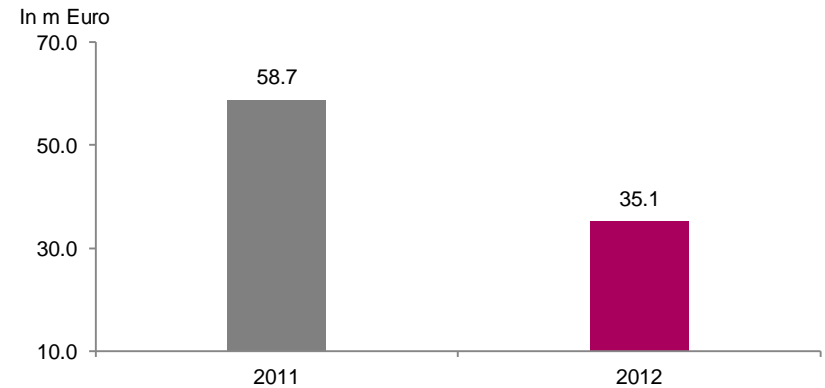


Key financial data in FY 2012 (I)

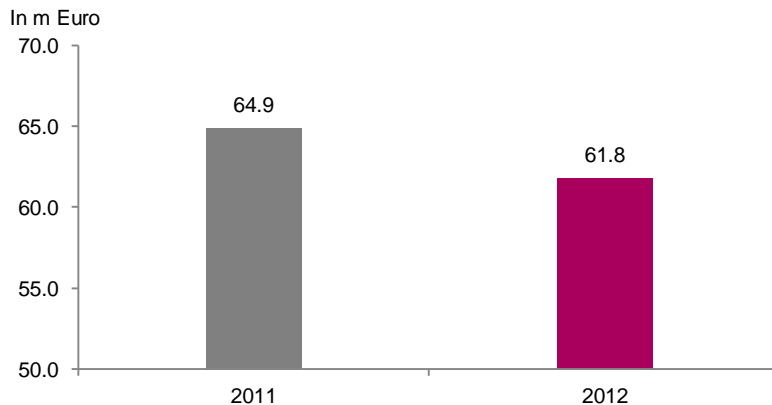
Gross rental income



Operating earnings (EBIT)



Rental and lease income

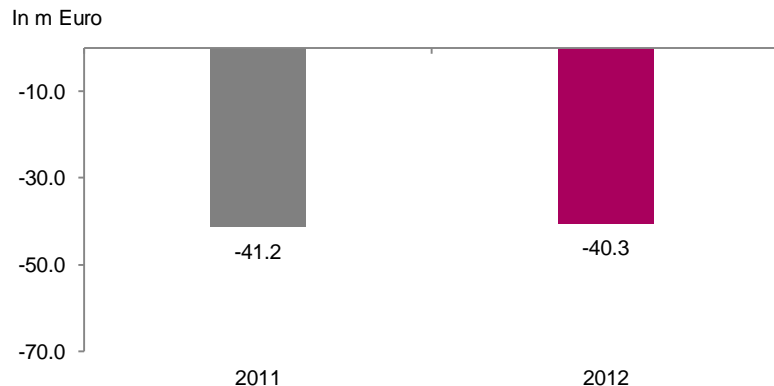


Comments

- Gross rental income down year-on-year due to vacancies
- Vacancies and higher rental and lease expenses (marketing costs, show room construction costs) and property management contract weighed on rental and lease income
- EBIT down year-on-year to 35.1 m Euro due to fair value adjustments across the property portfolio, higher rental and lease expenses and temporary vacancies

Key financial data in FY 2012 (II)

