



# Prime Office REIT-AG

## EXCELLENCE IN GERMAN REAL ESTATE

Presentation on the occasion of the quarterly reporting Q1/2013  
Munich, 08 May 2013



# Disclaimer

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, general economic conditions, including in particular economic conditions in the core business of Prime Office REIT-AG and core markets, general competitive factors, the impact of acquisitions, including related integration issues, and reorganization measures. Furthermore, the development of financial markets, interest rate levels, currency exchange rates, as well as national and international changes in laws and regulations, in particular regarding tax matters, can have a corresponding impact. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

The company assumes no obligation to update any information contained herein.

# Prime Office – Q1/2013 at a glance

1

With 14.5 m Euro in revenues, Prime Office generated 1.1 m Euro in income and 1.3 m Euro FFO in Q1/2013, which was in line with expectations

2

Increase of REIT equity ratio to 43.7% after 42.9% at year-end and 41.4% by mid-year 2012

3

Substantial reduction of liabilities by 49.8 m Euro to 592.7 m Euro (LTV declines by 460 bps from 60.2% to 55.6%)

4

Seamless re-letting of about 6,000 sqm from April 2013 in the Xcite: about 17% occupancy instead of the expected vacancy

5

Sales process for the SZ-Tower (Munich) initiated

6

The boards of Prime Office REIT-AG and OCM German Real Estate Holding AG have started talks about merging the companies to create a listed combined company



## Financial data Q1/2013 (IFRS)



## **Emporia (Stuttgart/Moehringen)**

- Lease negotiations with a prospective tenant from the automotive sector for the remaining office spaces finalised (95% of the overall property rent)
  - Floor planning changed again (almost entirely open plan)
  - Final decision by the board expected in May; signing of the lease scheduled for Q2/2013

## **Westend-Ensemble (Frankfurt)**

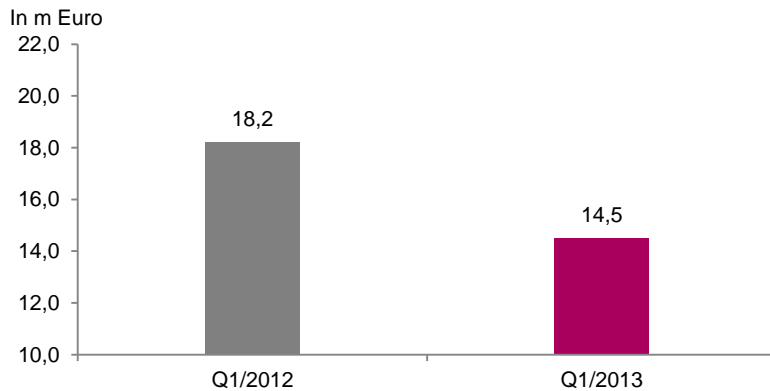
- Various marketing activities including event marketing to raise the property's profile with potential tenants completed
- Frankfurt market has slightly rallied since the beginning of 2013
- The market is showing interest in the Westend-Ensemble; however, no concrete lease negotiations under way

## **Xcite (Dusseldorf)**

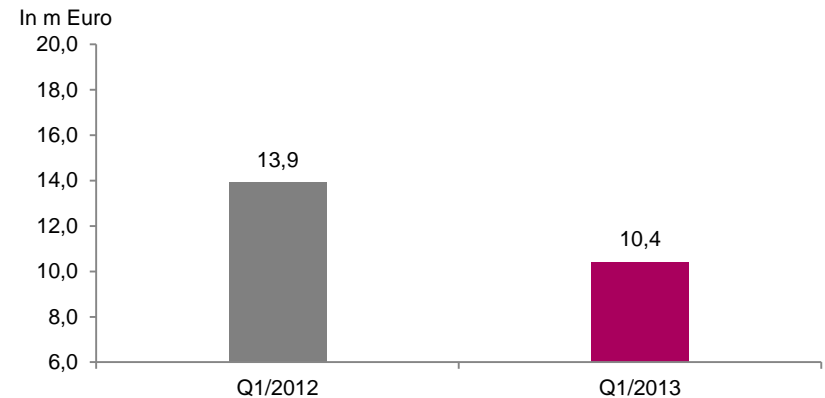
- Seamless re-letting from 1 April 2013 at substantially lower investment costs (budget: EUR 400/sqm vs. EUR 200/sqm for Vodafone partner companies)
- Premises leased by office operator from 1 April 2013: about 4,200 sqm (smaller units) with space for currently about 300 employees/option for another about 2,000 sqm
- Direct leases by Vodafone partner companies for about 1,800 sqm concluded and signed; leases for another about 1,000 sqm are nearing completion and leases for 1,500 sqm are being negotiated
- Other prospective tenants are exploring options in the property

