Prime Office

Prime Office REIT-AG

Interim Financial Report H1/2012

CONTENT

Prime Office REIT-AG in H1/2012 at a glance

- Stable business development: Strong funds from operations (FFO) in H1/2012; FFO increased substantially to 12.8 million Euro, compared to 9.9 million Euro in H1/2011
- Significant improvement of financial result (H1/2012: -16.2 million Euro; H1/2011: -21.2 million Euro): Net income of 2.4 million Euro in H1/2012 characterised by temporary vacancies and the property valuation. The „EPRA earnings“, i.e. the net income adjusted by valuation effects, amount to 9.9 million Euro in H1/2012, substantially in excess of the 4.7 million Euro achieved in H1/2011
- On-going financial crisis: Interest rate levels continue to cause non-cash losses from the valuation of the derivative hedges (swap market values) of about 8 million Euro and slightly lower (-0.9%) valuation of the property portfolio caused mainly by lower remaining terms of leases in Frankfurt and Dusseldorf
- Net leverage increases slightly to 576.6 million Euro in spite of a loan repayment (6.9 million Euro) due to the valuation of the interest rate hedges: Leverage at 59.9%, loan-to-value at 65.4%
- REIT equity ratio at 41.4% due to swap valuation and on-schedule dividend payment
- Net asset value per share at 8.86 Euro as of 30/06/2012
- Early long-term lease extension for the BMW-Designcenter in Munich
- Sustained selling pressure of pre-IPO-investors did not materialise: Lock-up period expired on 01 July 2012. Secondary placement of about 5.7 million shares of Prime Office from the holdings of pre-IPO shareholders successfully completed. Prime Office shares were booked into the private depository accounts of the pre-IPO shareholders at the beginning of July 2012. The share price increases from 2.73 Euro in June 2012 to 3.50 Euro as at 31 July 2012
- The board confirms the targets for 2012: It expects revenues including operating cost prepayments of 72 to 74 million Euro and FFO of 17 to 19 million Euro. In spite of charges from re-construction and temporary vacancies, it projects a dividend for FY 2012 of 9 to 12 million Euro, which will be payable in 2013

OVERVIEW OF KEY FINANCIALS AS AT 30 JUNE 2012

Earnings figures and employees In million Euro (IFRS)	01/01-30/06/2012	01/01-30/06/11	Delta in %
Rental and lease revenues	36.6	37.9	-3.4%
Rental and lease income	30.8	33.3	-7.5%
Operating earnings (EBIT)	18.6	27.7	-32.9%
Financial result	-16.2	-21.2	-23.6%
Income for the reporting period	2.4	6.3	-61.9%
Income per share (in Euro)	0.05	0.36	-86.1%
EPRA earnings per share	0.19	0.27	-29.6%
Funds from operations (FFO)	12.8	9.9	29.3%
FFO per share	0.25	0.19	31.6%
Employees (individuals)	10	8	n.a.

Balance sheet data In million Euro (IFRS)	30/06/2012	31/12/2011	Delta in %
Investment properties	962.4	970.8	-0.9%
Cash at bank and in hand	122.9	114.5	7.3%
Total assets	1,119.8	1,130.5	-0.9%
Equity	398.1	418.0	-4.8%
REIT equity ratio (in percent)	41.4	43.1	-4.0%
Total debt	721.7	712.6	1.3%
Net debt	576.6	561.5	2.7%
Leverage (in per cent)	59.9	57.8	3.6%
Loan-to-value (in per cent)	65.4	65.2	0.3%
Net asset value (NAV)	459.7	471.6	-2.5%
NAV per share (in Euro)	8.86	9.08	-2.4%

LETTER FROM THE BOARD

Dear Shareholders of Prime Office REIT-AG,
Dear Sir or Madam,

The business of Prime Office REIT-AG business was fundamentally strong in the first half of 2012 with high funds from operations. However, the Company also felt the effects of the on-going Euro crisis on the market valuation of the derivative interest rate hedges (swap market values), which weighed on its equity base, and the valuation of the property portfolio, which was affected by shorter remaining terms of lease in the Frankfurt and Dusseldorf properties. In spite of temporary vacancies (the vacancy ratio was 5.3% at the balance sheet date), higher rental and lease expenses on the back of intensive marketing and planning activities for the properties that require re-letting and the non-cash losses from the fair valuation of derivative financial instruments, Prime Office REIT-AG generated a net income of 2.4 million Euro over the reporting period, i.e. the first six months of fiscal year 2012, based on its sound property and tenant base. The net income adjusted by one-off effects from the property valuation and the valuation of derivative financing contracts or “EPRA earnings” increased substantially from 4.7 million Euro in H1/2011 to 9.9 million Euro in H1/2012. Funds from operations (FFO) grew significantly in H1/2012 to 12.8 million Euro, compared to 9.9 million Euro in H1/2011.

The deterioration of the euro crisis and the increasing uncertainty about the future of the euro zone continued to weigh on the equity of Prime Office REIT-AG in the first half of 2012. The REIT equity ratio had already fallen short of the minimum equity ratio of 45% required under the REIT law on 31 December 2011. It was 41.4% on 30 June 2012, i.e. the Company again failed to comply with the REIT equity ratio due to the interest-sensitive market valuation of existing interest-rate hedges (swap transactions) for property financings. By midyear 2011, i.e. when our Company started trading on the stock exchange, the balance of the market values of its active and passive derivative financing instruments had amounted to -22.4 million Euro; twelve months later, on 30 June 2012, the corresponding market value had declined to -61.5 million Euro on the back of the euro crisis. This development weighs on the balance sheet of the Company and particularly on the equity. The market value of the interest rate hedges is invariably zero at maturity. This provides for significant value recovery potential over the time to maturity, which will strengthen the equity base and take pressure off the financial result.

Under the REIT law, the Company has another two years from 31 December 2011, when it first failed to meet the REIT minimum equity requirement of 45%, during which to return to the statutory minimum with impunity.

Business in the first half of 2012 developed in line with the board's FFO and dividend targets for the fiscal year 2012. It was however dominated by the effects of the euro crisis on the valuation of the interest-rate hedges, the negative effects of the property valuation and the higher rental and lease expenses caused by extensive marketing activities for the properties that require re-letting.

Over the reporting period, i.e. over the first six months of fiscal year 2012, the rental and lease revenues amounted as expected to about 36.6 million Euro (H1/2011: 37.9 million Euro). Due to temporary vacancies – which account for 5.3% the overall portfolio – and higher rental and lease expenses (H1/2012: 6.0 million Euro or approximately 16.3% of the revenues), Prime Office REIT-AG generated rental and lease income of 30.8 million Euro (H1/2011: 33.3 million Euro).

Other operating expenses declined to approximately 2.4 million Euro from approximately 5.5 million Euro in the prior year period, which at the time contained IPO costs of 3.7 million Euro. Expenses for employee benefits amounted to 0.8 million Euro over the first half of 2012 (prior year period: 0.6 million Euro).

Overall, Prime Office REIT-AG increased its operating income before valuation result (EBIT before valuation effects) as expected by 0.5 million Euro to 27.7 million Euro in the first half of 2012, compared to 27.2 million Euro in the prior year period.

The market value of the property portfolio amounted to EUR 963.1 million (31 December 2011: EUR 971.6 million) according to the valuation performed as at 30 June 2012 by CB Richard Ellis GmbH (CBRE). The about 0.9% decline in value results from the general development of the German property market, the pro-rata decrease of the remaining terms of lease across the property portfolio, the temporary vacancies in individual properties (Stuttgart, Frankfurt and Heilbronn) and particularly the short remaining terms of lease of the properties in Frankfurt and Duesseldorf both of which require re-letting. This resulted in unrealised losses from fair-value accounting of -9.1 million Euro (H1/2011: +0.5 million Euro) for Prime Office over the reporting period.

With -16.2 million Euro, the financial result defined as the balance of finance income and finance expenses significantly improved year on year in H1/2012 in line with expectations (H1/2011: -21.2 million Euro). Interest expenses declined by 1.7 million Euro or 8.7% from 19.6 million Euro in H1/2011 to 17.9 million Euro over the first six months of fiscal year 2012. Earnings before income taxes (EBT) in the first half of 2012 reached 2.4 million Euro (H1/2011: 6.5 million Euro).

Prime Office REIT-AG generated net income of 2.4 million Euro over the reporting period (H1/2011: 6.3 million Euro), mainly due to the above-mentioned adjustments of the property portfolio's market value, temporary vacancies in individual properties and extensive marketing activities for the properties that require re-letting. The „EPRA earnings“, which are adjusted by one-off or special effects from the fair valuation of the property portfolio and the derivative financing instruments, increased by a significant 5.2 million Euro from 4.7 million Euro in H1/2011 to 9.9 million Euro in the reporting period, i.e. in H1/2012.

Over the first half of 2012, the transaction volume in the letting segments of major German office markets declined slightly according to market reports. While the Prime Office portfolio had a weighted average lease term of 6.5 years and an aggregate occupancy rate of about 95% as at 30 June 2012, spaces of various sizes in the properties in Stuttgart, Frankfurt and Dusseldorf but also in Heilbronn and Nuremberg require re-letting. Extensive letting and/or marketing activities are under way for the spaces and relevant properties. This effort also includes new sample offices in the emporia building (Stuttgart) and additional new show rooms in the Westend-Palais and the Senckenberg-Carré Westend, both of which form part of the Westend Compound (Frankfurt). The latter are being established in connection with the completion of fire prevention measures. The properties in Frankfurt and Dusseldorf should still be ready for occupation at the beginning of 2014 when the refurbishment measures are completed.

As part of the Q1/2012 reporting, the board had informed in May 2012 that talks on early lease prolongations had been initiated and had met with tenant interest. Thus, the lease with BMW AG for the BMW Design Centre in Munich could be prolonged early until the end of September 2023. It would otherwise have expired in September 2016.

The board expects that the re-letting targets for the property in Stuttgart/ Moehringen can be reached by the end of the year. Similarly, the interest of several major prospective tenants in spaces of the Xcite building in Dusseldorf/ Seestern suggests that long-term leases can be concluded this year.

