Prime Office REIT-AG

EXCELLENCE IN GERMAN REAL ESTATE

Presentation on the occasion of the Interim Financial Report H1/2013

Munich, 8 August 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 - H1/2013 at a glance

1. Revenues decline by about 28% to 26.5 m Euro due to higher vacancies
2. Change in market environment leads to value adjustments in the property portfolio by about -61 m Euro to about 847 m Euro
3. FFO at -0.1 m Euro in line with expectations and impacted by higher vacancies as well as one-time effects and special charges
4. NAV at 406.3 m Euro or 7.83 Euro per share down year on year due to the adjustment of the property fair values
5. Total liabilities decline substantially to 579 m Euro; LTV down to 59.2%
6. Revenue guidance of 51 to 53 m Euro for the full year 2013 confirmed; slight adjustment of the FFO guidance to between -3 and 0 m Euro
7. Creation of a leading German office real estate company with a focus on additional organic and external portfolio growth envisaged

Property portfolio

Update valuation H1/2013

	Market Value at 30/06/2013 (in m Euro)	Change vs. Dec. 2012 (in %)	Rented space (in sqm)	Total lettable space (in sqm)	Net rent excl. heating etc. (in m Euro p.a.)	Weighted Average Lease Term (in years)
Munich, Hufelandstrasse 13-15	21.0	-13.9	8,224	8,224	1.7	8.4
Frankfurt, Ludwig Erhard Anlage 2-8	119.0	-23.3	833	35,101	0.3	8.5
Darmstadt, T-Online Allee 1	170.3	-1.3	72,528	72,528	11.9	6.5
Essen, Alfredstrasse 236	73.1	0.1	30,314	30,314	5.6	6.5
Darmstadt, Deutsche Telekom Allee 7	51.7	-3.0	24,686	24,686	3.4	6.9
Stuttgart, Breitwiesenstrasse 5-7	38.9	-0.8	9,830	25,284	1.3	7.4
Nuremberg, Richard Wagner Platz 1	12.5	-3.8	6,445	6,445	1.1	1.7
Heilbronn, Bahnhofstrasse 1-5	29.1	-2.7	13,482	14,750	2	4.5
Dusseldorf, Am Seestern 1	60.6	-10.4	5,899	36,110	0.7	1.2
Stuttgart, Philipp Reis Strasse 2	36.6	-6.4	19,854	19,854	3.4	9.3
Munich, Hultschiner Strasse 8	182.5	-2.1	62,237	62,237	10.5	10.3
Dusseldorf/ Meerb., Earl Bakken Platz 1	16.3	-0.6	8,038	8,038	1.3	6.2
Essen, Opernplatz 2	36.0	-6.5	24,531	24,531	2.5	9.5
Total	**847.6**	**-6.7**	**286,901**	**368,102**	**45.7**	**7.6**

Comment

- Fair value adjustment mainly driven by a change in the market environment:
  - Subdued demand for office space in locations with re-letting requirements (Frankfurt, Dusseldorf and Stuttgart)
  - Letting delays and in some instances longer vacancies
  - Plans to let spaces on a smaller scale imply higher capital expenditures and occupancy of slightly below 100%
  - Adjustment of the fair property values in Darmstadt and Frankfurt due to the increase in real property transfer tax in the state of Hesse
- Value of the property portfolio declined by about 61 m Euro or 6.7% on the back of higher vacancies of 22.1%
- The portfolio value reached about 847 m Euro at the valuation date, substantially below the valuation on 31 December 2012 (909 m Euro)

Update marketing activities/sales

Prime Office

emporia, Stuttgart-Moehringen

– Long term lease with Daimler (11,000 sqm) concluded
– Increase of occupancy in the building from currently 39% to about 85% at the beginning of 2014

BMW Designcenter, Munich

– Due diligence process largely completed
– Signing expected in Q3/2013

SZ-Tower, Munich

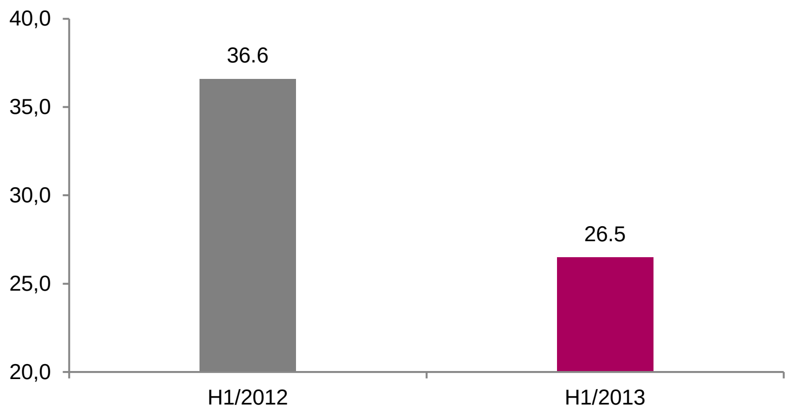
– Signing expected for Q4/2013

Financials H1/2013 (IFRS)

Key financials in H1/2013 (I)

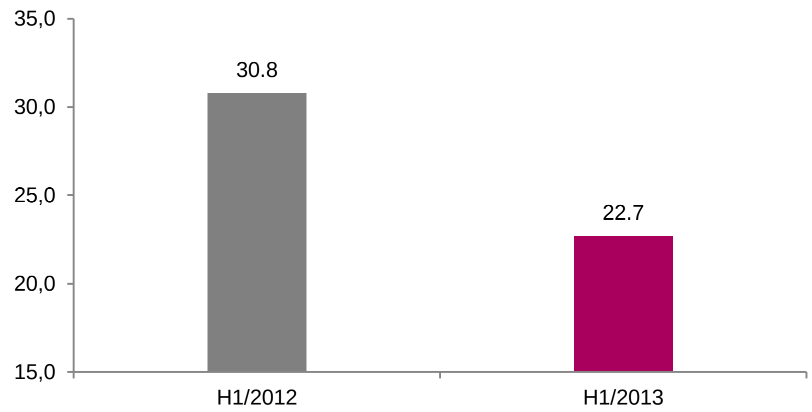
Rental and lease revenues

In m Euro



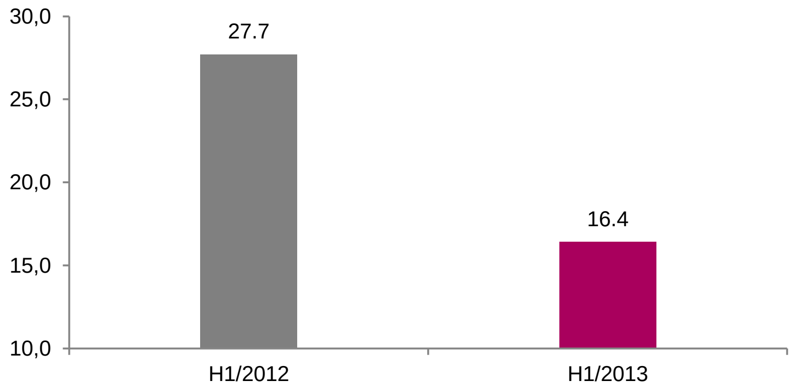
Rental and lease income

In m Euro



Operating income (EBIT) before valuation result

In m Euro



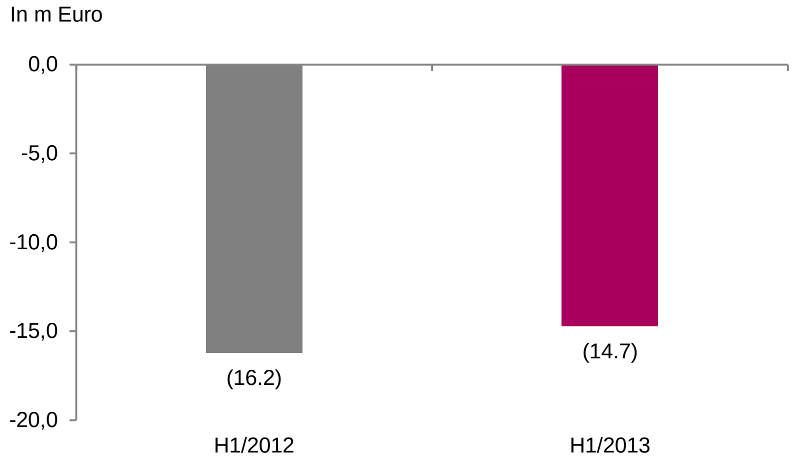
Comments

- Lower rental and lease income due to the decline in occupancy in the portfolio and the sale of the property in Hamburg at the end of 2012
- Even though vacancy has grown to 22%, the rental and lease income declined less than the revenues
- The operating income before valuation result decreased due to the effects in connection with occupancy and expenses with regard to the planned merger with OCM German Real Estate