# Key financial data in Q1/2013 (I)

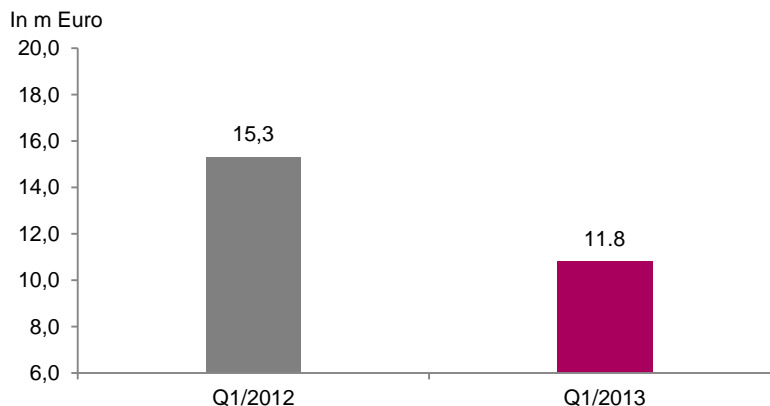
## Gross rental revenues



## Operating income (EBIT)



## Rental and lease income

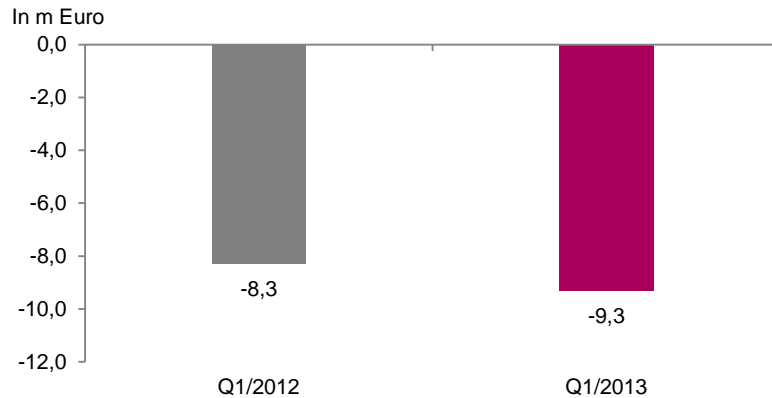


## Comments

- Gross rental revenues, rental and lease income and the operating income before interest and taxes (EBIT) are substantially down year on year due to temporary vacancies