Prime Office paid its first scheduled dividend on the 11 May 2012 upon the dividend resolution of the general shareholders' meeting on 10 May 2012. Particularly after the dividend payment, the capital market was concerned with the upcoming expiry of the lock-up period for pre-IPO shareholders, i.e. the unit holders of various DCM investment companies, who had already been invested in Prime Office REIT-AG since 2007. This led to increasing risk discounts, which pushed the share price down from about 4.50 Euro in April to 2.73 Euro. The management had announced its intention of supporting a secondary placement of shares from the holdings of selling pre-IPO shareholders to avoid a share overhang. With this in mind, the management stepped up its road show activities and held numerous investor talks in March/April after the publication of the annual report 2011 and the Q1 numbers in May 2012.

The lock-up period for the pre-IPO shareholders from the various DCM investment companies that had been involved in Prime Office expired at the end of 01 July 2012. After about 5.7 million shares from the holdings of pre-IPO shareholders were placed with institutional investors in an accelerated book building procedure in mid-June, the share recovered substantially from its low of 2.73 Euro and was trading in a range of 3.19 to 3.51 Euro in July 2012.

Until mid-July 2012, the shares of the pre-IPO shareholders were then transferred to the accounts of the former unit holders, which are now directly holding Prime Office shares. There have been no additional secondary offerings since neither the fund management nor the former unit holders or the bank advisers involved expressed meaningful interest to sell shares. The share has performed positively since the secondary offering in June 2012 in this context. The share overhang and the related selling pressure from pre-IPO shareholders at the end of the lock-up period the capital market had been concerned about has not materialised.

Positive outlook for the full year 2012

The board expects to achieve revenues including operating cost prepayments of 72 to 74 million Euro and funds from operations (FFO) of 17 to 19 million Euro in fiscal year 2012. In spite of the charges from re-configuration and temporary vacancies, it is projecting a dividend of 9 to 12 million Euro in fiscal year 2012, which will be payable in 2013.

The IPO has given the Company a solid foundation based on which it can actively participate in shaping the German office property market as a specialised REIT with a focus on quality office properties in Germany. The management will continue to concentrate on meeting the letting targets for the properties that require re-letting. Even though growth from acquisitions will initially be possible to a very limited extent only, Prime Office REIT-AG has strong organic growth potential it will exploit for you, dear Shareholders, through active and value adding asset management.

Yours sincerely

The Board of Prime Office REIT-AG

Unaudited interim financial statement of Prime Office REIT-AG

Economic review

MACROECONOMIC DEVELOPMENT

The euro crisis is putting increasing pressure on the global economy. Thus, global trade growth has already slowed in 2011, and the IMF (International Monetary Fund) is forecasting further weakening for 2012 (World Economic Outlook, WEO Update, published in July 2012) even though world trade is still expected to increase thanks to the emerging and developing countries. The same holds true for aggregate global economic production: The economies will remain on a growth trajectory in spite of the lingering concerns about the adverse interrelation between countries, banks and the real economy, but the IMF revised its growth forecasts for 2012 (3.5% [-0.1%]) and 2013 (3.1% [-0.2%]) down compared to its estimates from April 2012.

While the economy in the euro zone is expected to contract by 0.3% in 2012, it will grow again in 2013 (0.7%) according to the IMF. Germany is holding up "impressively well" in spite of severe headwinds from the euro crisis, but it is by no means impervious to negative external developments, the IMF report says. Still, the IMF increased its 2012 growth forecast for Germany by 0.4% to 1.0%. This view is in line with the expectations of many bank economists (please refer to the Handelsblatt, issue 04 July 2012). The Munich-based ifo-Institute on the other hand revised its 2012 economic forecast for Germany down to 0.7% in June 2012 citing uncertainty about the progression of the European debt crisis.

The German government's July report on the economic situation of the country described the German economy as stable even though momentum had weakened as a result of the growing uncertainty caused by the Euro crisis. While the report points out the sometimes substantial decline of the sentiment indicators, which reflects the increased risks from the international environment, it also notes that the German labour market remains a major stabilising factor. The unrelenting recovery of the labour market leads to growing incomes and price stability, which will act as catalysts of private consumption and continue to support the domestic economy.

THE PROPERTY OFFICE MARKET IN GERMANY

By mid-year 2012, the German property market is proving generally resilient to the turbulent euro environment in spite of the volatile conditions. According to the market report of the international property services provider Jones Lang LaSalle (JLL), the investment market had a good start into Q1/2012 but transaction volumes weakened somewhat as the months progressed. They reached 9.4 billion Euro by midyear 2012, compared to 23.4 billion Euro in the full year 2011. Nonetheless, JLL projects a transaction volume of about 23 billion Euro for the current fiscal year 2012 on the back of the generally stable investor demand including from abroad. This outcome would be almost unchanged compared to the previous year.

Single-property transactions played an even bigger role than in 2011, accounting for approximately 80% in the first half of 2012. As a result, portfolio deals made up only one fifth. On aggregate, JLL reports that office investments had a 45% share in the first half of 2012. Foreign investors and particularly pension funds and insurance companies have further increased their overall activities in Germany.

In spite of a decline in letting activities, the demand for office space has generally solid fundamentals. According to JLL, letting in the first half of 2012 amounted to about 1.4 million m^2, down 14% compared to the H1/2011. There are major discrepancies between individual markets, however. While Berlin and Hamburg recorded moderate declines, the declines in Cologne (-35%) and Dusseldorf (-21%) were much more pronounced. Overall, the gross take-up in the office market of Germany's seven largest office property markets declined by 13.5% in H1/2012. The international property services provider JLL expects that about 3 million m^2 of space will be let in 2012. While down 12% compared to 2011, this number would still slightly exceed the long-term average.

Similarly, the market experts of BNP Paribas view the development of the German property market as generally positive - also in view of the European debt crisis.

The sound German office market and the expected moderate volume of newly constructed and completed buildings in 2012 will lead to a further decline in vacancies. Since last year, overall vacancy has declined by about 800,000 m^2 until mid-year according to JLL. The report states that 9.2% of the spaces in Germany's seven major office markets in Q2/2012 are vacant, compared to 9.3 % in Q1/2012. The vacancy levels in Frankfurt (13.4%) and Dusseldorf (11.4%) substantially exceed the average of the major German office markets. While vacancy levels in Munich reached 8.9% by mid-year 2012, they amounted to 8.2% and 5.7% in Hamburg and Stuttgart respectively.

Top rents increased year on year across the major office markets with the exception of Frankfurt where rent increases could not be achieved. Users continue to focus on the quality of spaces and location. However, JLL also points to typical signs of a decline in tenant demand in its property market report.

According to the property market report by JLL, the top yields aggregated across the major office markets declined by approximately 10 basis points to 4.8%.

Portfolio report

THE PROPERTY PORTFOLIO OF PRIME OFFICE-REIT AG

The portfolio of Prime Office REIT-AG currently consists of 14 office properties centrally located in large western German cities and conurbations. These properties are office or administrative buildings some of which also have a limited amount of retail, restaurant and hotel spaces.

Ten of these are located in Dusseldorf, Essen, Frankfurt am Main, Hamburg, Munich and Stuttgart or their corresponding metropolitan regions, all of which are among Germany's most important office markets. The remaining four properties are located in Darmstadt, Heilbronn and Nuremberg.

As per the market valuation performed as at 30 June 2012 by CB Richard Ellis GmbH (CBRE), the property portfolio had a total market value of 963.1 million Euro after 971.6 million Euro as at 31 December 2011. The 8.5 million Euro or 0.9% decline in value over the first six months of 2012 is due to the general development of the German property market, the pro-rata decline of the remaining terms of lease across the property portfolio, the temporary vacancies in individual properties and particularly the short remaining lease terms of the properties in Frankfurt and Dusseldorf that require re-letting.

According to this market valuation, the 14 properties have a total usable space of about 383,819 m^2. Aggregate occupancy (94.7%) in the portfolio is high since only 5.3% or about 20,000 m^2 are vacant in the properties in Stuttgart, Frankfurt and Heilbronn. With annual rent of 64.4 million Euro (as at 30 June 2012); the portfolio has a gross initial yield of 6.7% and a net initial yield of 6.0%.

The portfolio's weighted average term of lease of 6.5 years as at 30 June 2012 was only slightly down compared to 31 December 2011 (6.8 years), mainly due to the early lease prolongation signed by the tenant BMW for the BMW-Designcenter in Hufelandstraße, Munich, in June 2012.

Since different lease negotiations for the properties in Dusseldorf and Stuttgart are in an advanced stage, the Company expects to still conclude leases in financial year 2012. The potential major tenants in Frankfurt that had been approached are still holding back. The company continues to pursue its strategy of letting to major tenants particularly in Dusseldorf and Frankfurt because it still has a competitive advantage in this area.