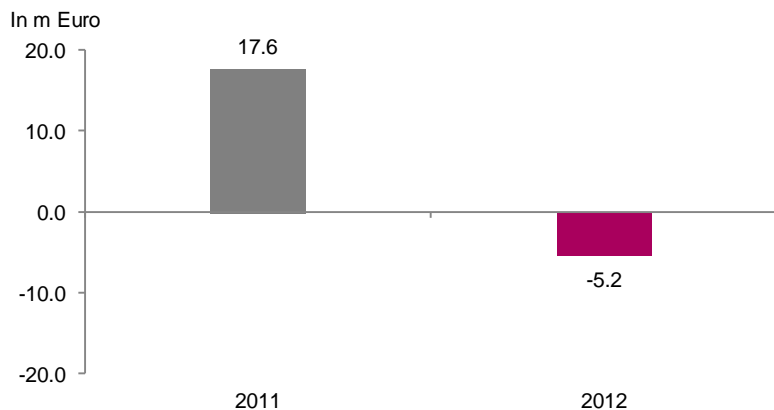
Financial result



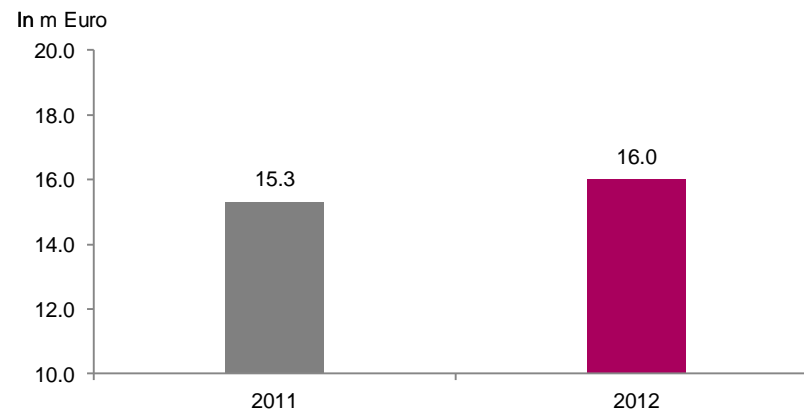
Comments

- Financial result improved: financial expenses decreased year-on-year in spite of early loan repayments, refinancing measures and special repayments in an effort to further optimise the financing structure
- Net loss over the period: net income is dominated by vacancies, property valuation effects and swap market values
 - EPRA earnings (which are adjusted by valuation effects) of 16.0 m Euro stable year-on-year (2011: 15.3 m Euro)