Key financials in H1/2013 (II)

Prime Office

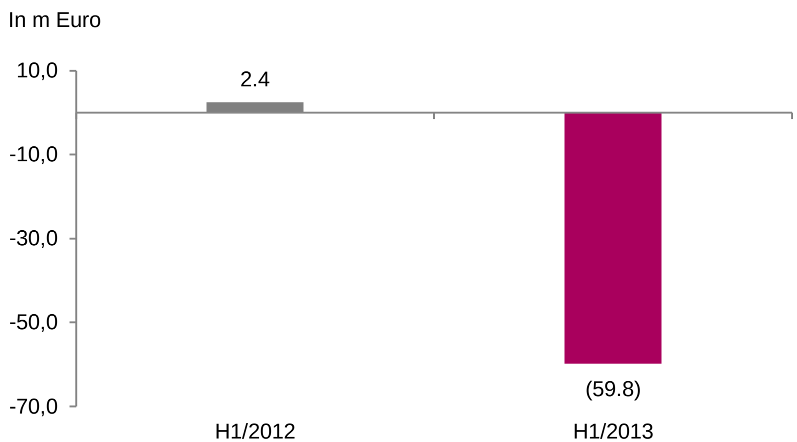
Financial result



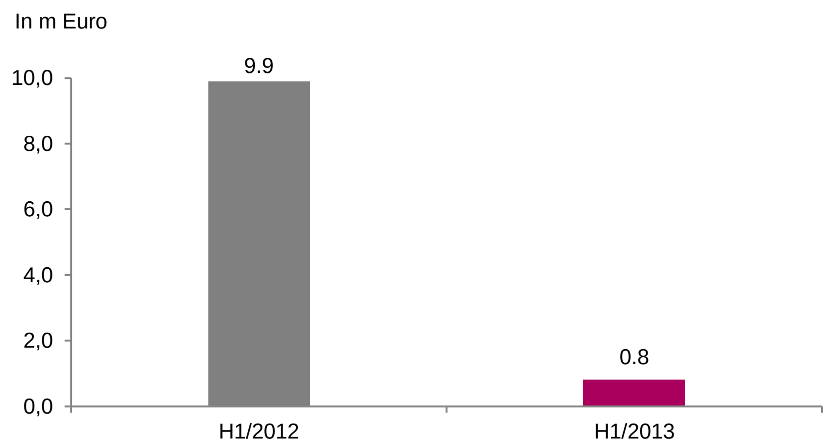
Comments

- Net financing expenses in H1/2013 of 14.7 m Euro slightly down year on year (H1/2012: 16.2 m Euro)
- Substantial loss over the period (-59.8 m Euro) particularly from the fair value adjustment of the property portfolio and the decline in rental and lease income
- The income over the reporting period adjusted by one-time or special effects from the fair valuation of the property portfolio and the derivative financial instruments (EPRA earnings) amounted to 0.8 or 0.01 Euro per share

Income for the reporting period

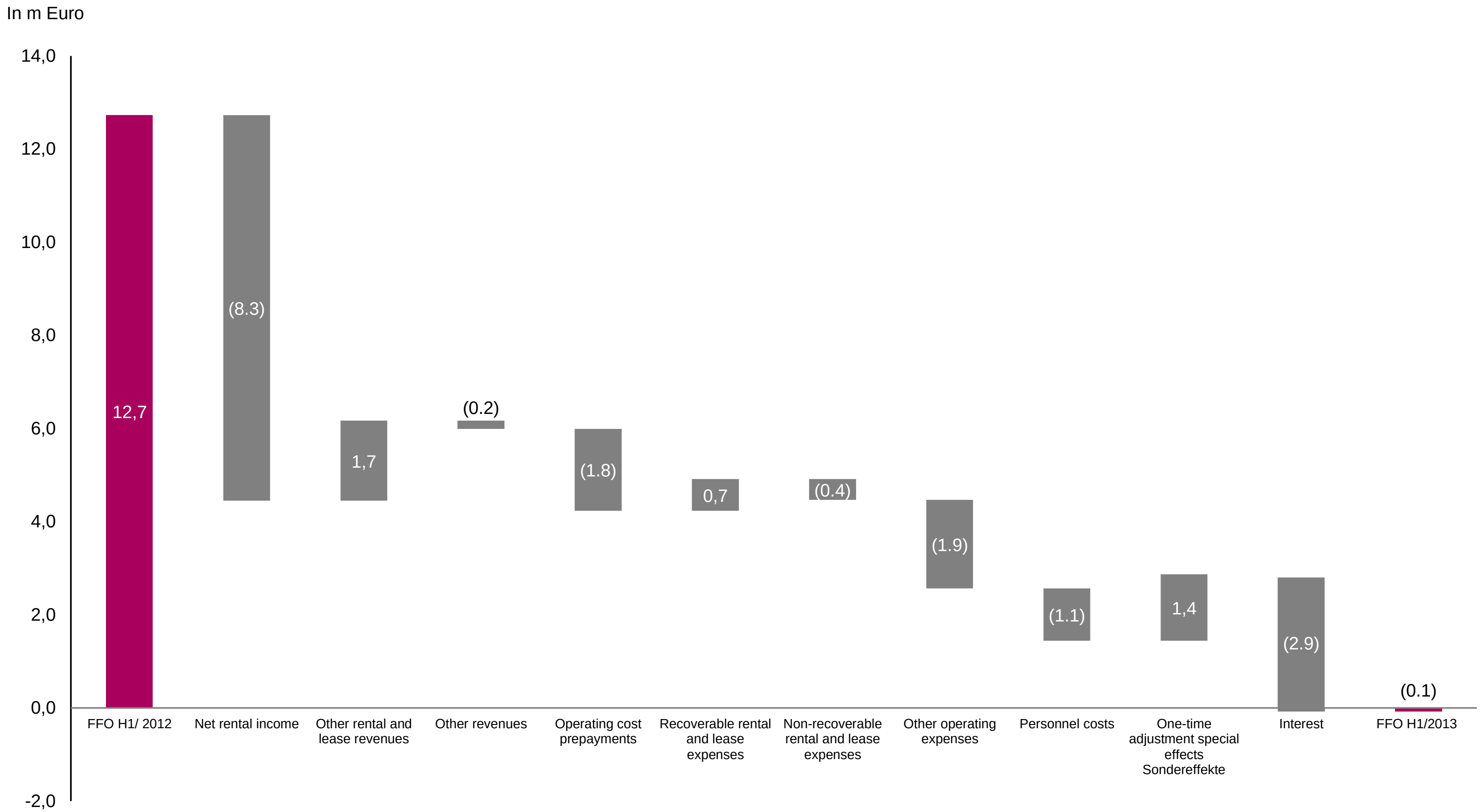


EPRA earnings



Key financials in H1/2013 (III)

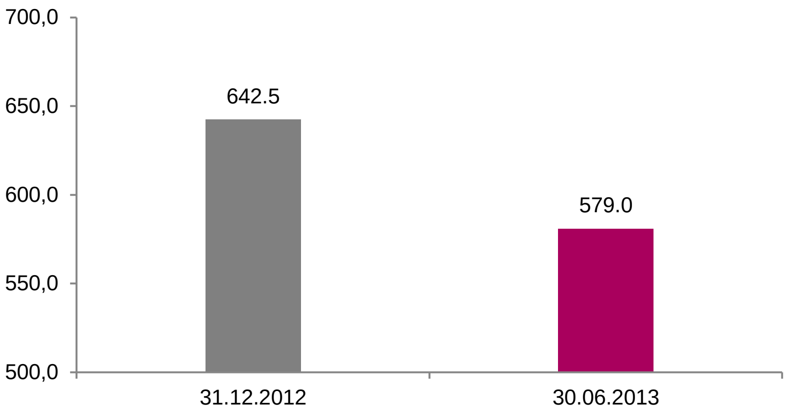
FFO-Bridge



Key financials in H1/2013 (IV)