# Key financial data in Q1/2013 (II)

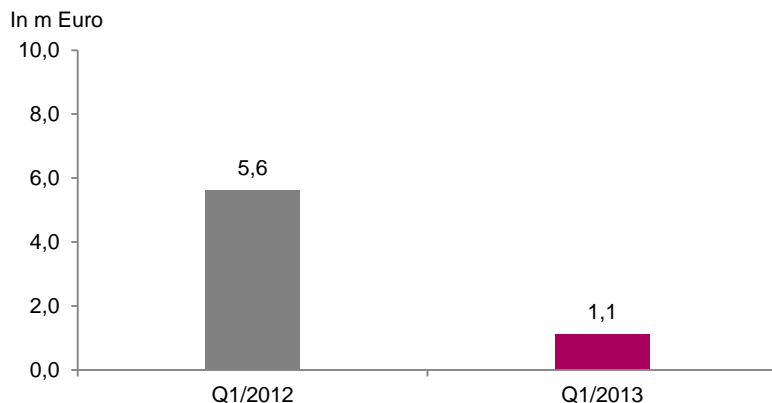
## Financial result



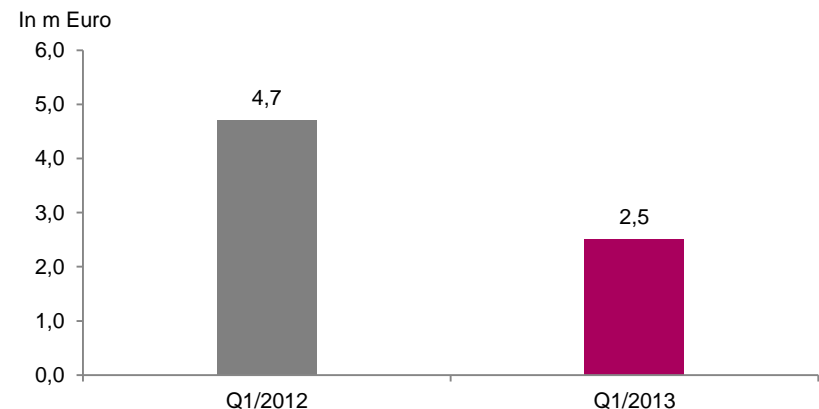
## Comments

- Financial result with one-time effects:
  - Early repayment of liabilities after the sale of the property in Hamburg (one-time swap effect of 1.4 m Euro)
  - Additional special repayments of loans with interest rates > 7% (SZ-Tower) as part of the on-going optimisation of the financing structure (one-time swap effect of 0.3 m Euro)
- Income for the reporting period down year on year to 1.1 m Euro due to vacancies
- The income for the reporting period adjusted by valuation effects (EPRA earnings) reaches 2.5 m Euro