OVERVIEW OF RENTAL SPACES AND RENT OF PRIME OFFICE REIT-AG

	Rented space (m^2)	Total lettable space (m^2)	Rent excl. of h., l. & other s. costs (in mm Euro p.a.)	Rent excl. of h., l. & other s. costs (in Euro/ m^2 per month)
Munich, Hufelandstraße	8,224	8,224	1.7	17.23
Frankfurt, Ludwig Erhard Anlage	31,434	35,101	9.7	23.03
Darmstadt, T-Online Allee	72,528	72,528	11.8	13.56
Hamburg, Hammerstraße	16,008	16,008	2.9	15.10
Essen, Alfredstraße	30,314	30,314	5.6	15.39
Darmstadt, Deutsche Telekom Allee	24,686	24,686	3.4	11.48
Stuttgart, Breitwiesenstraße	9,830	25,284	1.3	4.28
Nuremberg, Richard Wagner Platz	6,445	6,445	1.1	14.22
Heilbronn, Bahnhofstraße	13,656	14,750	2.0	11.30
Dusseldorf, Am Seestern	35,819	35,819	7.1	16.52
Stuttgart, Philipp Reis Straße	19,854	19,854	3.5	14.69
Munich, Hultschiner Straße	62,237	62,237	10.5	14.06
Dusseldorf/ Meerbusch, Earl Bakken Platz	8,038	8,038	1.3	13.48
Essen, Opernplatz	24,531	24,531	2.6	8.83
	363,604	**383,819**	**64.5**	**14.00**

Source: Market valuation CBRE (30 June 2012)

PROPERTY PORTFOLIO OF PRIME OFFICE REIT-AG

	Market value as at 30/06/2012 (in mm Euro)	Market value as at 31/12/2011 (in mm Euro)	Change vs. previous year (in %)	Rented space (in m^2)	Change vs. previous year (in %)	Rent excl. of h., l. & and other service costs (in mm Euro p.a.)	Potential rent (in mm Euro)
Munich, Hufelandstraße 13-15	24.2	24.1	+0.4%	8,224	0%	1.7	1.7
Frankfurt, Ludwig Erhard Anlage 2-8	157.9	161.8	-2.4%	31,434	-10.4%	9.7	10.8
Darmstadt, T-Online Allee 1	172.5	172.5	0.0%	72,528	0%	11.8	11.8
Hamburg, Hammerstraße 30/34	45.6	45.5	+0.2%	16,008	0%	2.9	2.9
Essen, Alfredstraße 236	73.2	73.1	+0.2%	30,314	0%	5.6	5.6
Darmstadt, Deutsche Telekom Allee 7	53.2	53.2	0.0%	24,686	0%	3.4	3.4
Stuttgart, Breitwiesenstraße 5-7	40.5	41.7	-2.9%	9,830	-13.8%	1.3	2.9
Nuremberg, Richard Wagner Platz 1	13.0	13.0	0.0%	6,445	0%	1.1	1.1
Heilbronn, Bahnhofstraße 1-5	29.9	29.7	+0.7%	13,656	+2.9%	2.0	2.2
Dusseldorf, Am Seestern 1	72.2	75.7	-4.6%	35,819	0%	7.1	7.1
Stuttgart, Philipp Reis Straße 2	39.4	39.7	-0.8%	19,854	0%	3.5	3.5
Munich, Hultschiner Straße 8	186.6	186.6	0.0%	62,237	0%	10.5	10.5
Dusseldorf/ Meerb., Earl Bakken Platz 1	16.4	16.4	-0.0%	8,038	0%	1.3	1.3
Essen, Opernplatz 2	38.5	38.6	-0.3%	24,531	0%	2.6	2.6
	963.1	**971.6**	**-0.9%**	**363,604**	**-1.3%**	**64.5**	**67.3**

Source: Market valuation CBRE (30 June 2012)

Corporate development

Business in the first half of 2012 developed in line with the board's FFO and dividend targets for the fiscal year 2012. However, particularly the non-cash impact from the market valuation of long-term interest rates hedges (swap evaluation), the shorter remaining lease terms in Frankfurt and Dusseldorf, marketing activities for the properties that require re-letting and also temporary vacancies took their toll on the Company's performance in the first half of 2012.

Against this backdrop, Prime Office REIT-AG generated a net income of 2.4 million Euro or 0.05 Euro per share over the first six months of fiscal year 2012, compared to 6.3 million Euro in H1/2011. The „EPRA earnings“, i.e. the net income adjusted by the valuation effects from derivative financial instruments and the property portfolio, did very well: With 9.9 million Euro, the EPRA earnings more than doubled year on year.

Revenues

Over the first six months of fiscal year 2012, the rental and lease revenues were in line with expectations, coming in at 36.6 million Euro due to temporary vacancies (H1/2011: 37.9 million Euro). Other rental and lease revenues amounted to 0.2 million Euro over the first half of 2012; they were down year on year (H1/2011: 0.7 million Euro).

Due to the marketing activities for the properties in Frankfurt, Dusseldorf, Stuttgart and Nuremberg, the related planning costs and the asset management fee, based on the contract signed back in 2007, the rental and lease expenses over the reporting period of the first half year increased by approximately 0.8 million Euro or 14.7% to 6.0 million Euro. Over the first half of 2012, rental and lease expenses accounted for an overall 16.3% (H1/2011: 13.8%) of the revenues. This results in a rental and lease income of 30.8 million Euro (H1/2011: 33.3 million Euro) for Prime Office REIT-AG over the reporting period.

Other operating income increased to about 0.2 million Euro over the first six months of fiscal year 2012, up from 52 k Euro in the prior year period. The increase mainly results from reversed provisions.

Other operating expenses declined to approximately 2.4 million Euro from approximately 5.5 million Euro in the prior year period, which at the time contained IPO costs of 3.7 million Euro. Other operating expenses relate inter alia to legal and advisory costs, disclosure costs, costs of the property valuation and auditing costs.

Expenses for employee benefits amounted to an overall 0.9 million Euro in the first half of 2012, compared to 0.6 million Euro in the prior year period.

Depreciation and amortisation over the reporting period increased to about 55 k Euro and was mainly due to the on-schedule depreciation of office furniture and equipment in the so-called show rooms of the properties in Frankfurt and Dusseldorf. This compares to approximately 33 k Euro in the corresponding prior year period.

As a result, the operating income before valuation income slightly increased year on year to 27.7 million Euro (H1/2011: 27.2 million Euro) in spite of temporary vacancies and higher rental and lease expenses.

Since Prime Office REIT-AG is a listed company, its property portfolio is subject to an intra-year valuation by an independent valuer, CB Richard Ellis, which was performed as of 30 June 2012. As a result of the appraisal, the company reported unrealised losses from recognition at fair value of 9.1 million Euro. This corresponds to a 0.9% decline in market value (31/12/2011: 971.6 million Euro; 30 June 2012: 963.1 million Euro) in relation to the market value of the property portfolio.

Operating earnings (EBIT) of 18.6 million Euro

Against the backdrop of the property portfolio's adjustment in market value and the temporary vacancies, Prime Office REIT-AG generated operating earnings (EBIT) of 18.6 million Euro (H1/2011: 27.7 million Euro) over the first half of 2012.

Substantially improved financial result

With -16.2 million Euro, the financial result defined as the balance of finance income and finance expenses significantly improved year on year in H1/2012 in line with expectations (H1/2011: -21.2 million Euro). Interest expenses declined by 1.7 million Euro or 8.7% from 19.6 million Euro in H1/2011 to 17.9 million Euro in H1/2012. Earnings before income taxes (EBT) in the first half of 2012 amounted to 2.4 million Euro (H1/2011: 6.5 million Euro).

Net income of 2.4 million Euro in H1/ 2012 - substantial increase of „EPRA earnings" to 9.9 million Euro

Prime Office REIT-AG generated a net income of 2.4 million Euro (H1/2011: 6.3 million Euro) over the reporting period, mainly due to slight adjustments of the property portfolio's market value, temporary vacancies in individual properties and increased marketing activities for the properties that require re-letting. The „EPRA earnings", which are adjusted by one-off or special effects from the fair valuation of the property portfolio and the derivative financing instruments, more than doubled, increasing by 5.2 million Euro from 4.7 million Euro in H1/2011 to 9.9 million Euro in the reporting period.

With about 51.9 million issued shares, the income per share amounts to 0.05 Euro per share compared to 0.36 Euro per share in H1/2011. The EPRA earnings per share amounted to 0.19 Euro (H1/2011: 0.27 Euro).

Funds from operations exceed guidance and reached 12.8 million Euro in H1/2012

With 12.8 million Euro or 0.25 Euro per share, funds from operations (FFO) exceeded the target in H1/2012 (H1/2011: 9.9 million Euro or 0.19 Euro per share). Given the plans for the future development of the business in H2/2012, the FFO target for 2012 remains unaffected. With revenues including operating cost prepayments of 72 to 74 million Euro, the board expects to generate FFO of 17 to 19 million Euro in fiscal year 2012.

Funds from operations (FFO)

		01/01 – 30/06/2012	**01/01 – 30/06/2011**
		in mm Euro	in mm Euro
	Operating earnings (EBIT)	**18.6**	**27.7**
-	Unrealised valuation gains from the fair valuation of investment properties	0.7	0.5
+	Unrealised valuation losses from the fair valuation of investment properties	9.8	0.0
+	Depreciation and amortisation	0.1	0.0
-	Interest paid	14.7	18.8
+	Interest received	0.2	0.1
-	Interest paid (balance of interest paid and received)	14.5	18.8
+	Interest adjustment at the end of the period	-0.5	1.4
	Funds from operations (FFO)	**12.8**	**9.9**
	Funds from operations per share (weighted)	**0.25 €**	**0.19 €**

Cash flow of Prime Office REIT-AG

The operating cash flow, which is defined as the excess cash from operating activities, reached 15.4 million Euro over the first six months of fiscal year 2012, compared to 12.9 million Euro in H1/2011. The improvement of the operating cash flow mainly results from the repayment of loans that had been granted to several DCM investment companies as well as from the substantially lower interest payments compared to the previous year period.

Due to the investments of the Company in portfolio properties, which also include investments in show rooms etc., the cash flow from investment activities increased from -0.3 million Euro in H1/2011 to -0.7 million Euro. The cash flow from financing activities in H1/2012 results from the repayment of existing bank loans in the amount of 6.9 million Euro and the dividend of 11.9 million Euro paid in May 2012. The cash flows from financing activities over the reporting period amounted to -19.0 million Euro.

ASSETS AND FINANCIAL SITUATION

Balance sheet of Prime Office REIT-AG

Total assets of Prime Office REIT-AG as at 30 June 2012 decreased by 10.7 million Euro or 1.0 % from 1,130.5 million Euro as at 31 December 2011 to 1,119.8 million Euro.

On the asset side of the balance sheet, the current assets decreased from 151.1 million Euro as at 31 December 2011 to 145.1 million Euro as at 30 June 2012, which was mainly due to the decline in other receivables and accounts receivable. Cash at bank and in hand of 122.9 million Euro form part of the current assets. In spite of the dividend of 11.9 million Euro paid in May 2012, this amount substantially exceeds the amount of 114.5 million Euro as at 31/12/2011. This is due to the repayment of loans granted to DCM investment companies and the cashflow from operating activities. In addition, a derivative financial instrument in connection with a Swiss franc financing for the T-Online-Headquarters in Darmstadt has been valued at 16.6 (31/12/2011: 16.0) million Euro on 30 June 2012.