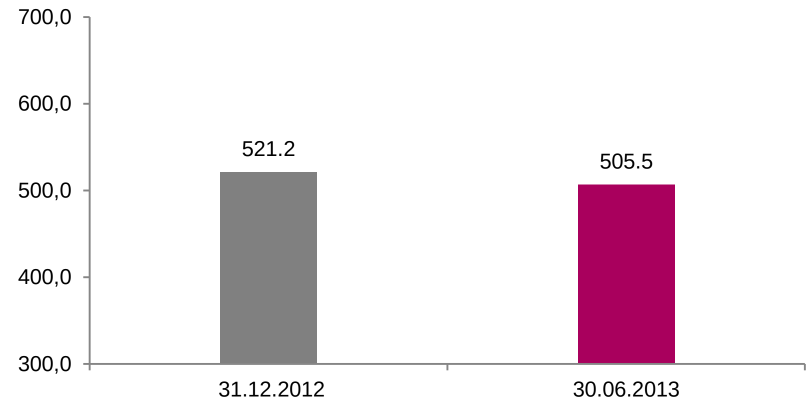
Total liabilities[1)]

In m Euro



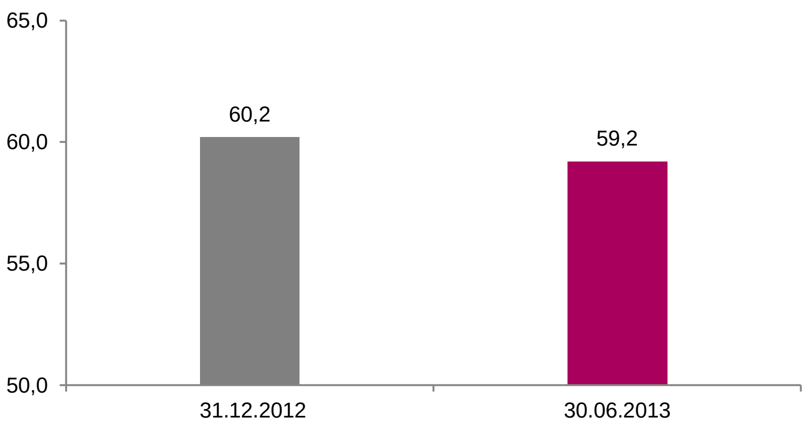
Net debt[2)]

In m Euro



LTV

In %



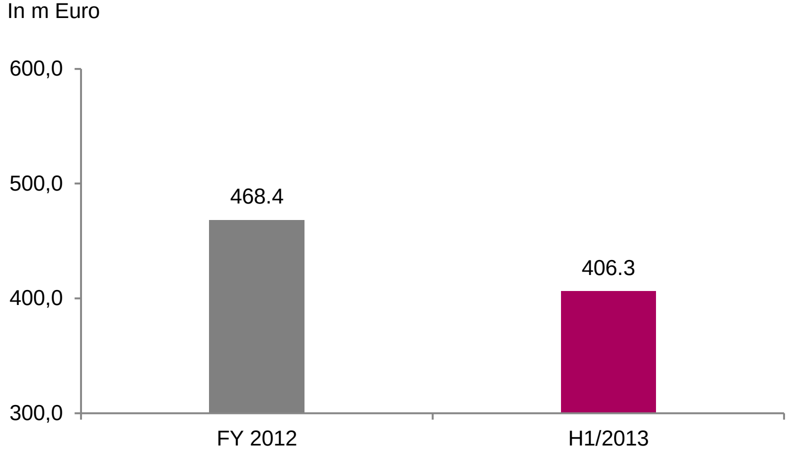
Comments

- The sum of the current and non-current debt as at the reporting date declined substantially by -63.5 m Euro compared to FY 2012
- Substantial decline due to early repayments of loans and special prepayments as part of the optimisation of the financing structure
- Adjusted by the effect from the valuation of the derivative financial instruments, the sum of current and non-current liabilities would have decreased even more

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

Key financials in H1/2013 (V)

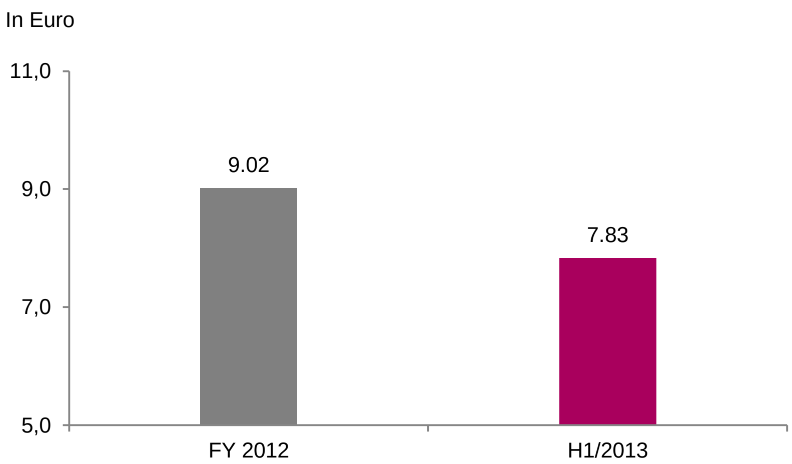
Net asset value



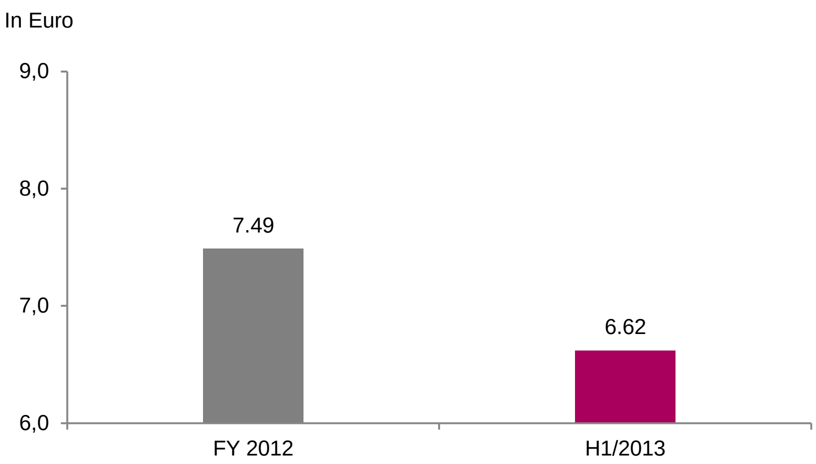
Comments

- As at the reporting date on 30 June 2013, the net asset value (NAV) amounted to 406.3 m Euro, compared to 468.4 m Euro as at year end 2012
- This corresponds to an NAV per share of 7.83 Euro, which was down compared to 31 December 2012 (9.02 Euro per share) due to the adjustment of the property portfolio's fair value
- Without the adjustment for the effects from derivative financial instruments, the net NAV of Prime Office, which corresponds to the value of the equity, amounted to 344.1 (31 December 2012: 389.1) m Euro on 30 June 2013
- This results in a net NAV or equity per share of 6.62 (31 December 2012: 7.49) Euro

Net asset value per share

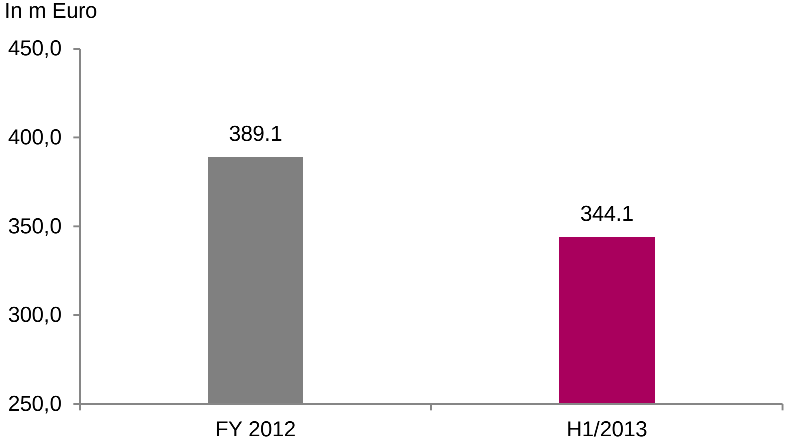


Net NAV per share



Key financials in H1/2013 (VI)