## Income for the reporting period



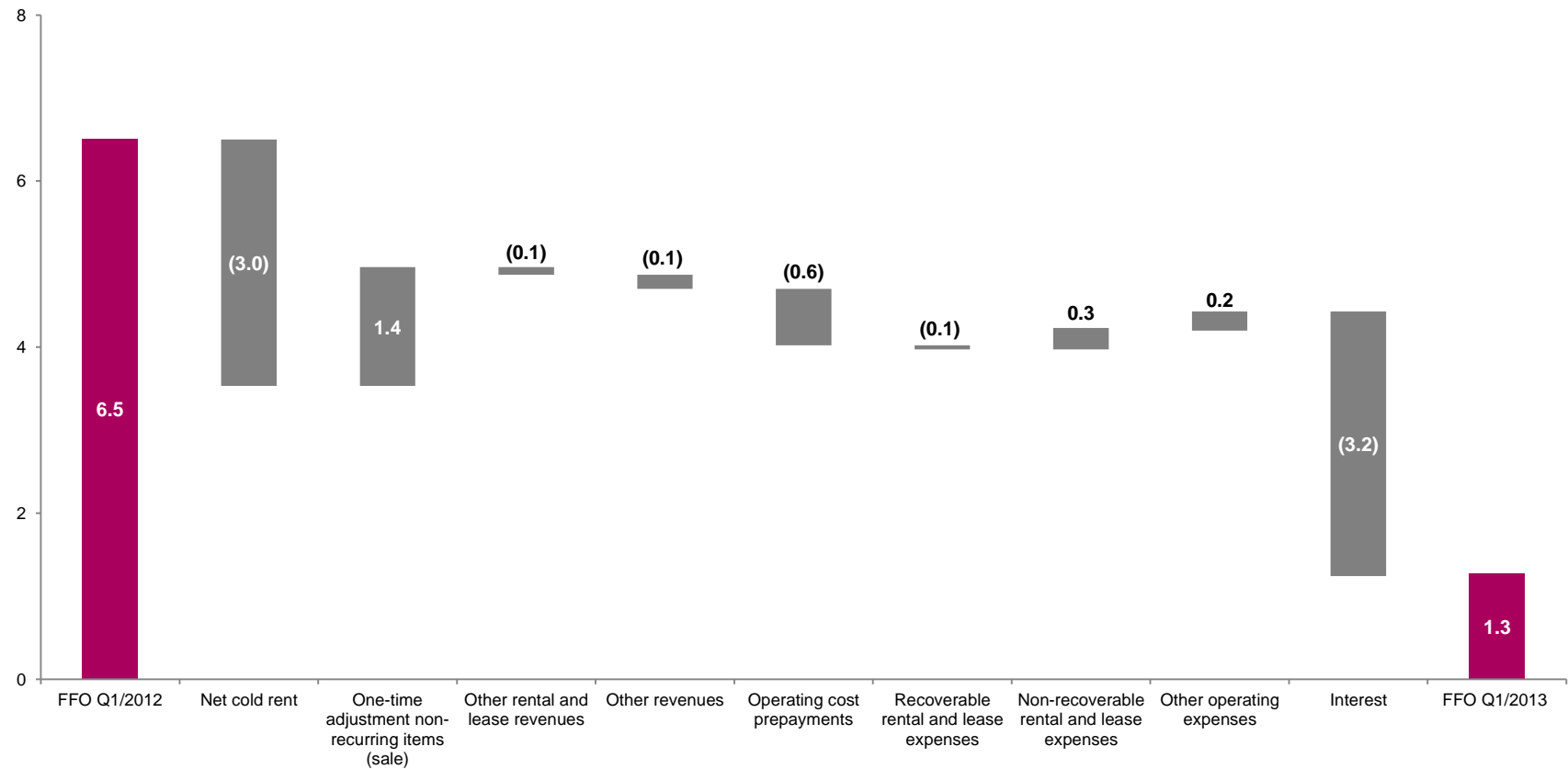
## EPRA earnings



# Key financial data in Q1/2013 (III)

## FFO bridge

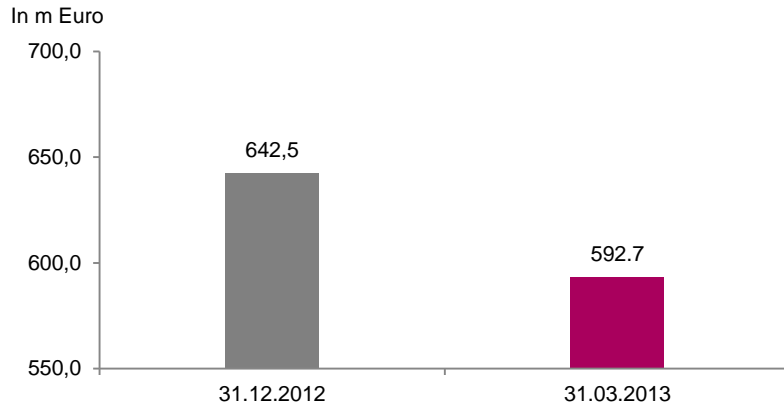
In m Euro



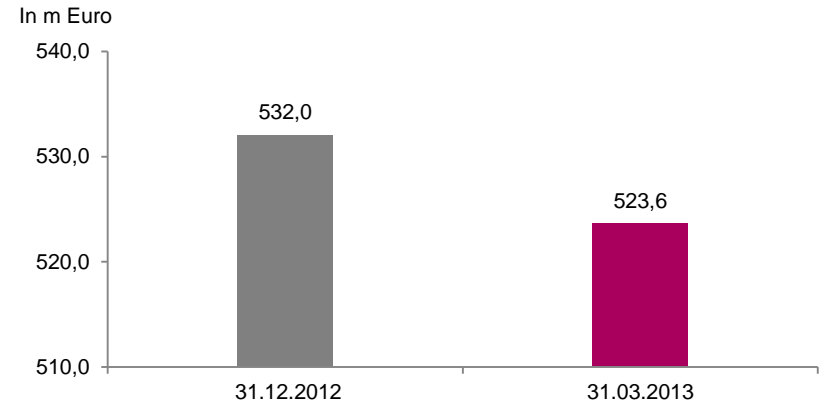


# Key financial data in Q1/2013 (IV)

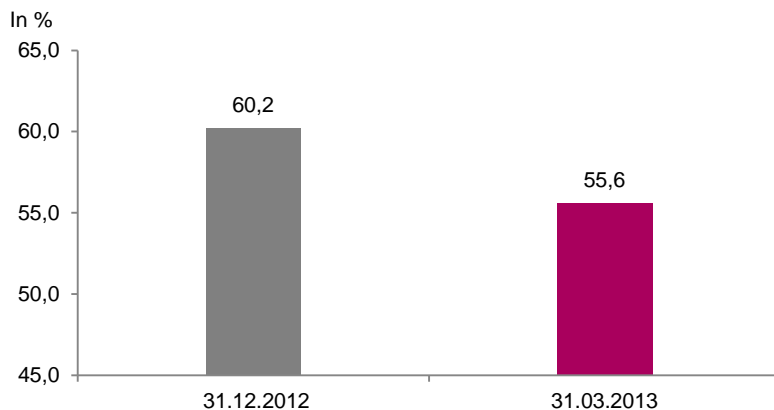
## Total liabilities<sup>1)</sup>



## Net debt (IFRS)<sup>2)</sup>



## LTV

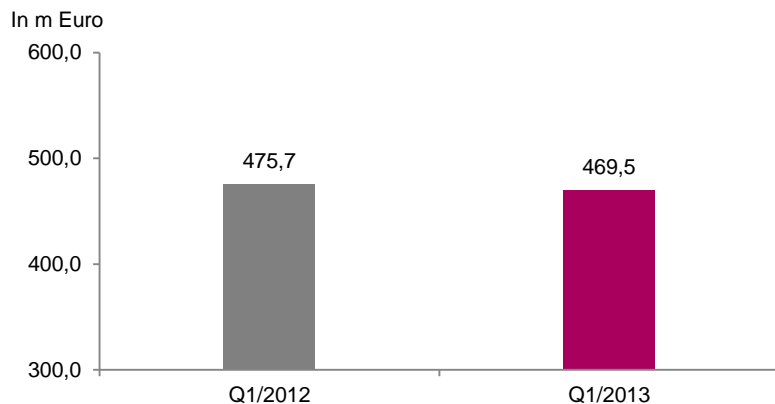


## Comments

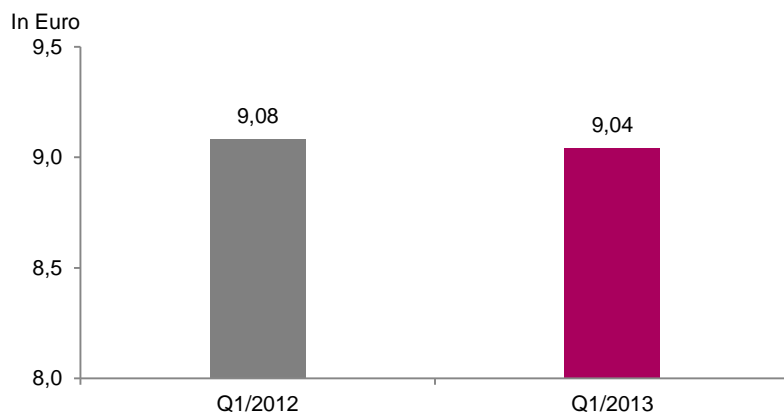
- Total liabilities down by a meaningful 7.7% due to high overall repayments (40.1 m Euro)
- Net debt as calculated according to IFRS declines to 523.6 m Euro
- LTV falls below 60%: almost 5% down to 55.6% by 31 March 2013