The non-current assets as at 30 June 2012 amounted to 974.7 million Euro (31/12/2011: 979.4 million Euro). They consisted mainly of investment properties, which were valued at 962.4 million Euro as at 30 June 2012 (31/12/2011: 970.8 million Euro). With 9.8 million Euro as at 30 June 2012, the market value of derivative financial instruments has increased compared to 31 December 2011 (6.2 million Euro). The Company also has non-current financial assets of about 2.1 million Euro (31/12/2011: 2.1 million Euro), which consist largely of an insurance policy with paid-up status taken out in the context of a property financing.

REIT equity ratio of 41.4%, below the 45% threshold of the REIT law: Swap market values and the property valuation weigh on the equity ratio as a result of the interest rate development

The on-going financial and euro crisis and the consistently low interest rate environment weighed on the equity in the first half of 2012 through the valuation of the long-term derivative interest and currency hedging instruments (interest rate and currency swaps) for the property financings of Prime Office REIT-AG. In addition, the dividend of 11.9 million Euro paid in May 2012 lead to an expected decrease of the equity. As a result, the equity declined from 418.0 million Euro as at 31 December 2011 to 398.1 million Euro as at 30 June 2012.

Given investment property assets of 962.4 million Euro, the REIT equity ratio amounted to 41.4% as at the balance sheet date on 30 June 2012, compared to 43.1% as of 31 December 2011. It therefore remained below the required ratio of 45%.

Under the REIT law, the Company has another two years from 31 December 2011, when it first failed to meet the REIT minimum equity requirement of 45%, during which to return to the statutory minimum with impunity.

As a result of the IPO, the subscribed capital grew by 34.5 million Euro at midyear 2011 to an overall 51.9 million Euro as at 31 December 2011. As at 30 June 2012, the subscribed capital remained unchanged at 51.9 million Euro. The capital reserves of 625.3 million Euro therefore remained equally unchanged as at 30 June 2012. Including reserves for unrealised gains/losses from cash flow hedges (interest rate swaps) of -69.3 million Euro, reserves for unrealised gains/losses from cash flow hedges (currency swaps) of 0.2 million Euro, reserves for assets held for trading of 0.2 million Euro and the income for the reporting period of 2.4 million Euro that has been netted in the balance sheet loss, Prime Office REIT-AG held 398.1 million Euro in equity as at the balance sheet date on 30 June 2012.

Net debt of Prime Office REIT-AG at 576.6 million Euro, net leverage at 59.9 %, LTV at 65.4 %

With 721.7 million Euro as at 30 June 2012, the sum of current and non-current liabilities of Prime Office REIT-

AG slightly exceeded the amount as at 31 December 2011 (712.6 million Euro). This was due to the valuation of derivative financial instruments that lock in interest over the term of the loan and whose market value is invariably zero at maturity. The sum of current and non-current financial liabilities (ex derivatives) fell from 632.7 million Euro as at 31 December 2011 to 630.2 million Euro as at the balance sheet date on 30 June 2012, which was largely due to repayments. Adjusted by the valuation effects from derivative financing instruments, the sum of current and non-current liabilities would have decreased substantially.

	FORMULA		30/06/2012	31/12/2011
Total liabilities	current + non-current liabilities	in million Euro	721.7	712.6
Net debt	total debt - current assets	in million Euro	576.6	561.5
Leverage	net debt : market value of the properties	in %	59.9	57.8
Loan-to-value	Liabilities to credit institutions : property market value	in %	65.4	65.2
REIT equity ratio	equity : market value of the properties	in %	41.4	43.1

As at the balance sheet date on 30 June 2012, the Company had current liabilities of 135.2 million Euro, compared to 160.4 million Euro as at 31 December 2011. This includes trade receivables of 2.7 million Euro (31/12/2011: 2.7 million Euro). The other current liabilities in the amount of 0.2 million Euro fell compared to the end of 2011 (0.6 million Euro). They now relate exclusively to accrued rent, since previous liabilities to fund KGs (limited partnerships) of the DCM Group have been repaid. The liabilities to tax authorities consist of payable value-added tax. With about 0.6 million Euro, these liabilities are slightly below the year-end level (31 December 2011: 0.9 million Euro).

The non-current financial liabilities as at 30 June 2012 amounted to 498.5 million Euro and thus exceeded the level at year end 2011 (476.4 million Euro). The increase compared to the year end 2011 results mainly from the prolongation in Q2/2012 of the loan financing the property (T-Systems) in Darmstadt. In Q1/2012, this property financing had still being recognised as current financial liability since it hadn't yet been prolonged.

In September 2011, the board of Prime Office REIT-AG hedged the foreign exchange risk of a Swiss franc-denominated property financing. The transaction involved buying Swiss francs (CHF) for about 59.9 million Euro (EUR) at an average exchange rate of about 1.21 EUR, which corresponds to the nominal value of the loan in Swiss francs. The initially unhedged property financing originated from a closed-end real estate fund, which had been launched in 2003 and had transferred its real estate assets to Prime Office in 2007. This move was in line with the board's strategy to minimise risks. The profits calculated under the German commercial code (HGB), which determine the company's ability to pay dividends, are thus no longer subject to exchange rate volatility. The Company has no other unhedged foreign exchange loans.

The on-going interest rate development caused another substantial increase of the negative market values of derivative financial instruments (-75.8 million Euro at year end 2011 to -88.0 million Euro as at 30 June 2012). It should be noted that the valuation, i.e. the market value of derivative financial instruments (market value of interest-rate swaps) always reaches zero at maturity. There is consequently substantial value recovery potential over the time to maturity.

Net asset value

As at the balance sheet date on 30 June 2012, the net asset value (NAV) of Prime Office REIT-AG reached 459.7 million Euro, compared to 471.6 million Euro as at year end 2011. This decline corresponds approximately to the scheduled dividend payment of 11.9 million Euro or 0.23 Euro per share in May 2012. The NAV per share therefore amounted to 8.86 Euro per share on 30 June 2012, compared to 9.08 Euro at year end 2011. The following table shows the calculation of the net asset value:

		30 Jun 12	**31 Dec 11**
		in mm €	in mm €
	Equity	398.1	418.0
-	Derivative financial instruments (assets), of these:	26.4	22.2
	current	16.6	16.0
	non-current	9.8	6.2
+	Derivative financial instruments (liabilities), of these:	88.0	75.8
	current	0.0	0.0
	non-current	88.0	75.8
	Net asset value (NAV)	**459.7**	**471.6**
	Net asset value per share	**8.86**	**9.08**

Staff

Prime Office REIT-AG has a lean personnel structure. Overall, it had 10 employees as at 30 June 2012 (previous year: 8). In addition, the Company is represented by three board members.

	Staff
AS OF 30/06	TOTAL
Management board	3
Asset management	3
Other	4
Total	10

Effective 01 April 2012 the asset management team was increased by an employee in technical asset management. The contract of board member Heinz-Theo Tetsch expired on 30 June 2012 at his own request, so that the total number of staff including the board members has again been 9 from 01 July 2012.

Risk management

In line with the requirements of the stock corporation law, the board of Prime Office REIT-AG has worked with a renowned auditing firm in order to design and establish a risk management and risk controlling function. Its key responsibility is the early and consistent identification, monitoring and reduction of risk using appropriate measures. Regular risk reporting is ensured.

The Company has implemented a risk management system in order to identify and assess major and critical risks to the Company early and treat them appropriately. It is an integral component of the overall management and reporting process.

The system ensures that risks are
identified, assessed
and dealt with including via necessary measures.
It also monitors the development of risk.

Risk management is overseen by Prime Office REIT-AG's Chief Financial Officer. It is consistently enhanced in cooperation with external advisers to ensure that particularly new approaches and ideas can be incorporated in the risk management of Prime Office REIT-AG.

In addition to ad-hoc reports in the event of sudden changes in risk, a quarterly audit monitors the existing risks and identifies any potential new risks. The results are summarised in a quarterly report and presented to the supervisory board by the management board.

Barring massive rent delinquencies in 2012, the management board currently sees no risks that could threaten the survival of the Company.

As any other company, Prime Office REIT-AG faces potential risks that can meaningfully impact its business, assets, financial situation and income.

The Prime Office share

DEVELOPMENT OF THE PRIME OFFICE SHARE PRICE

The second quarter of this fiscal year has been largely dominated by an uncertain market environment and strong volatility. While stock market sentiment at the beginning of the quarter was still boosted by the fiscal compact in the euro zone and positive economic expectations for the German industry, the capital market environment increasingly deteriorated over the following weeks. The elections in France and Greece turned out as votes against budgetary consolidation and in favour of debt financed growth stimuli, an outcome that was not rewarded by the stock markets. After initial attempts to form a government failed in Greece, various scenarios of how the southern European country might exit the euro zone created additional uncertainty. Speculation that the market might test other countries such as Spain, Portugal, Ireland and Italy further weighed on market sentiment. The situation in the capital market eased slightly only at the end of the reporting period. Spain applied to the euro zone countries for the anticipated support loans to rescue the banking sector, a move that was well received by investors. The formation of a government in Greece and investors' hopes for G20 summit decisions in favour of a concerted move by several central banks had largely positive effects on market sentiment.

The share price of Prime Office was not immune to the difficult market environment over the first two months of the quarter and lost substantially in value. In the last month of the reporting period however, the share price recovered and gained about 19 percent at the end of June from its quarterly low of 2.73 Euro on 04 June 2012.

The board of Prime Office believes that the expiry of the lock-up period on the balance sheet date and investors' fear of a share overhang added to the pressures from unfavourable external conditions that weighed down the share price during the first two months of Q2. In June however, both the long-term prolongation of the lease for the BMW Design Centre in Munich and the successful secondary placement of about 5.7 million shares from the holdings of pre-IPO shareholders supported the recovery of the share price. The private placement of shares with institutional investors that focus primarily on real estate is testament to investors' strong confidence in Prime Office and the potential of the Company.

At the same time, the board remains dissatisfied with the current share price and the still high discount on the Company's net asset value (NAV). It will therefore continue to focus on reducing the discount on the Company's NAV and achieve a fair capital market valuation of the Company.