Equity



Comments

- Apart from the effects from the fair valuation of the property portfolio on income, the equity of Prime Office REIT-AG continued to suffer from the fair valuation of the derivative financial instruments (swap market values)
- The REIT equity ratio declined by 230 basis points to 40.6% at the reporting date on 30 June 2013 compared to 31 December 2012
- REIT equity ratio remains below the minimum required under the REIT law (45%)
  - Balance of the market values of the derivative financial instruments at the time of the IPO (mid-2011) at -22.4 m Euro
    - Deterioration during the euro crisis to -62.2 m Euro in 24 months
    - Significant drag on equity today and value recovery potential until maturity

Details on the merger with OCM German Real Estate Holding AG

Presenting Team

Alexander v. Cramm
CFO
Prime Office

- Since summer 2007:
  CFO of Prime Office AG
- August 2006 – August 2007:
  CEO of a smaller, listed residential property company
- 2005-2006 responsible for corporate strategy of a SDAX-listed real estate company
- 2001-2004: CFO Loyalty Partner GmbH (Payback Cards)
- 12 years of Investment Banking experience (Deutsche Bank, Morgan Stanley)
- BS Babson College, Boston

Jürgen Overath
CEO
German Acorn

- Since 2007:
  CEO/Managing Director of German Acorn
- Set-up German Acorn in 2007
- 2005-2007 COO at DIC Asset AG (accompanied the IPO and first capital increase in 2006)
- 1999-2005 Managing Director at Corpus Sireo Real Estate Group
- More than 22 years of experience in the commercial Real Estate sector including experience in developing retail and office properties

Christof Okulla
Head of Finance
German Acorn

- Since 2008:
  Head of Finance of German Acorn
- 2000-2008 Finance Department Director at Corpus Sireo
- 1993-1999 project manager at IKB Immobilienleasing
- More than 20 years experience in the Real Estate sector

Introduction

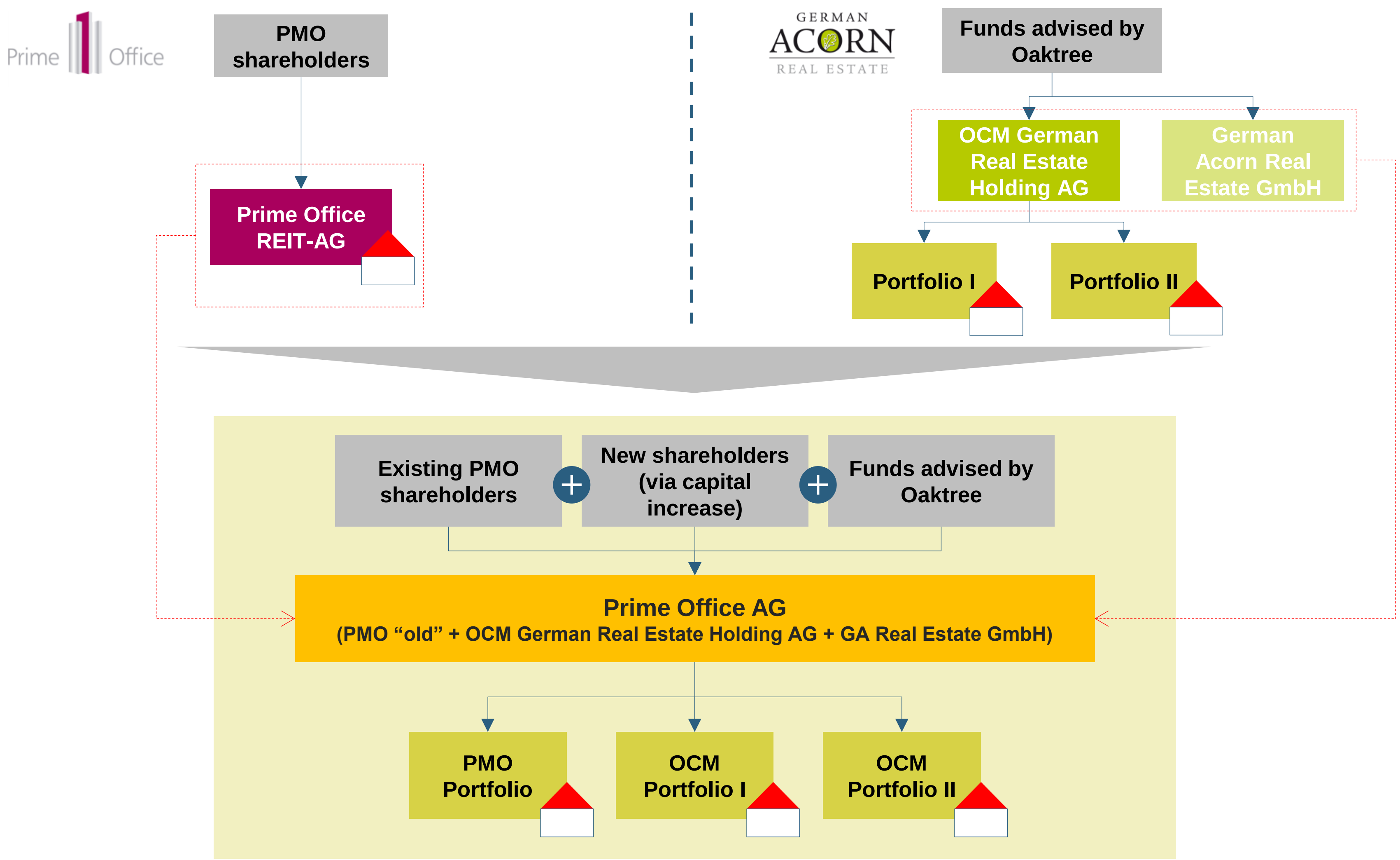
- Prime Office and German Acorn have decided to merge the operations **creating a leading and diversified German commercial real estate company with 2 bn Euro of assets**
- Funds advised by **Oaktree Capital Management** (“Oaktree”) will become the **largest shareholder in the combined entity**
- **Strengthening of management**
  - German Acorn’s CEO Jürgen Overath will join the Management Board
  - Fully insourced management: 29 Real Estate Professionals (asset- and letting managers) and Financing/ Accounting to join from German Acorn
- **Attractive Ø interest rate to reach c. 4% with the average term of the debt being c. 5 years**
- **Post merger cash capital increase** to facilitate target leverage of max. 60% LTV
  - Oaktree will participate with an amount of at least 60 m Euro
- The transaction will transform Prime Office into a stable, diversified company generating **sustainable and growing dividends**

Agenda

Prime Office

1 Transaction Overview

Legal Structure pre and post Transaction



Transaction Overview

- **Prime Office will be merged into German Acorn**: Significant tax savings (Real Estate Transfer Tax) vs. other examined transaction structures
  - **Combined company will be renamed and listed as Prime Office AG**
- **Intensive due diligence performed by KPMG, Freshfields Bruckhaus Deringer and CBRE**
- Agreed upon **exchange ratio** (Oaktree : Prime Office): **61.22% : 38.78%**
  - This translates into 82.00 m shares to be issued to funds advised by Oaktree and 51.94 m shares for existing Prime Office shareholders of the combined company's new share capital of 133.94 m shares
- **Enterprise valuation** according to IDW S-1 (mandatory valuation standard with strong focus on DCF set by the Institute of Public Auditors) performed by KPMG, to be confirmed by BDO (appointed by court) yields an exchange ratio of 62.01% **:** 37.99%
- Merger is **subject to Prime Office shareholder approval** (75% of capital present at AGM)
- **Cash capital increase** will be initiated following the completion of the merger in order to **reach the target leverage ratio (LTV) of less than 60%**