Net income

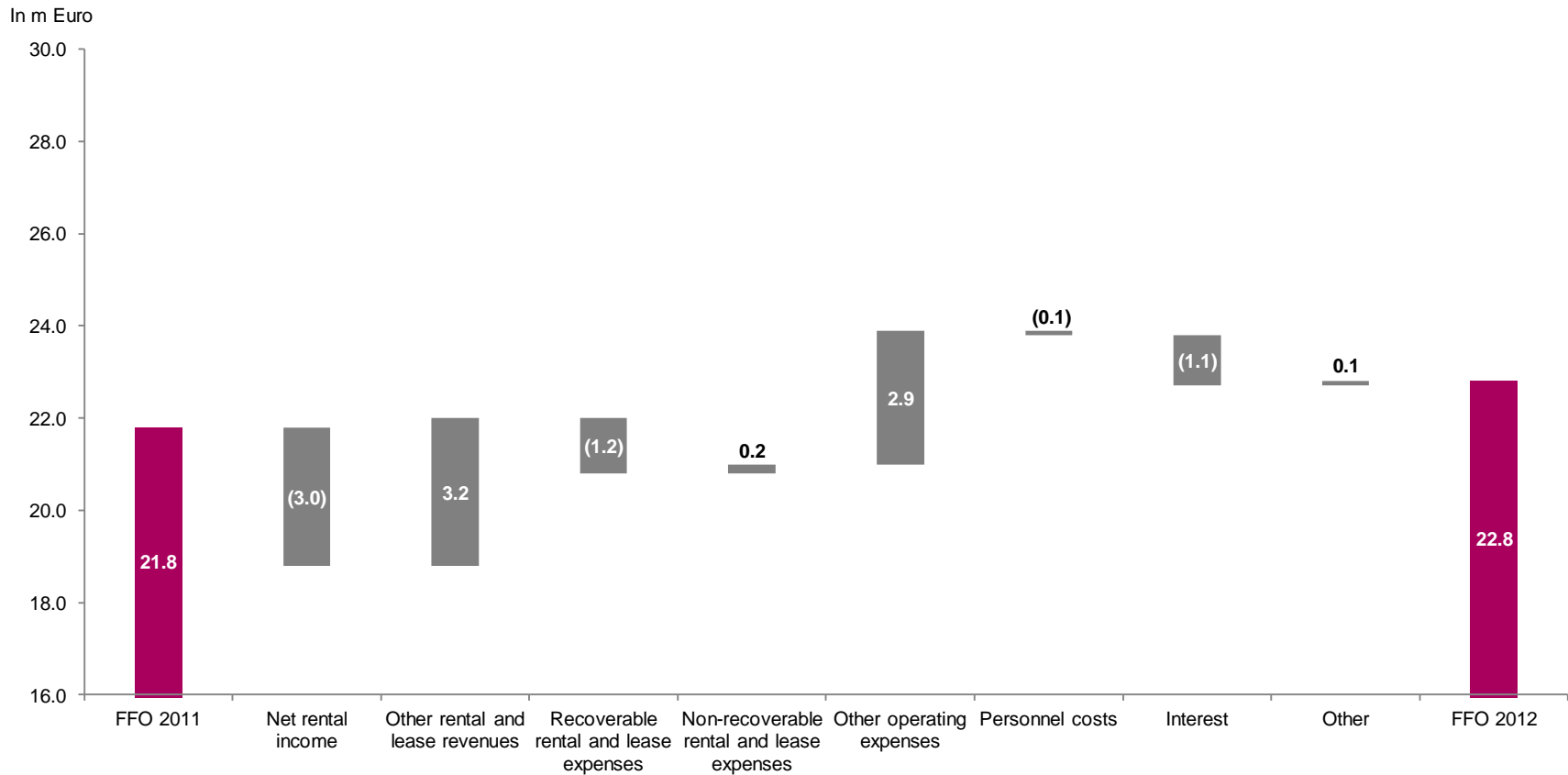


EPRA earnings



Key financial data in FY 2012 (III)

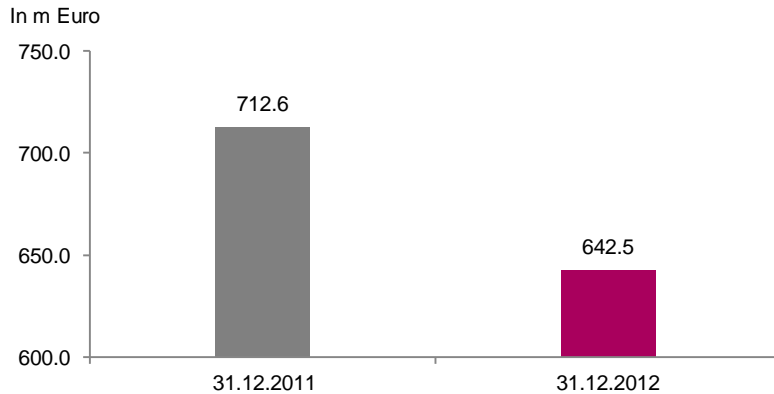
FFO bridge



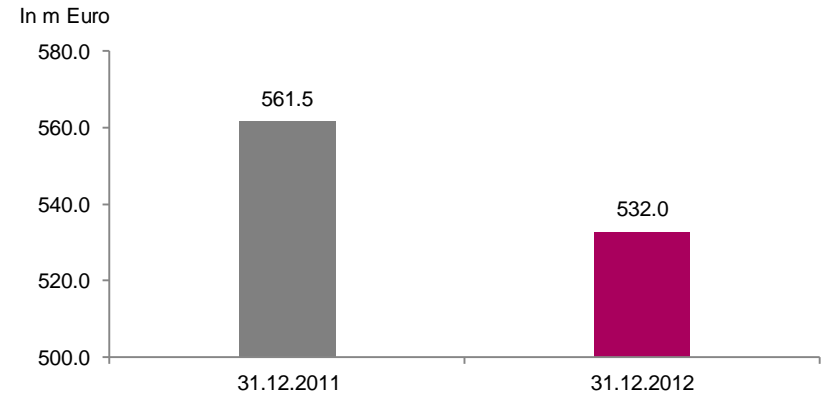
Funds from operations up year-on-year in spite of vacancies

Key financial data in FY 2012 (IV)