SHAREHOLDER STRUCTURE

The shareholder structure of Prime Office changed in the second quarter primarily due to the secondary placement of about 5.7 million shares from the holdings of pre-IPO shareholders – the investors in ten closed-end DCM investment companies. Overall, about 11 percent of all issued shares were placed with institutional investors in the context of an accelerated book building procedure. Before the transaction, the holdings of the selling pre-IPO shareholders totalled about 17.4 million shares or 33.4 percent of the real estate company's capital. Upon conclusion of the placement, the holdings of the closed-end investment companies of the DCM Group were reduced to about 11.8 million shares, which corresponded to about 22.7 percent of the voting rights as at 30 June 2012. About 45.7 percent of the shares were in free float at the balance sheet date. The transaction also served to win additional institutional investors with a primary focus on property investments. As a result, the shareholder base remains characterised by long-term oriented investors whose specialisation gives them extensive industry expertise.

INVESTOR RELATIONS

Prime Office further increased the dialogue with its shareholders and the capital market participants in the second quarter of its fiscal year. Thus, the board attended the 2nd VIP Real Estate Conference of Deutsche Bank in Frankfurt am Main and also presented the Company and the Kempen Conference in Amsterdam and in New York during the reporting period. In addition, road shows were held in Amsterdam, Brussels, Frankfurt, London, Munich and Paris as well as in Boston, Chicago and New York.

These even more pronounced activities led to greater analyst coverage in the second quarter of 2012. During the reporting period, another three banks - Close Brother Seydler Research, Deutsche Bank and Kepler Capital Markets - started covering Prime Office, while WestLB discontinued coverage completely since the former state bank is being dismantled.

The property company is therefore being analysed by an overall six banks, with largely positive results. As at the balance sheet date on 30 June 2012, three analysts had a buy recommendation on the stock, one bank recommended to overweight the stock in the portfolio and two analysts had a hold recommendation. The respective target prices varied between 3.50 Euro and 6.00 Euro and therefore exceeded the share price of 3.25 Euro per share at the balance sheet date.

Statement of events after the reporting period

EVENTS AFTER THE INTERIM REPORTING PERIOD

There have been no meaningful events after the balance sheet cut-off date on 30 June 2012.

Projections

MACROECONOMIC DEVELOPMENT

The euro crisis is increasingly weighing on the global economy. As a result, the International Monetary Fund expects that global trade and global overall production will further weaken in 2012 (World Economic Outlook, WEO Update, July 2012). In aggregate however, the economies will remain on a growth trajectory in spite of the lingering concerns about the adverse interrelation between countries, banks and the real economy. The IMF revised its growth projections for 2012 to 3.5% (-0.1%) and for 2013 to 3.9% (-0.2%).

While the economy in the euro zone is expected to contract by 0.3% in 2012, it will grow again in 2013 (0.7%) according to the IMF. Germany is holding up "impressively well" during the euro crisis, but it is by no means impervious to negative external developments, the IMF report says. The IMF increased its 2012 growth forecast for Germany by 0.2% to 1.0%. This projection is in line with the expectations of many bank economists (please refer to the Handelsblatt, issue 04 July 2012). The Munich-based ifo-Institute on the other hand revised its 2012 economic forecast for Germany down to 0.7% in June 2012 citing uncertainty about the progression of the European debt crisis.

In its report on the economic situation of the country the German federal government characterised the German economy as stable even though the momentum had weakened as a result of the growing uncertainty caused by the euro crisis. The recent decline of the sentiment indicators insofar reflects the growing concern about the global development. But the German labour market remains a major support stabilising the German economy. The unrelenting recovery of the labour market leads to growing incomes and price stability, which will act as catalysts of private consumption and continue to support the domestic economy.

THE PROPERTY OFFICE MARKET IN GERMANY

The German property market is proving generally resilient to the turbulent euro environment in spite of the volatile conditions. A recent market report by the global property services provider Jones Lang LaSalle (JLL) projects a transaction volume of about 23 billion Euro for the current fiscal year 2012 on the back of the generally stable investor demand including from abroad. This outcome would be almost unchanged compared to the previous year.

In spite of a decline in letting activities, the demand for office space has generally solid fundamentals. JLL forecasts a letting volume of about 3 million m^2 in 2012. While down 12% compared to 2011, this number would still slightly exceed the long-term average. Similarly, the market experts of BNP Paribas view the development of the German property market in 2012 as generally positive – also in view of the European debt crisis.

The generally sound German office market and the expected moderate volume of newly constructed and completed buildings in 2012 will lead to a further decline in vacancies. However, JLL also points to typical signs of a decline in tenant demand in its property market report. Top rents will likely continue to increase because users focus on the quality of spaces and their location.

CAPEX MEASURES

Prime Office REIT-AG's strategy focuses on generating long-term and stable rental revenues from the existing office properties through active and return-oriented management. With its medium to long-term focus on quantitative growth in the German office property market and based on its attractive portfolio with its broad diversification across properties, locations and tenants, Prime Office REIT-AG plans to continue adding selected suitable office properties to the portfolio.

The properties in Frankfurt and Dusseldorf/Seestern, which require re-letting, will undergo – in some cases extensive – refurbishment measures once the existing tenants have vacated the spaces at the end of their lease. The measures for the properties in Frankfurt and Dusseldorf are currently scheduled to be completed by 2014.

The investment strategy targets existing office properties with high occupancy levels in locations with established or growing infrastructure. At the same time, Prime Office REIT-AG may also acquire appropriately pre-let developments. In addition, the Company aims to sustainably increase cash flows through value enhancing asset management and selective acquisitions and may also selectively invest in properties with vacancies that exceed the portfolio average in order to benefit disproportionately from the lease up of the new spaces.

Opportunities and outlook

OPPORTUNITIES

The asset managers of Prime Office REIT-AG could let the remaining vacant spaces in the short term and temporarily achieve full occupancy until the leases for the spaces in Frankfurt and Dusseldorf expire. The spaces in question account for approximately 5.3% of the overall rental space in the property portfolio and are attributable to the properties in Stuttgart, Frankfurt and Heilbronn.

Planned capex measures for properties requiring re-letting will – subject to successful re-letting – lead to value increases that are accretive to earnings.

OUTLOOK

The board expects to achieve revenues including operating cost prepayments of 72 to 74 million Euro and funds from operations of 17 to 19 million Euro in fiscal year 2012. In spite of the charges from re-configuration and temporary vacancies, the board is projecting a dividend of 9 to 12 million Euro in fiscal year 2012, which will be payable in 2013.

Munich, 08 August 2012

Claus Hermuth	Alexander von Cramm
(Member of the Executive Board)	(Member of the Executive Board)

Unaudited condensed interim financial statement as of 30 June 2012 of Prime Office REIT-AG

Income statement for the period commencing on 1 January and ending on 30 June 2012 (unaudited)

	Note	01/01 to 30/06/2012	01/01 to 30/06/11
		k€	k€
Revenues from rental and lease	5.1	36,566	37,866
Other revenues from rental and lease		164	665
Expenses for rental and lease	5.2	-5,975	-5,208
Net rental and lease income		**30,755**	**33,324**
Other operating income	5.3	221	52
Other operating expenses	5.4	-2,392	-5,525
Expenses for staff benefits		-846	-586
Depreciation and amortisation		-55	-33
Operating income before valuation income		**27,683**	**27,232**
Unrealized gains / - losses from fair-value accounting of investment properties	5.5	-9,101	459
Operating earnings (EBIT)		**18,582**	**27,691**
Finance expenses	5.6	-21,203	-22,540
Finance income	5.6	5,026	1,381
Earnings before income taxes (EBT)		**2,405**	**6,531**
Income taxes		0	-193
Other taxes		0	-1
Income for the reporting period		**2,405**	**6,338**

Income per share

Undiluted/diluted income per share	**0.05 €**	**0.36 €**

Comprehensive income statement for the period commencing on 1 January and ending on 30 June 2012 (unaudited)

	Note	01/01 to 30/06/2012 k€	01/01 to 30/06/11 k€
Result for the reporting period		**2,405**	**6,338**
Other operating income/expenses			
Changes in equity from reserves for unrealized gains/losses from the fair-value accounting of financial assets available for sale before income taxes	7.1	28	47
Release of income taxes recognized in equity on unrealized gains and losses from fair value recognition of financial assets available for sale on account of obtaining REIT status		0	-3
Changes in equity from reserves for unrealized gains/losses from the fair-value accounting of financial assets available for sale after income taxes		28	44
Changes in equity from reserves for unrealized gains/losses from cash flow hedges (interest rate swaps) before income taxes	7.1	-10,172	3,163
Release of income taxes recognized in equity on unrealized gains and losses from cash flow hedges (interest rate swaps) on account of obtaining REIT status		0	-172
Changes in equity from reserves for unrealized gains/losses from cash flow hedges (interest rate swaps) after income taxes		-10,172	2,991
Changes in equity from reserves for unrealized gains/losses from cash flow hedges (currency swaps) after income taxes	7.1	-192	-254
Release of income taxes recognized in equity on unrealized gains and losses from cash flow hedges (currency swaps) on account of obtaining REIT status		0	14
Changes in equity from reserves for unrealized gains/losses from cash flow hedges (currency swaps) after income taxes		-192	-240
Other gains/losses after taxes		**-10,336**	**2,795**
Total comprehensive income after taxes		**-7,931**	**9,133**

Balance sheet as at 30 June 2012 (unaudited)

	Note	30 June 2012 k€	31 December 2011 k€
ASSETS			
Assets			
Current assets			
Accounts receivable	6.1	967	2,009
Other receivables and financial assets	6.1	4,686	18,602
Derivative financial instruments		16,628	16,011
Cash at bank and in hand	6.1	122,854	114,463
		145,135	**151,085**
Non-current assets			
Plant, property and equipment	6.2	300	341
Investment property	6.3	962,389	970,802
Intangible assets		30	17
Derivative financial instruments	6.1	9,842	6,177
Non-current financial assets	6.1	2,090	2,108
		974,651	**979,445**
TOTAL ASSETS		**1,119,786**	**1,130,530**
EQUITY AND LIABILITIES			
Liabilities			
Current liabilities			
Current financial liabilities	7.2	131,742	156,261
Accounts payable	7.2	2,725	2,707
Other current liabilities	7.2	155	555
Payables to tax authorities		615	850
		135,237	**160,373**
Non-current liabilities			
Non-current financial liabilities	7.2	498,480	476,408
Derivative financial instruments	7.2	87,982	75,783
		586,462	**552,191**
Total liabilities		**721,699**	**712,564**
Equity			
Subscribed capital	7.1	51,941	51,941
Capital reserves		625,324	625,324
Other reserves		-68,932	-58,595
Net loss		-210,246	-200,704
		398,087	**417,966**
TOTAL ASSETS		**1,119,786**	**1,130,530**