Tax efficient structure despite discontinuation of REIT

- **“Synthetic” REIT**
  - Existing tax loss carry forwards of both merger companies result in REIT-similar tax benefits
  - Distribution of tax-free dividends because of approx. 900 m Euro distributable tax reserve accounts
- **Enhanced scope for future growth**
  - Basis for growth: Non-REIT aides possibility to invest in portfolios / properties, which are held in a non-REIT compliant corporate structure
  - OCM portfolio currently has limited residential/nursing homes exposure which could potentially be non REIT compliant
  - Required legal re-organisation for REIT compliant structure complex and costly
- **Limited dilution:**
  - Attainment of sustainable REIT equity ratio entails the need for an increased equity raising
  - At current NAV discount levels this would be dilutive to existing shareholders and economically insensible just for the sake of obtaining REIT status
  - Limited leverage: Strict management commitment to LTV target ratio of 55% to max. 60%

Merger Rationale and Major Steps

Prime Office

Real Estate	– **Combination** of single- and multi-tenant portfolios with a total of 64 buildings and over 500 rental contracts in 29 locations is highly **synergetic and yields an attractive and highly diversified property base** – Main focus on **multi tenant office buildings in leading German metropolitan areas** generating **attractive yields**
Balance Sheet	– **Gross asset value write-downs of c. 61 m Euro have been realised** by 30 June 2013. **Further write-downs of c. 39 m Euro in total could be triggered until the end of the year 2013** if adjusted letting approach or targeted sale of Westend-Palais (conversion) materializes – **Combination** of PMO loan book with freshly refinanced German Acorn loan book **at attractive current interest rates** – **Strong balance sheet:** Adjustment of legacy hedging **reduces average interest cost** to market benchmark (Ø c. 4.0%) and facilitates **visible and sustainable dividend capacity** – **Leverage less than 60%** including write-downs and negative swap values
Management	– **Strengthening of management** with strong focus on asset management – **Full in-sourcing of asset management, letting, accounting and reporting** – **Achieve industry cost leadership**
Corporate Governance	– **Nomination of three Oaktree representatives to the Board** – **Creation of** real estate, finance, merger integration and nomination **committees** – **Reduced Supervisory Board remuneration** proposed to the AGM
Capital Markets	– Creation of a **leading, listed and liquid German commercial real estate company with improved capital markets access** – **Significant increase of market cap** and **trading volume** attractive for large-scale institutional investors (MDAX candidate) – **Broader Analyst Coverage** – **Re-rating of the stock: Reducing the NAV-discount over time**

2 Portfolio Overview

German Acorn Assets

Prime Office

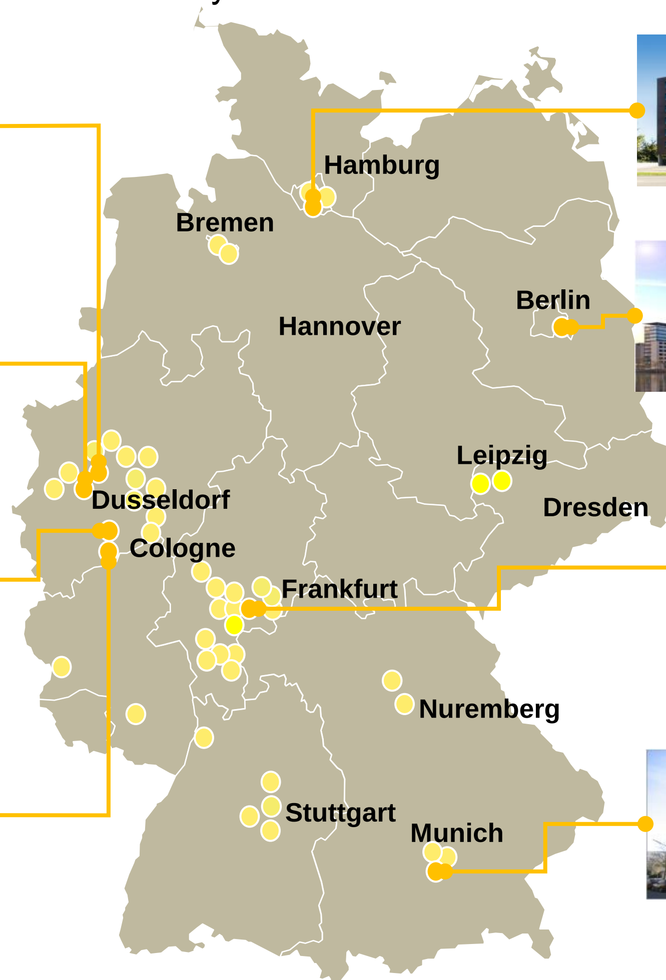
- 51 properties with a total lettable area of ~713,000 sqm
- Distributed over Germany‘s main cities with key areas in Rhine-Main and Rhine-Ruhr Region

Dusseldorf
Yorckstrasse
Area: 27,310 sqm
# of tenants: 7
WALT: 6.6

Dusseldorf
Heerdter Lohweg
Area: 37,691 sqm
# of tenants: 9
WALT: 4.1

Dusseldorf
Immermannstrasse
Area: 22,019 sqm
# of tenants: 38
WALT: 4.0

Cologne
Maarweg
Area: 22,571 sqm
# of tenants: 17
WALT: 3.8



Hamburg
Heidenkampsweg
Area: 9,834 sqm
# of tenants: 13
WALT: 2.4

Berlin
Treptowers
Area: 84,632 sqm
# of tenants: 2
WALT: 6.4

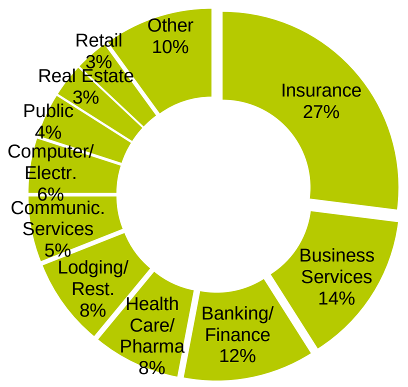
Frankfurt
Platz der Einheit
Area: 30,630 sqm
# of tenants: 9
WALT: 1.7

Munich
Taunusstrasse
Area: 11,176 sqm
# of tenants: 11
WALT: 7.4

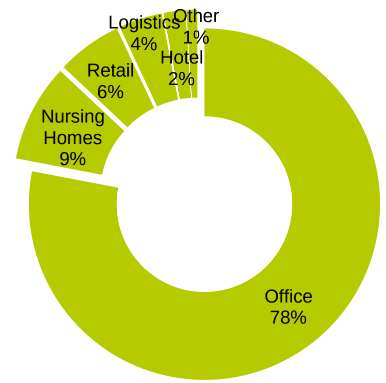
Note: Figures as of 31 Dec 2012

Portfolio Metrics German Acorn

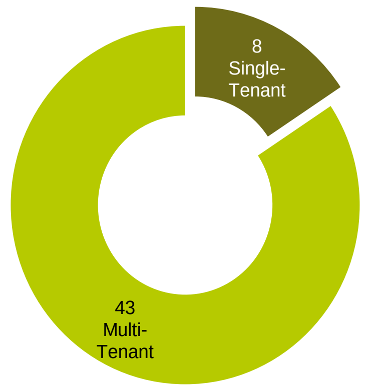
Tenant base (based on rent)



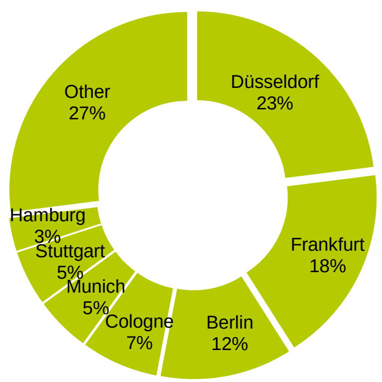
Space Type (based on rent)