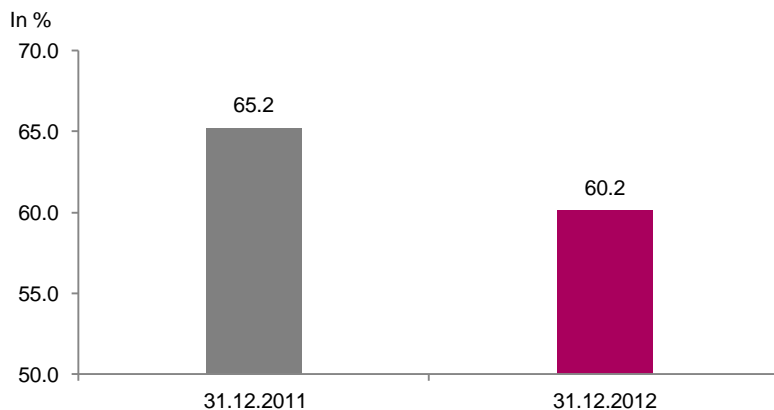
Total liabilities¹⁾



IFRS net debt²⁾



LTV



Comments

- Total liabilities down by 9.8% due to high repayments (77.5 m Euro)
- Contrarian effect: substantial increase in negative market values of derivative financial instruments
- LTV down by a substantial 5% from 65.2% to 60.2% as at 31 December 2012

¹⁾ current + non-current liabilities ²⁾ Liabilities - current assets (includes swap market values)

Key financial data in FY 2012 (V)

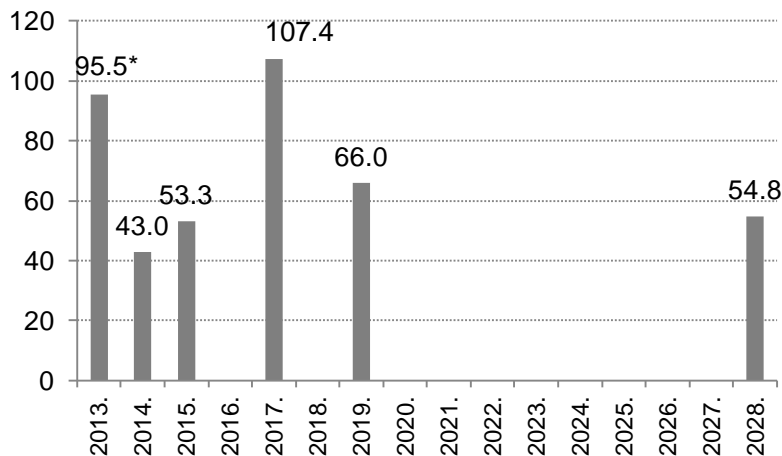
Repayment schedule 2012

(in m Euro)

Early repayment of CHF financing (Frankfurt)	60.0
Early repayment T-Systems	1.0
Early repayment of T-Online financing	1.0
On-schedule repayments 2012	<u>15.5</u>
Total	77.5

Maturity profile

In m Euro



* Of these 45 m Euro from the IPO, placed in custody

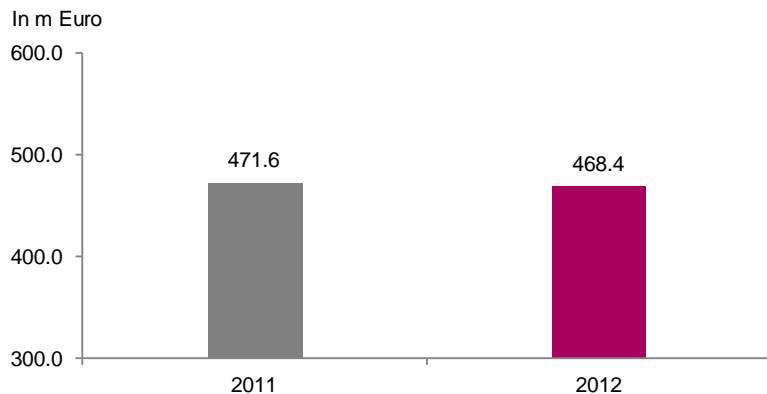
Comments

Disciplined optimisation of financing structure continues: foreign exchange exposure fully removed:

- Interest adjustment (T-Online) in December was used to transform CHF loan into Euro (including early repayment of a CHF swap of 4.6 m Euro, recognised as expense)
- Early repayment of a CHF financing of about 60 m Euro for the property in Frankfurt

Key financial data in FY 2012 (VI)