- Debt as calculated according to the German Commercial Code amounts to about 440 m Euro

# Key financial data in Q1/2013 (VI)

## Net asset value



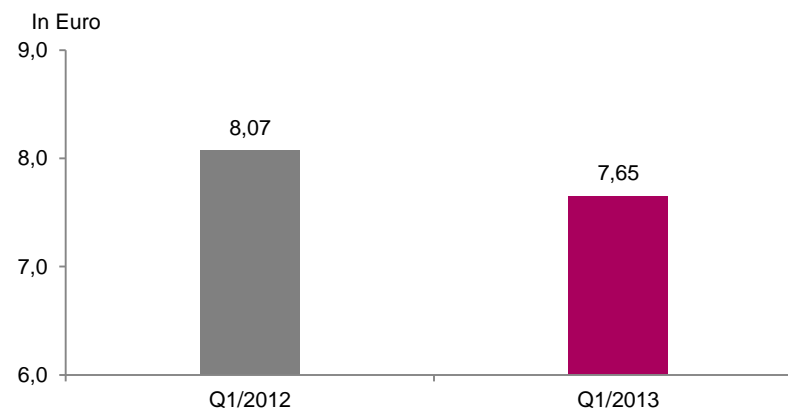
## Net asset value per share



## Comments

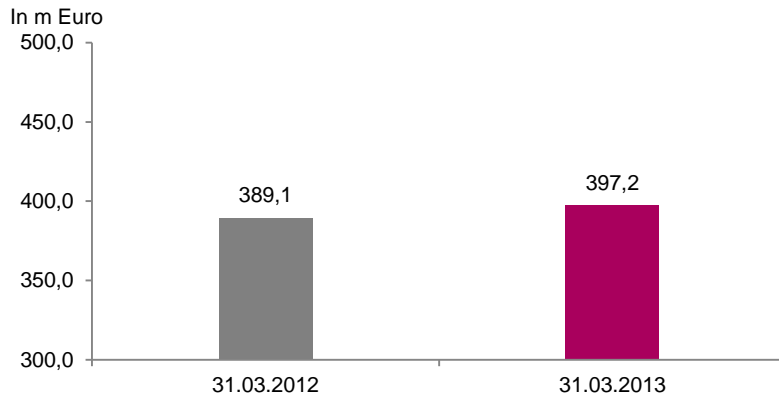
- Net asset value of 469.5 m Euro; down year on year but up from year-end 2012 (468.4 m Euro)
  - NAV per share down year on year to 9.04 Euro (from 9.08 Euro) but up from year-end (9.02 Euro)
- Taking into account the negative swap market values, the net NAV (equity) amounts to 397.2 m Euro (previous year: 418.9 m Euro), up from the year-end level
  - The net NAV per share is down year on year to 7.65 Euro (from 8.07 Euro) but up from year-end (7.49 Euro)