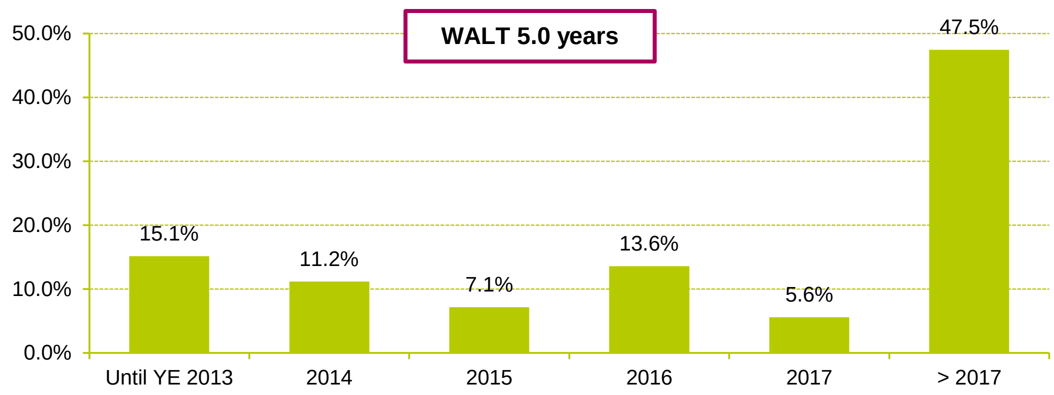
Tenant structure



Split by City (based on sqm)



Lease Expiry Profile

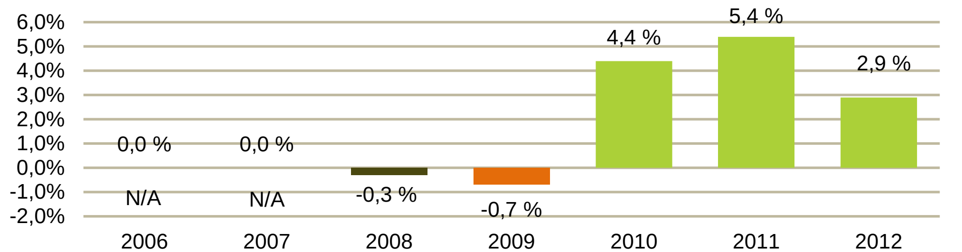


Note: All figures as of Dec 2012 pro forma w/o all assets disposed in 2012, despite partly outstanding change of possession

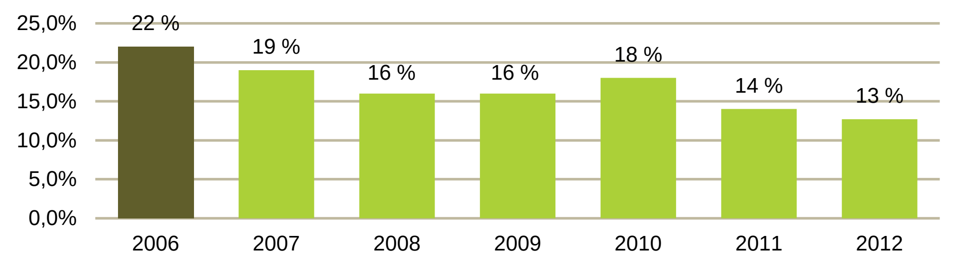
German Acorn – Letting Performance

Prime Office

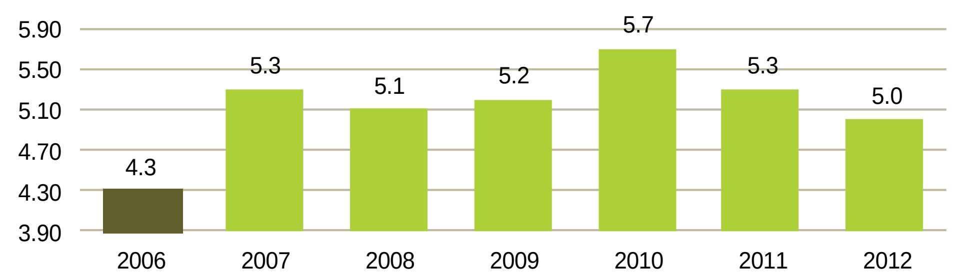
Like-for-like rental growth (y-o-y) (1)



Vacancy (% based on sqm)



WALT (years, ETRs not reflected)



As per Dec 2012, pro forma w/o all assets disposed in 2012, despite partly outstanding change of possession

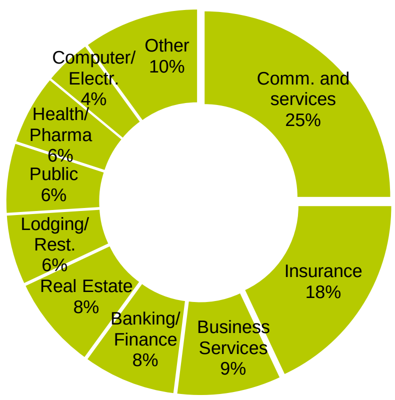
(1) Expiries Dresdner Bank (Yorckstr., Dusseldorf) & WestLB (Heerdter Lohweg, Dusseldorf) excluded, moving out was already known at acquisition; major one-off payments received

Comment

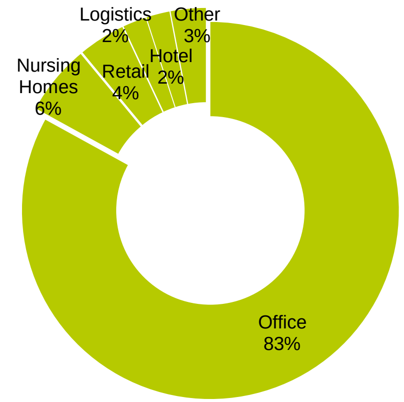
- Rental income has shown significant growth since the financial and economic crisis in 2008, mainly driven by vacancy decrease
- Reduction of vacancy rate from 22% to 13% since acquisition
- Continuous capital investments to increase rents and incentivize tenants
  - Average incentive terms (TIs, RFP) have been reduced over time
  - Renewal quota for existing tenant base of ~72% until 2012
- WALT increased from 4.3 to 5.0 years
  - New leases signed with WALTs in average of around 5.5 years

A leading German Commercial Real Estate Company
Combined Portfolio Metrics as of 31 December 2012

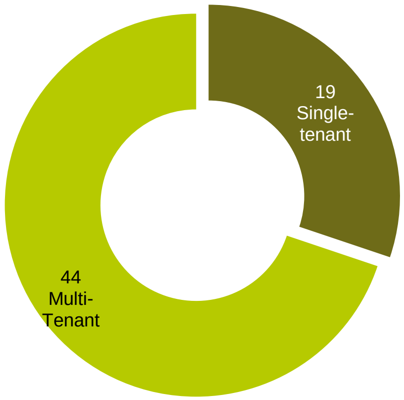
Tenant base (based on rent)



Space Type (based on rent)



Tenant structure



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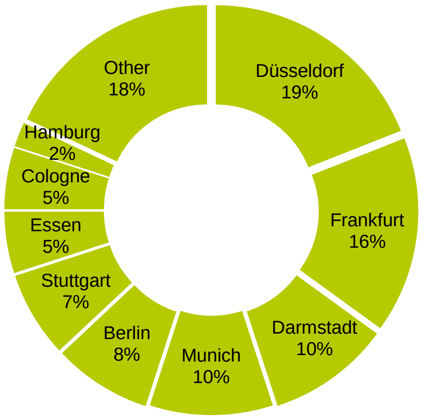

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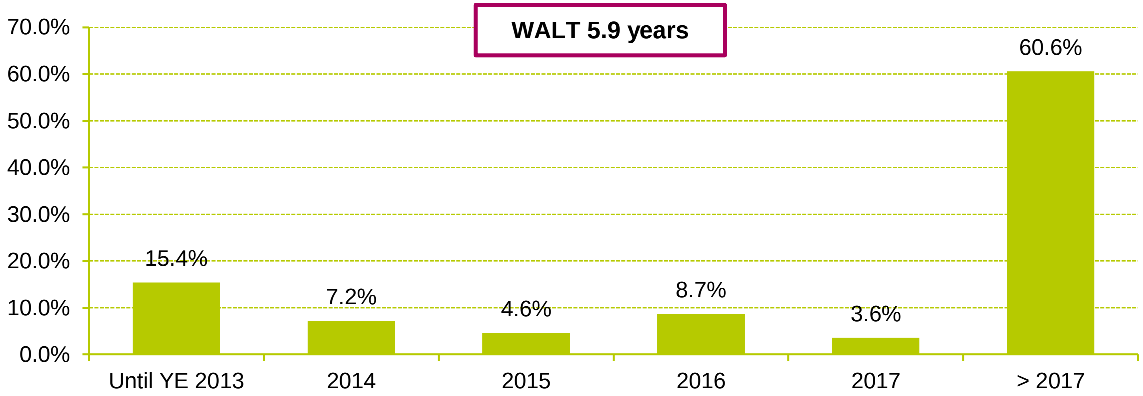