Statement of changes in equity for the period commencing on 1 January and ending on 30 June 2012 (unaudited)

	Subscribed capital	Capital reserves	Other reserves: Reserves for unrealized gains/losses from the fair-value accounting of financial assets available for sale	Other reserves: Reserves for deferred taxes	Other reserves: Reserves for unrealized gains/losses from cash flow hedges (interest rate swaps)	Other reserves: Reserves for unrealized gains/losses from cash flow hedges (currency swaps)	Net loss	Total equity
	k€	k€	k€	k€	k€	k€	k€	k€
01/01/2012	51,941	625,324	166	0	-59,169	407	-200,704	417,966
Result for the reporting period	0	0	0	0	0	0	2,405	2,405
Other result for the reporting period	0	0	28	0	-10,172	-192	0	-10,336
Total result	51,941	625,324	194	0	-69,341	215	-198,299	410,034
Dividend payment	0	0	0	0	0	0	-11,947	-11,947
30/06/2012	**51,941**	**625,324**	**194**	**0**	**-69,341**	**215**	**-210,246**	**398,087**

	Subscribed capital	Capital reserves	Other reserves: Reserves for unrealized gains/losses from the fair-value accounting of financial assets available for sale	Other reserves: Reserves for deferred taxes	Other reserves: Reserves for unrealized gains/losses from cash flow hedges (interest rate swaps)	Other reserves: Reserves for unrealized gains/losses from cash flow hedges (currency swaps)	Net loss	Total equity
	k€	k€	k€	k€	k€	k€	k€	k€
01/01/2011	17,441	454,552	75	161	-33,687	702	-218,274	220,970
Result for the reporting period	0	0	0	0	0	0	6,338	6,338
Other result for the reporting period	0	0	47	-161	3,163	-254	0	2,795
Total result	17,441	454,552	122	0	-30,524	448	-211,936	230,104
Capital increase	34,500	179,400	0	0	0	0	0	213,900
30/06/2011	**51,941**	**633,952**	**122**	**0**	**-30,524**	**448**	**-211,936**	**444,004**

Cash flow statement for the period commencing on 1 January and ending on 30 June 2012 (unaudited)

	Note	01/01 to 30/06/2012	01/01 to 30/06/11
		k€	k€
Result for the reporting period		2,405	6,338
Amortisations and depreciations of non-current assets		55	33
Unrealised valuation losses (gains) from fair-value accounting of investment properties	5.5	9,101	-459
Interest income and expenses	5.6	16,177	21,160
Changes in deferred tax liabilities		0	-4,951
Changes in deferred tax assets		0	5,144
Changes in receivables and other assets	6.1	2,973	-341
Changes in liabilities	7.2	-646	4,765
Other changes not affecting cash flow		-153	-8
Taxes paid		0	-1
Interest paid		-14,674	-18,813
Interest received		163	56
Cash flow from operating activities		15,401	12,922
Investments in investment properties		-687	-236
Investments in intangible assets		-18	-10
Investments in other property, plant and equipment		-8	-55
Cash flow from investment activities		-713	-301
Proceeds from capital increase		0	34,500
Dividend payment		-11,947	0
Disbursements for the repayment of bank loans		-6,883	-7,886
Payments for loan transfers		-200	-500
Cash flow from financing activities		-19,030	26,114
Changes in cash and cash equivalents affecting cash flow		-4,342	38,735
Exchange rate and valuation related changes of the cash fund		761	0
Cash and cash equivalents at the beginning of the period		129,512	3,190
Cash and cash equivalents at the end of the period	8	**125,931**	**41,925**

Selected, explanatory notes (unaudited)

1. GENERAL INFORMATION

Prime Office REIT-AG (hereinafter referred to as „the Company" or „POAG") is a German joint-stock company with headquarters in Munich. The Company has been registered in the commercial register of the district court of Munich under no. HRB 133535 since 9 October 2000. The Company has its offices in Hopfenstraße 4, 80335 Munich, Germany.

The Company is a property company. Its business activities focus on generating stable long-term rental income from a high-quality property portfolio with a strong diversification across properties and tenants; increasing such income by consistently adding to the property portfolio; and enhancing the overall return of the property portfolio by way of professional asset management. On 7 July 2011, the Company became a Real Estate Investment Trust-Aktiengesellschaft (REIT-AG; REIT joint-stock company).

The Company's fiscal year ends on 31 December of each calendar year.

The Company has no subsidiaries, associated companies or joint ventures. As a result, the financial statement relates exclusively to the business activities of Prime Office REIT-AG.

2. BASIS OF FINANCIAL STATEMENT PREPARATION AND ACCOUNTING METHODS

2.1 BASIS OF FINANCIAL STATEMENT PREPARATION

The condensed interim financial statement as at 30 June 2012 has been prepared in accordance with IAS 34 as adopted by the European Union.

The condensed interim financial statement does not contain all information and data required for an individual fiscal year-end IFRS-compliant financial statement and should therefore be considered together with the IFRS-compliant individual financial statement as at 31 December 2011.

The financial statement is presented in line with the „Best Practices Policy Recommendations" issued by the "European Public Real Estate Association" (EPRA). The income statement has been structured according to these recommendations.

2.2 MATERIAL ACCOUNTING PRINCIPLES

The Company has prepared the condensed interim financial statement in line with the accounting principles governing the IFRS-compliant individual financial statement as at 31 December 2011.
Updates of the standards and interpretations used have not been available as at 31 March 2012.

3. MATERIAL DISCRETION

The application of IFRS requires discretionary board decisions on the deduction of reporting and valuation methods to be used for specific circumstances. When developing standards and interpretations relating explicitly to a specific circumstance the board complied with the requirements and implementation guidelines of IASB.

The discretionary decisions made by the board of Prime Office REIT-AG for this interim financial statement do not deviate from those made for the IFRS-compliant individual financial statement as at 31 December 2011. As a result, please refer to the explanations provided in this earlier statement.

4. MATERIAL ESTIMATES AND ASSUMPTIONS

An IFRS-compliant individual financial statement requires certain estimates and assumptions, which impact the recognised assets and liabilities, the reported contingent claims and liabilities and the presentation of revenues and expenses during the reporting year. Since estimates and assumptions must be made based particularly on uncertain future developments, the estimates often deviate from the actual results generated at some later date. The following paragraph summarises uncertainties from estimates that contain substantial risks and could force the Company to significantly adjust the reported assets and liabilities in the next fiscal year.

4.1 FAIR VALUE OF INVESTMENT PROPERTIES

Since each property has unique characteristics, prices of other properties achieved in the market typically do not lend themselves as a benchmark; the fair value of investment properties can therefore only be assessed via valuation models. To the extent that observable market data are available, the models used are based on such data. The process requires estimates, however, particularly as relates to future occupancy levels and the probability of lease prolongation options being exercised, all of which can significantly impact fair value in future adjustments.

A lease prolongation probability of 50% has been assumed for the existing leases (31 December 2011: four exceptions with 50%), with two exceptions. The lease prolongation probability for the property in Heilbronn has increased by 37 percentage points to 90% (31 December 2011: 53%). Only the property in Dusseldorf has a prolongation probability of 0% (31 December 2011: 0%).

0.77% to 3.49% (31 December 2011: 0.77% to 4.18%) of each property's annual gross income has been accounted for in the administrative costs; maintenance and repair have been accounted for at € 4.86 to € 8.25 per m² p.a. (31 December 2011: € 5.17 to € 8.25 per m²).

The valuation is based on discount rates between 6.00% and 7.20% (31 December 2011: 6.00% and 7.20%); the residual value was calculated based on capitalisation rates between 5.00% and 6.20% (31 December 2011: 5.00% and 6.20%).

The cash flows for 2012 are calculated based on a projected inflation of 2.10%; cash flows for 2013 are calculated based on a projected inflation of 1.90%. The calculations of the following years are based on a projected inflation rate of 2%. The individual financial statement as at 30 June 2012 recognises the investment properties at a total book value of k€ 962,389 (31 December 2011: k€ 970,802). A 0.5% decline in the discount/capitalisation rate would increase the overall market value of the property assets to € 1,000 million. A 0.5% increase in the discount/capitalisation rate, however, would decrease the overall market value of the property assets to € 928 million. As a result, a 0.5% increase in the discount/capitalisation rate would lead to additional depreciations of € 34 million.