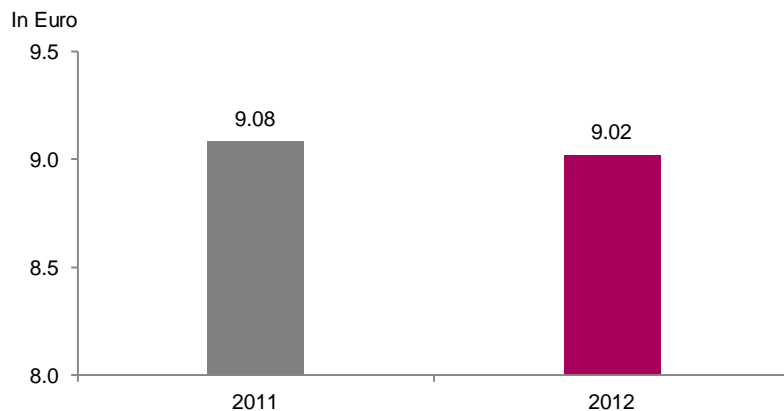
Net asset value



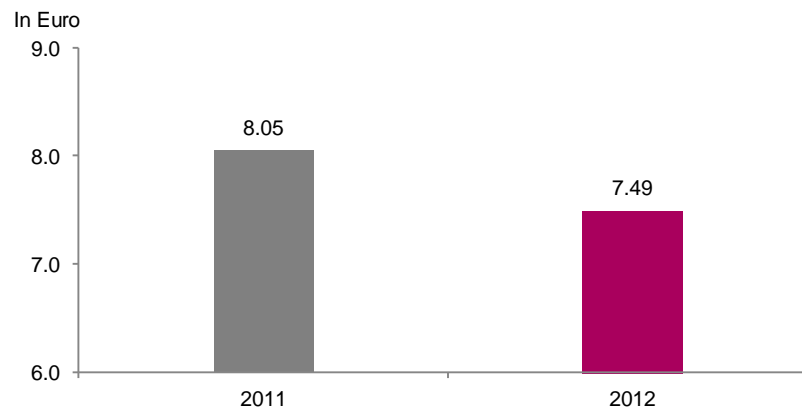
Comments

- Net asset value at 468.4 m Euro (vs. 471.6 m Euro last year)
 - NAV per share of 9.02 (previous year: 9.08) Euro
- Taking into account the negative swap market values, the net NAV (equity) amounted to 389.1 (previous year: 418.0) m Euro
 - Net NAV per share: 7.49 (previous year: 8.05) Euro

Net asset value per share

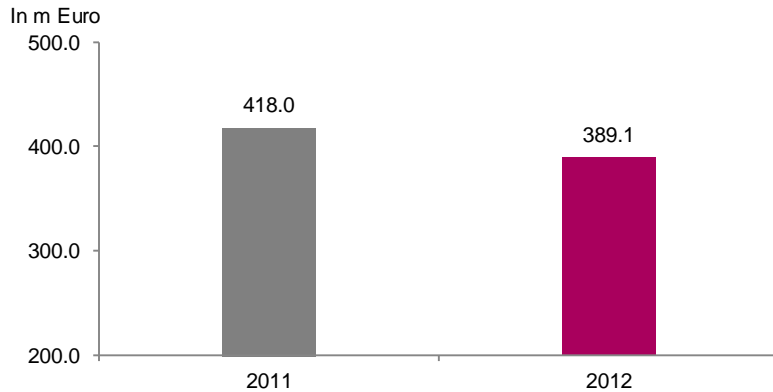


Net NAV (equity) per share



Key financial data in FY 2012 (VII)

Equity



Comments

- REIT equity ratio of 42.9% below the statutory minimum required by the REIT law (45%); caused by negative market values in the amount of -79.3 (previous year: -53.6) m Euro
 - Negative market values of swaps deteriorate by 25.7 m Euro y-o-y
 - 19.3 m Euro required to reach the 45% threshold (c.p.)



Proposed dividend

- The executive board plans to propose a **total dividend of 9.3 m Euro or 0.18 Euro per share** to the general shareholders' meeting (23 July 2013)
- Proposed dividend in line with guidance of 9 to 12 m Euro (0.17 - 0.23 Euro)
- As in the previous year, the dividend will be paid from the tax account: the dividend is therefore **tax-free for domestic investors**
- Insofar, the proposed dividend corresponds to a gross dividend of about 0.24 Euro

Guidance

- Against the backdrop of the anticipated vacancies and the planned refurbishment measures, reaching the REIT minimum equity ratio and protecting the REIT status is a top priority
- To achieve this goal, every effort will go into meeting the letting objectives; additional property sales are being contemplated
- Subject to letting successes and potential property sales, Prime Office plans to again pay a dividend for 2013
- For fiscal year 2013, the executive board anticipates revenues including operating cost prepayments of 51 to 53 m Euro and FFO of 0 to 2 m Euro

Many thanks for your attention! - Your questions?

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