Note: All figures as of Dec 2012 pro forma w/o all assets disposed in 2012, despite partly outstanding change of possession (1) Excl. storage and parking

Key Facts & Figures Combined Portfolio
Pro-Forma Combined as of 30 June 2013*

	Prime Office	German Acorn Real Estate	Prime Office AG (pro-forma)
Net cold rent (annualised)	45.7 m Euro	94.1 m Euro**	139.8 m Euro
Gross rental income[1]	24.1 m Euro	46.6 m Euro	70.7 m Euro
EBITDA[1]	16.5 m Euro	35.2 m Euro	51.7 m Euro
FFO[1]	(0.1) m Euro	13.2 m Euro	13.1 m Euro
GAV	847.6 m Euro	1,393.8 m Euro**	2,241.4 m Euro
NAV (IFRS)	344.1 m Euro	402.6 m Euro	745.6 m Euro
Gross yield[2]	5.7%	6.7%	6.3%
WALT	7.6 years	4.7 years	5.6 years
Vacancy rate	22.1%	13.3%	16.3%
FFO per share[1]+[3]	(0.00) Euro	n.a	0.10 Euro
NAV (IFRS) per share[3]	6.62 Euro	n.a.	5.57 Euro

* *unaudited, preliminary figures for German Acorn*
*** CBRE valuation as of May 2013*
1) 1 Jan – 30 Jun 2013
2) Based on annualised gross rental income
3) Pro-forma per share values based on 51.94 m shares (Prime Office) and 133.94 m shares (combined), respectively

Geographic overview

Prime Office
German Acorn

Total rentable area of about 1,080,805 sqm

3 Strengthening of Management

Management Layers
Profound Real Estate- and Capital Markets Experience

Prime Office

Management Board

Alexander v. Cramm
Board Member

- Since summer 2007: CFO of Prime Office AG
- August 2006 – August 2007: CEO of a smaller, listed residential property company
- 2005-2006 responsible for corporate strategy of a SDAX-listed real estate company
- 2001-2004: CFO Loyalty Partner GmbH (Payback Cards)
- 12 years of Investment Banking experience (Deutsche Bank, Morgan Stanley)
- BS Babson College, Boston

Jürgen Overath
Board Member

- Since 2007: CEO/Managing Director of German Acorn
- Set-up German Acorn in 2007
- 2005-2007 COO at DIC Asset AG (accompanied the IPO and first capital increase in 2006)
- 1999-2005 Managing Director at Corpus Sireo Real Estate Group
- More than 22 years of experience in the commercial Real Estate sector including experience in developing retail and office properties

Management

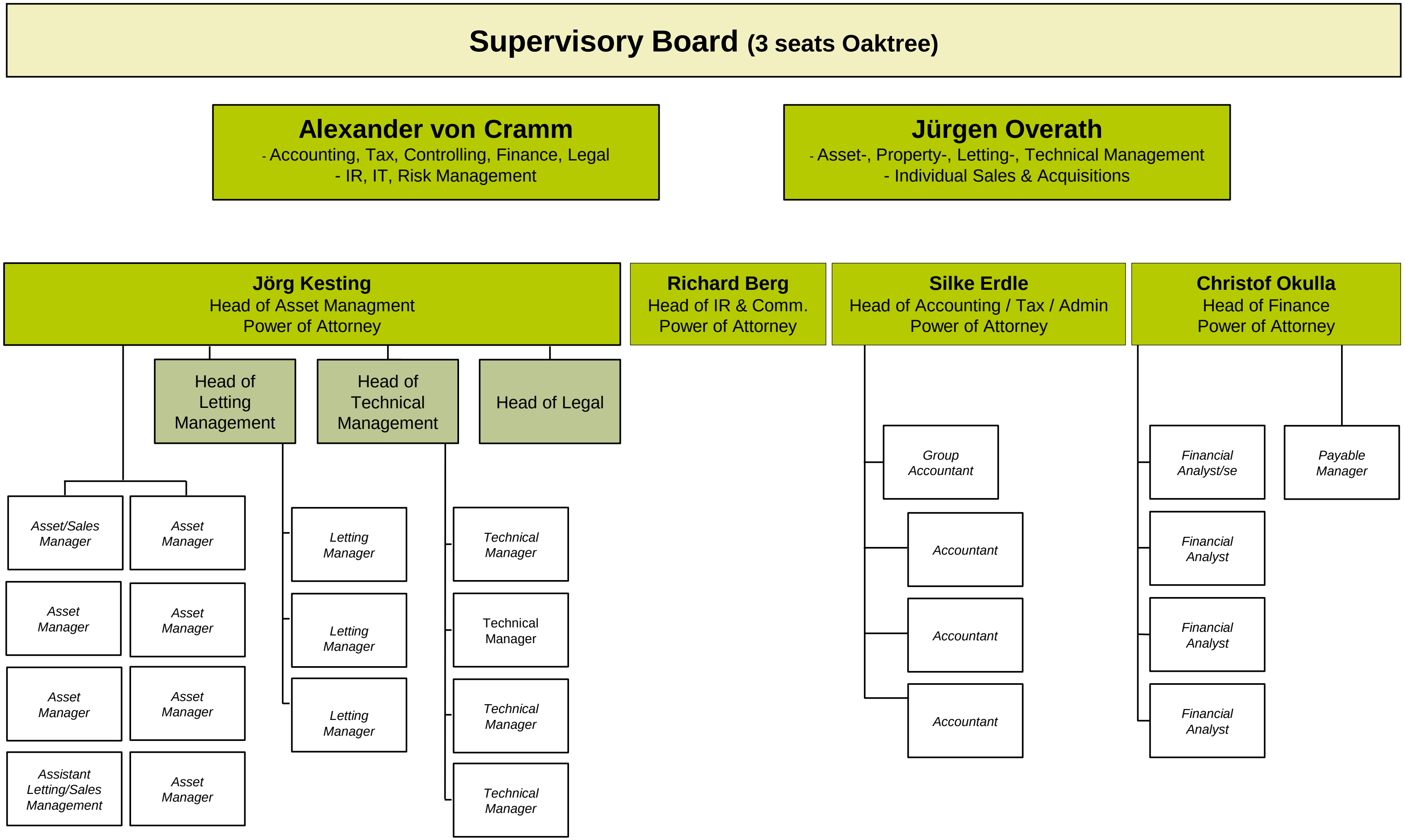
- **Jörg Kesting**
  Head of Asset Management
  - More than 19 years experience in asset management and controlling in the Real Estate sector
  - Formerly director at Siemens Real Estate and Aurelis Real Estate
  - Set up German Acorn in 2007

- **Silke Erdle**
  Head of Accounting/Tax/Admin
  - More than 10 years experience in the audit of listed and Real Estate Companies
  - Formerly senior manager and Wirtschaftsprüfer (German Public Auditor) at Ernst & Young GmbH
  - Joined German Acorn in 2013

- **Christof Okulla**
  Head of Finance
  - More than 20 years experience in the Real Estate sector
  - Formerly director finance department at Corpus Sireo and before project manager at IKB Immobilienleasing
  - Joined German Acorn in 2008

- **Richard Berg**
  Head of Investor Relations
  - 15 years experience in IR and corporate communications
  - Formerly director IR and corporate communications in several MDAX and TecDAX listed companies
  - Joined Prime Office in set up phase in 2007

Fully In-sourced Management



Strengthening Corporate Governance

- Supervisory Board will comprise 6 members with **Oaktree being entitled to appoint three seats**
- Oaktree representative envisaged to get elected deputy chairman
- Prime Office will create **four additional Supervisory Board committees**
  - Real Estate
  - Finance
  - Merger integration
  - Nomination
- Structurally reduced Supervisory Board remuneration proposed to the AGM

4 Company Strategy

Why invest in Prime Office?