The following overview shows the individual property valuation parameters:

	Lettable space in m²		Administrative costs based on annual gross income (rounded)		Maintenance and repair costs on a m² base		Discount rate (rounded)		Capitalisation rate (rounded)	
	30/06/2012	*31/12/2011*	30/06/2012	*31/12/2011*	30/06/2012	*31/12/2011*	30/06/2012	*31/12/2011*	30/06/2012	*31/12/2011*
Hufelandstr. 13-15, Munich	8,224	*8,224*	1%	*1%*	5.49 €/m²	*5.49 €/m²*	6%	*6%*	5%	*5%*
Ludwig-Erhard-Anlage 2-8, Frankfurt am Main	35,101	*35,101*	2%	*2%*	7.27 €/m²	*7.37 €/m²*	6%	*6%*	5%	*5%*
T-Online Allee 1, Darmstadt	72,528	*72,528*	1%	*1%*	6.39 €/m²	*6.14 €/m²*	7%	*7%*	6%	*6%*
Earl-Bakken-Platz 1, Meerbusch	8,038	*8,038*	1%	*1%*	5.86 €/m²	*5.86 €/m²*	7%	*7%*	6%	*6%*
Opernplatz 2, Essen	24,531	*24,531*	1%	*1%*	5.27 €/m²	*5.27 €/m²*	7%	*7%*	6%	*6%*
Hultschiner Str., Munich	62,237	*62,237*	1%	*1%*	4.86 €/m²	*5.17 €/m²*	6%	*6%*	6%	*6%*
Philipp-Reis Str.2, Fellbach	19,854	*19,854*	1%	*1%*	8.25 €/m²	*8.25 €/m²*	6%	*6%*	6%	*6%*
Hammer Str.30/34, Hamburg	16,008	*16,008*	1%	*1%*	5.42 €/m²	*5.42 €/m²*	6%	*6%*	6%	*6%*
Alfredstr. 236, Essen	30,314	*30,314*	1%	*1%*	6.35 €/m²	*6.35 €/m²*	7%	*7%*	6%	*6%*
Deutsche Telekom Allee 7, Darmstadt	24,686	*24,686*	2%	*2%*	6.51 €/m²	*6.51 €/m²*	7%	*7%*	6%	*6%*
Breitwiesenstr. 5-7, Stuttgart	25,284	*24,907*	3%	*4%*	6.27 €/m²	*6.13 €/m²*	7%	*7%*	6%	*6%*
Richard-Wagner-Platz 1, Nurnberg	6,445	*6,445*	2%	*2%*	7.01 €/m²	*7.01 €/m²*	6%	*6%*	6%	*6%*
Bahnhofstrasse 1-5, Heilbronn	14,750	*14,748*	3%	*3%*	6.50 €/m²	*6.47 €/m²*	7%	*7%*	6%	*6%*
Am Seestern 1, Dusseldorf	35,819	*35,819*	1%	*1%*	5.68 €/m²	*5.53 €/m²*	7%	*7%*	6%	*6%*

5. NOTES TO THE INCOME STATEMENT

5.1 RENTAL AND LEASE INCOME

The table below shows the composition of the rental and lease income from investment properties:

	01/01 to 30/06/2012	01/01 to 30/06/11
	k€	k€
Rental income	32,369	33,828
Gains from the recovery of service charges	4,197	4,038
Total	**36,566**	**37,866**

5.2 RENTAL AND LEASE EXPENSES

The rental and lease expenses consist largely of the expenses for the recoverable and non-recoverable operating costs of the investment properties. They can be broken down as follows:

	01/01 to 30/06/2012	01/01 to 30/06/11
	k€	k€
Servicing, maintenance and repair	-2,517	-2,284
Property management	-1,175	-601
Energy, water, waste water	-1,055	-890
Property tax	-680	-652
Insurance policies	-386	-378
Non-recoverable input tax	-84	-169
Deferred operating costs	-64	-62
Other expenses	-14	-172
Total	**-5,975**	**-5,208**

5.3 OTHER OPERATING INCOME

The other operating income can be broken down as follows:

	01/01 to 30/06/2012	01/01 to 30/06/11
	k€	k€
Gains from reversed provisions	170	29
Gains from securities	34	7
Gains from benefits in kind	17	17
Total	**221**	**52**

5.4 OTHER OPERATING EXPENSES

The other operating expenses can be broken down as follows:

	01/01 to 30/06/2012	01/01 to 30/06/11
	k€	k€
Advisory costs	-556	-648
Financial statements printing costs	-336	0
Expenditures benefiting past or future periods	-246	-167
Costs related to the preparation of financial statements and audits	-220	-350
Supervisory board remunerations	-189	-176
Occupancy costs	-106	-53
Travel costs	-86	-61
Advertising costs	-85	-108
Non-recoverable input tax	-80	0
Property portfolio valuation costs	-66	-35
IPO costs	-65	-3,667
Notary and court fees	-63	-6
Insurance policies	-61	-61
Accounting costs	-47	-42
Postal / telephone / office supply costs	-43	-38
Vehicle costs	-33	-41
Contributions	-27	-2
Trade fair costs	-23	-22
Reallocated personnel costs	-1	-18
Other expenses	-59	-30
Total	**-2,392**	**-5,525**

5.5 UNREALIZED GAINS/LOSSES FROM RECOGNITION AT FAIR VALUE

Based on the most recent property valuation report as at 30 June 2012, the gains and losses from the recognition at fair value, which are mainly the result of lease and market changes between the two valuation dates (30 June 2011 & 31 December 2010 and 30 June 2012 & 31 December 2011 respectively) have been recognised as expenses in line with IAS 40.35. The losses from the recognition at fair value result mainly from the decrease of the terms of lease in the properties Ludwig-Erhard-Anlage 2-8, Frankfurt, and Am Seestern 1, Dusseldorf, and from the decrease of the rented space in the property Breitwiesenstr. 5-7, Stuttgart. The resulting change of the respective projected cash flows led to a decrease in market values.

The discount and capitalisation rates under the discounted cash flow approach used for the valuation of the properties have remained unchanged compared to 31 December 2011, with three exceptions. In the properties Ludwig-Erhard-Anlage 2-8, Frankfurt, and Am Seestern 1, Dusseldorf, the changes in interest rates compared to 31 December 2011 result mainly from the deterioration of the property-specific letting outlooks and environments. In the property Hufelandstr. 13-15, Munich, the property-specific letting outlook and environment has improved. These circumstances led to total unrealised losses from fair valuation of k€ 9,101 for the time period between 1 January and 30 June 2012, after a profit of k€ 2,868 was reported as at 31 December 2011.

5.6 NET FINANCING EXPENSES

Net financing expenses can be broken down as follows:

	01/01 To 30/06/2012	01/01 to 30/06/11
	k€	k€
Gains from the fair valuation of derivative financial instruments	4,084	1,316
Gains from foreign exchange transactions	761	0
Other interest	163	42
Financial gains from finance lease	19	22
Total financial gains	5,027	1,380
Interest expenses	-17,904	-19,632
Expenses from the fair valuation of derivative financial instruments	-2,444	-141
Foreign exchange losses	-855	-2,768
Total financial expenses	-21,203	-22,541
Total	**-16,176**	**-21,161**

5.7 EARNINGS PER SHARE

The undiluted income per share is calculated as the ratio of the income due to shareholders and the average number of issued shares over the fiscal year. Since, as in the previous year, no diluting equity instruments have been issued in 2012, the undiluted and diluted income per share are identical. The income due to shareholders corresponds to the profit/loss over the respective period. The number of shares amounts to 51,941,345 (previous year: 17,441,345) no par value shares.

	Note	01/01 to 30/06/2012	01/01 to 30/06/11
		k€	k€
Profit/loss attributable to shareholders		2,405	6,338
Average number of shares issued (in thousands)	5.1	51,941	17,441
Undiluted/diluted income per share		**0.05 €**	**0.36 €**

6. NOTES TO THE BALANCE SHEET - ASSETS

6.1 FINANCIAL AND OTHER ASSETS

The book values of the various categories of financial and other assets match their relevant fair values and result from the following overview:

		Cash	held for trading	Receivables	Financial assets available for sale	Derivatives held for hedging purposes	Total
		k€	k€	k€	k€	k€	k€
Current assets:							
Accounts receivable	30/06/2012	0	0	967	0	0	967
	31/12/2011	0	0	2,009	0	0	2,009
Other receivables and financial assets	30/06/2012	0	3,077	1,609	0	0	4,686
	31/12/2011	0	15,050	3,553	0	0	18,602
Derivative financial instruments	30/06/2012	0	0	0	0	16,628	16,628
	31/12/2011	0	0	0	0	16,011	16,011
Cash at bank and in hand	30/06/2012	122,854	0	0	0	0	122,854
	31/12/2011	114,463	0	0	0	0	114,463
	30/06/2012	**122,854**	**3,077**	**2,576**	**0**	**16,628**	**145,135**
	31/12/2011	114,463	15,050	5,562	0	16,011	151,085
Non-current assets:							
Financial assets	30/06/2012	0	0	379	1,711	0	2,090
	31/12/2011	0	0	425	1,683	0	2,108
Derivative financial instruments	30/06/2012	0	9,842	0	0	0	9,842
	31/12/2011	0	6,176	0	0	0	6,176
	30/06/2012	**0**	**9,842**	**379**	**1,711**	**0**	**11,932**
	31/12/2011	0	6,176	425	1,683	0	8,284
Total	**30/06/2012**	**122,854**	**12,919**	**2,955**	**1,711**	**16,628**	**157,067**
	31/12/2011	114,463	21,225	5,987	1,683	16,011	159,369

As at 30 June 2012, the entirely current financial assets held for trading can be broken down as follows:

	30 June 2012	31 December 2011
	k€	k€
Securities	3,077	15,050
Total	**3,077**	**15,050**

The securities have been recognised at fair value.

The changes in financial assets between 1 January and 30 June 2012 can be broken down as follows:

		Recognised as income in the income statement	Ineffectivity, recognised as income in the income statement	Not affecting income in the equity	Total
		k€	k€	k€	k€
Derivatives held for trading	30/06/2012	3,666	0	0	3,666
	31/12/2011	5,238	0	0	*5,238*
Derivatives held for hedging purposes	30/06/2012	*808*	0	*-192*	616
	31/12/2011	*1,384*	0	-294	*1,090*
Securities held for trading	30/06/2012	34	0	0	34
	31/12/2011	176	0	0	*176*
Total	**30/06/2012**	**4,508**	**0**	**-192**	**4,316**
	31/12/2011	*6,798*	*0*	*-294*	*6,504*

To hedge interest rate increases, the Company entered into fixed interest payer swaps for all loans with variable interest rates and for all loans that have outlived their fixed interest period. The nominal amount of the swaps corresponds to the principal at the time the existing variable interest rate loans were granted and to the expected outstanding amounts of loans that have outlived their fixed interest period. All derivative financial instruments have been recognised at fair value.

The Company didn't conclude new or terminate existing interest rate hedging transactions compared to those specified in the IFRS-compliant individual financial statement as at 31 December 2011. Similarly, the terms governing the transactions haven't changed since 31 December 2011.

The reference amount of the interest rate hedge for the property Deutsche-Telekom Allee 7, Darmstadt, has changed as a result of the early prepayment of k€ 1,000 and the thus altered amount of the loan.