## Net NAV per share



# Key financial data in Q1/2013 (VII)

## Equity



## Comments

- The REIT equity ratio increases to 43.7% as a result of the income for the reporting period
- REIT equity ratio up since mid-year 2012, however still below the minimum required under the REIT law (45%)
  - About 11.8 m Euro required to reach the 45% threshold (c.p.)
  - Balance of the market values of the derivative financing instruments at the time of the IPO (mid-year 2011) at -22.4 m Euro
    - 21 months later, deterioration to -72.3 m Euro following the euro crisis
    - Today significant drag on equity and value recovery potential over the time to maturity



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## Guidance

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# Guidance for 2013 – unchanged –

- 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 board anticipates revenues including operating cost prepayments of 51 to 53 m Euro and FFO of 0 to 2 m Euro

# Planned merger



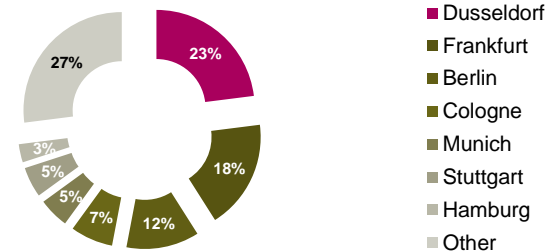
## Status Quo

- The boards of Prime Office and OCM German Real Estate Holding AG have started talks on a potential merger of both companies to create a listed combined company
- Should the talks progress positively, the companies plan to take the necessary steps that are required for a merger including the determination of the merger exchange ratio and the appointment of the merger auditor
- Due Diligence process initiated on both sides

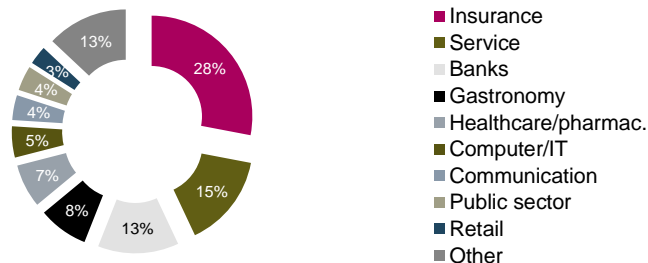
## German Acorn

- Commercial property company with a focus on German metropolitan regions, an attractive and diversified tenant base (about 800 leases) and a gross asset value<sup>1)</sup> of about 1.4 bn Euro
- The portfolio comprises 51 buildings across 24 locations and generates annual net cold rent of about 95 m Euro

## Regional breakdown<sup>1)</sup> (sqm)



## Tenant breakdown<sup>1)</sup>



## Type of use<sup>1)</sup> (by buildings)



<sup>1)</sup> as at 31/12/2012, unaudited

# Key data on the planned merger

## Background

- The idea to advance Prime Office by way of mergers is based on an internal strategic review; exploratory talks with Oaktree Capital Management/German Acorn followed
- The contemplated joint company is characterised by:
  - Quality office properties in major cities or German metropolitan regions
  - German Acorn's „multi-tenant“ strategy complementing Prime Office's current “single tenant” focus
  - Attractive and highly diversified tenant base
  - Advantageous (re-)financing costs with lower average interest rates
  - Lower costs

## Creation of a leading, adequately capitalised commercial property company with

- **focus on German metropolitan areas**
- **attractive and diversified tenants structure**
- **active asset management**
- **attractive cost structure and**
- **sustainable dividend capacity**

## Joint key ratios<sup>1)</sup>

<b>Net cold rent</b>	c. 147 m Euro
<b>Gross asset value</b>	c. 2.3 bn Euro
<b>Vacancy</b>	approx. 13.5 %
<b>Buildings</b>	64
<b>Locations</b>	29
<b>Number of leases</b>	> 800

## AGM scheduling

- A merger would require shareholder approval at the general shareholders' meetings of both companies
- Ordinary general shareholders' meeting of Prime Office REIT-AG scheduled for 21 August in order to efficiently advance the merger without delay

<sup>1)</sup> Summation of financial figures of Prime Office REIT-AG and OCM German Real Estate Holding AG as at 31/12/2012, unaudited



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Many thanks for your attention! - Your questions?

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