- We are **a leading German commercial real estate company**
- We **invest in quality multi-tenant offices in leading German metropolitan areas**
- Our portfolio comprises the following asset classes:
  - **Hold assets:** generating attractive stable income
  - **Active management assets:** buildings with vacancy offering both income and upside potential
  - **Capital redeployment assets:** liquidation because of attractive exit price (or because of non-strategic location)
- We have an **experienced in-house asset management** team (internally managed)
- We **aim to grow our asset base over time**, maintaining a **leverage of 55% to max. 60% LTV** and generate **attractive and sustainable dividend payments**
- We aim to **actively participate in the consolidation of the German commercial real estate sector** and **become a recognised market leader**

Active Asset Management Approach

Prime Office

Asset Class		Allocation (% portfolio)	Gross Yield	WALT
Hold Assets	*Generating attractive stable income*	60-65%	6.75 – 7.25%	>5 yrs
Active Management Assets	*Buildings with vacancy offering both income and upside potential*	20-25%	>5.50%	<5 yrs
Capital redeployment assets	*Attractive exit price and/or non-strategic location*	10 - 15%	5.25 – 6.00%	>5 yrs

– **We aim to grow our asset base to c. 3 bn. Euro**

Key Drivers of the Combined Business Plan

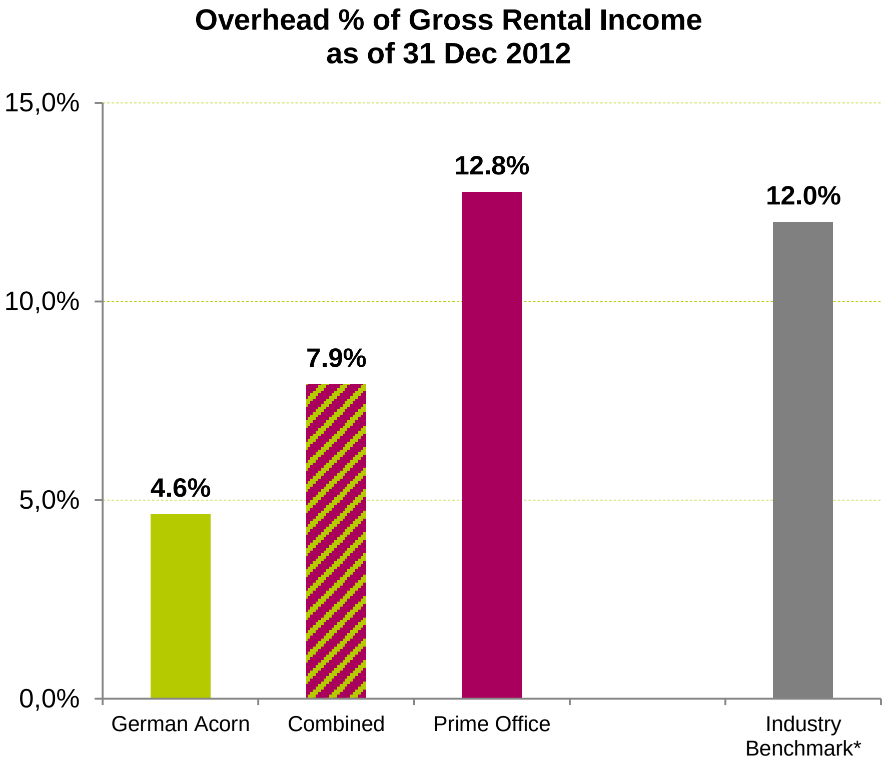
- **No general market rent recovery assumed in business plan**
- **Reasonable assumptions regarding capex and TIs** over the next years
- **Focus on key vacancy buildings** including Dusseldorf and Frankfurt (Kastor and Westend-Ensemble)
- **Vacancy decrease to < 7%** over the next three years
- **Continue to explore alternative sale or redevelopment of Westend-Ensemble**
- **Envisaged property sales:**
  - **SZ-Tower** and **Hufelandstasse** (both Munich) in 2013
  - **Yorckstrasse** (Dusseldorf) in 2013
- **Adjustment of interest costs to market benchmark levels and restructuring of swaps**
- **Industry leading cost structure:** Maintain lean overhead cost structure; realise cost savings from economies of scale

5 Financials and Outlook

Industry Leading Cost Structure

- **High cost digression** due to
  - larger portfolio
  - larger average size of building
  - low cost base of German Acorn
  - insourcing
  - synergies

- **With approx. 7% – 8% overhead cost the new Prime Office will be the clear cost leader**

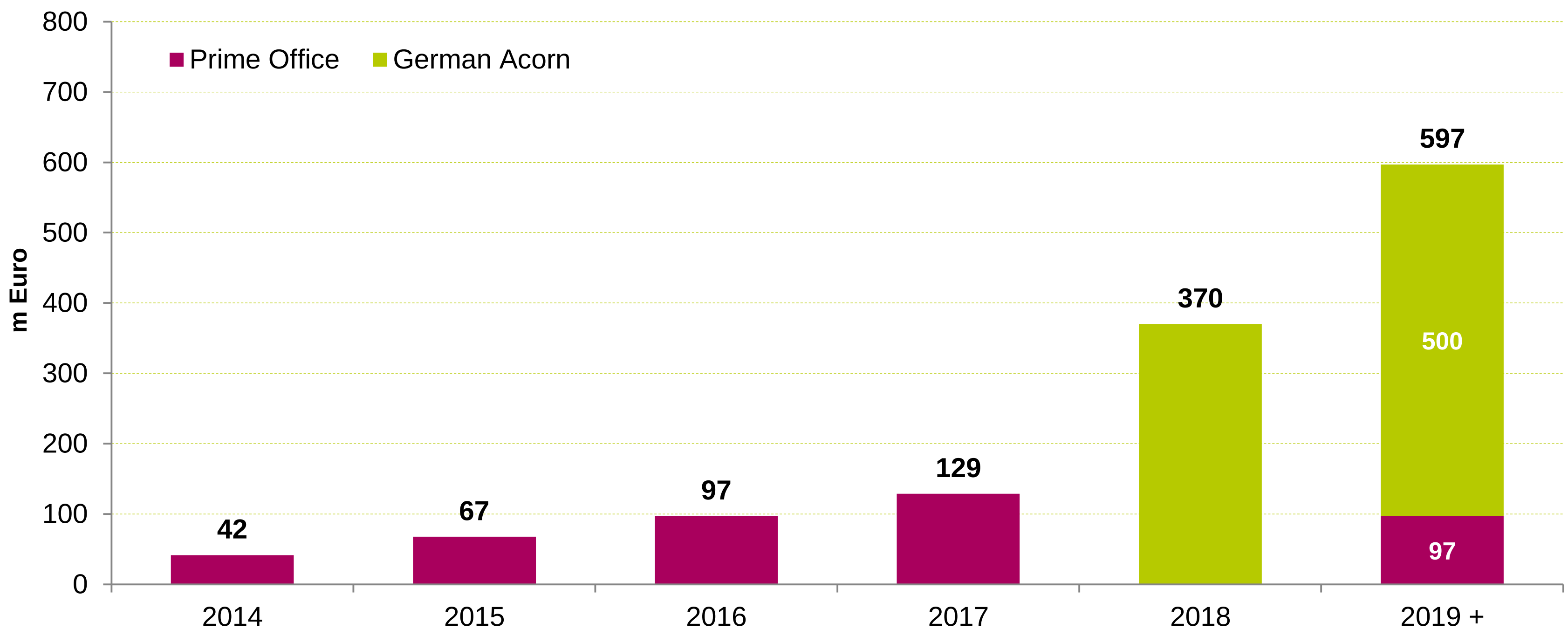


** Weighted average of alstria office REIT-AG, DIC Asset AG and Hamborner REIT AG*

Debt maturity profile post transaction

- Debt maturity profile without any major refinancing after the extension of German Acorn's debt and Prime Office's 2013 maturities

Pro-forma debt maturity profile



Based on debt maturities as at 31 Dec 2012 and the following assumptions:
Prime Office: Helaba loans (Dusseldorf, Nuremberg, Stuttgart) extension for 3 years until 31 Dec 2016;
German Acorn: "Herkules" portfolio debt extension until 1 Jan 2019 and "Homer" portfolio debt extension until 30 Sep 2018;
Capital increase to facilitate post transaction LTV of less than 60%

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