		Level 1	Level 2	Level 3	Total
		k€	k€	k€	k€
Assets held for trading	30/06/2012	0	9,842	0	9,842
	31/12/2011	*0*	*6,176*	*0*	*6,176*
Financial assets available for sale	30/06/2012	*0*	*1,711*	*0*	*1,711*
	31/12/2011	*0*	*1,683*	*0*	*1,683*
Derivatives held for hedging purposes	30/06/2012	0	16,628	0	16,628
	31/12/2011	*0*	*16,011*	*0*	*16,011*
	30/06/2012	**0**	**28,181**	**0**	**28,181**
	31/12/2011	*0*	*23,871*	*0*	*23,871*

There were no reclassifications between level 1 and level 2 assets recognised at fair value and no reclassifications from or to level 3 assets recognised at fair value during the fiscal year.

6.2 PLANT, PROPERTY AND EQUIPMENT

Plant, property and equipment can be broken down as follows:

	30 June 2012	31 December 2011
	k€	k€
Office equipment	130	139
Show rooms	123	155
Other business and office equipment	48	46
Total	**301**	**340**

As at the cut-off date the Company had no contractual obligations to acquire properties, plants or equipment.

6.3 INVESTMENT PROPERTIES

Investment property assets have developed as follows:

	30 June 2012	31 December 2011
	k€	k€
Book value as at 01/01	970,802	968,418
Investments in portfolio properties	601	642
Derecognition of portfolio properties	0	-1,200
Gains from fair value adjustments	669	9,688
Losses from fair value adjustments	-9,770	-6,819
Correction of straight-line rent approach due to the application of IAS 40.33.	87	73
Total	**962,389**	**970,802**

The investment property assets have been valued by CB Richard Ellis Deutschland GmbH, an independent valuer, as at 30 June 2012. Please refer to the notes of the IFRS-compliant individual financial statement as at 31 December 2011 for details on the valuation methods used.

The book value consists of the following properties:

Book values properties	30 June 2012	31 December 2011
	k€	k€
Hufelandstraße 13-15, Munich	23,730	23,584
Ludwig-Erhard-Anlage 2-8, Frankfurt	157,900	161,800
T-Online-Allee 1, Darmstadt	172,500	172,500
Earl-Bakken-Platz 1 (Lise-Meitner-Straße), Meerbusch	16,400	16,400
Opernplatz 2, Essen	38,500	38,600
Hultschiner Str., Munich	186,600	186,600
Phillip-Reis-Str.2, Stuttgart-Fellbach	39,159	39,419
Hammerstraße 30/40, Hamburg	45,600	45,500
Alfredstraße 236, Essen	73,200	73,100
Deutsche-Telekom-Allee 7, Darmstadt	53,200	53,200
Breitwiesenstraße 5-7, Stuttgart	40,500	41,700
Richard-Wagner-Platz 1, Nurnberg	13,000	13,000
Bahnhofstraße 1-5, Heilbronn	29,900	29,700
Am Seestern 1, Dusseldorf	72,200	75,700
Total	**962,389**	**970,803**

The properties used as collateral for financial liabilities have not materially changed since the IFRS-compliant individual financial statement as at 31 December 2011.

The Company has no meaningful contractual obligations to purchase, build or develop investment properties nor are there any such obligations for repairs, maintenance or enhancements.

6.4 LEASE AGREEMENTS

Prime Office REIT-AG will likely receive the following minimum lease payments from existing leases:

		Up to one year	Between one and five years	Between five and ten years	Total
		k€	k€	k€	k€
Minimum lease payments	30/06/2012	57,354	180,498	169,385	407,237
	31/12/2011	*64,013*	*182,742*	*178,760*	*425,515*

The Company has transferred the rights and obligations from all existing and future leases to the financing banks should it defaults on loans.

7. NOTES TO THE BALANCE SHEET - EQUITY AND LIABILITIES

7.1 EQUITY

Development of common shares	Current shares
Number of shares on 01 January 2011	**17,441,345**
Change in the subscribed capital	34,500,000
Number of shares on 31 December 2011	**51,941,345**
Number of shares on 01 January 2012	**51,941,345**
Change in the subscribed capital	0
Number of shares on 30 June 2012	**51,941,345**

The shares are no-par-value bearer shares each of which has a prorated share in the Company's share capital of € 1.00. All shares have been issued and fully paid.

As per the resolution of the general shareholders' meeting on 29 June 2011 and subject to the approval by the Supervisory Board, the Executive Board is entitled to increase the Company's share capital once or several times against cash contributions and/or contributions in kind by an overall amount of k€ 23,721 until 19 May 2016 (approved capital 2011).

In the general shareholders' meeting on 29 June 2011, the Company's share capital was increased through the issuance of up to 8,720,672 new no par value bearer shares that participate in the profits from the beginning of the fiscal year in which they have been issued (conditional capital 2011). The conditional capital serves to grant shares to the owners that can be issued by the Company until the end of 19 May 2016.

The regular general shareholders' meeting of Prime Office REIT-AG on 10 May 2012 approved the distribution of a dividend of 0.23 €. The dividend, which amounted to a total k€ 11,947, was paid to the shareholders on 11 May 2012.

As at 30 June 2012, the effective change in the market value of the interest and currency swaps held for hedging purposes led to a change in the reserve for unrealised gains/ losses from cash flow hedges (interest rate swaps) of k€ -10,172 (31 December 2011: k€ -25,482) and to a change in the reserve for unrealised gains/losses from cash flow hedges (currency swaps) of k€ 192 (31 December 2011: k€ 295).

Due to the currency swaps' change in market value, the reserve for unrealised gains/losses from cash flow hedges (currency swaps) of k€ 215 (previous year: k€ 408) also includes gains from currency conversion identified as effective hedges of the currency swaps. To offset the effects from the currency conversion of the loans, k€ 192 in foreign exchange gains from the reserve for unrealised gains /losses from cash flow hedges (currency swaps) have been matched against the relevant currency gains recorded in the income statement.

The reserves for unrealised gains/losses from the fair valuation of financial assets available for sale contain an accumulated k€ 194 (31 December 2011: k€ 166) change in the value of the life insurance recognised as non-current receivables and classified as "financial assets available for sale".

7.2 FINANCIAL LIABILITIES

The book values of the financial liabilities as at 30 June 2012 and 2011 can be broken down as follows:

		Up to one year	Between one and five years	Between five and ten years	Total
		k€	k€	k€	k€
Liabilities to credit institutions	30/06/2012	131,742	480,920	17,560	630,222
	31/12/2011	*156,261*	*379,413*	*96,995*	*632,669*
Accounts payable	30/06/2012	2,725	0	0	2,725
	31/12/2011	*2,707*	*0*	*0*	*2,707*
Derivative financial instruments	30/06/2012	0	7,909	80,073	87,982
	31/12/2011	*0*	*5,423*	*70,361*	*75,784*
Other liabilities	30/06/2012	155	0	0	155
	31/12/2011	*555*	*0*	*0*	*555*
	30/06/2012	**134,622**	**488,829**	**97,633**	**721,084**
	31/12/2011	*159,524*	*384,836*	*167,356*	*711,715*

The loans are wholly related to financing the purchase of investment properties.

The changes in the fair values of the derivates that are not recognised in hedge accounting have not been caused by changes in the default risks of these financial liabilities.

The book values of the financial liabilities to credit institutions are denominated in the following currencies (Euro equivalent):

	30 June 2012	31 December 2011
	k€	k€
EUR	497,989	503,169
CHF	132,233	129,500
Total	**630,222**	**632,669**

The changes of the derivative financial instruments between 1 January and 30 June 2012 can be broken down as follows:

		Recognised as income in the income statement	Ineffectivity, recognised as income in the income statement	Not affecting income in the equity	Total
		k€	k€	k€	k€
Derivatives held for trading	30/06/2012	-2,026	0	0	-2,026
	31/12/2011	*-5,673*	*0*	*0*	*-5,673*
Derivatives held for hedging purposes	30/06/2012	0	0	-10,172	-10,172
	31/12/2011	*0*	*-34*	*-25,481*	*-25,515*
Total	**30/06/2012**	**-2,026**	**0**	**-10,172**	**-12,198**
	31/12/2011	*-5,673*	*-34*	*-25,481*	*-31,188*

The valuation hierarchy of the financial liabilities recognised at fair value can be broken down as follows:

		Level 1	Level 2	Level 3	Total
		k€	k€	k€	k€
Derivatives held for hedging purposes	30/06/2012	0	65,538	0	65,538
	31/12/2011	*0*	*55,365*	*0*	*55,365*

There were no reclassifications between level 1 and level 2 assets recognised at fair value and no reclassifications from or to level 3 assets recognised at fair value during the fiscal year. Please refer to the IFRS-compliant individual financial statement as at 31 December 2011 for an explanation of the valuation levels.

With one exception, the conditions and terms of the loans have remained unchanged versus the IFRS-compliant individual financial statement as at 31 December 2011. The two Corealcredit bank loans over € 16 million have been consolidated into one loan on 30 June 2012. The new terms and conditions are as follows:

In EUR	Nominal value	Term	Repayment p.a.	Interest rate	Interest rate hedge (swap)
COREALCREDIT BANK AG	27,178,433.44 €	30/06/2014	3% repayment plus interest saved	EURIBOR-1M + 1,95%	4.81%

The loans have been secured with extensive collateral recorded in the land registries competent for the relevant properties. The loan collateral has not changed versus the IFRS-compliant separate financial statement as at 31 December 2011.

8. NOTES TO THE CASH FLOW STATEMENT

The cash fund shown in the cash flow statement contains the cash in hand and at bank, short-term securities and current account liabilities with a term of less than 3 months.

The cash flow from operating activities has been adjusted by expenses and revenues that do not affect cash flow.

The cash fund can be broken down as follows.

Cash at bank and in hand (< 3 months)	30/06/2012	31/12/2011
	k€	**k€**
Cash and cash equivalents	**122,854**	**114,463**
Securities	**3,077**	**15,049**
Cash fund	**125,931**	**129,512**
Of these, not available for use by the Company under IAS 7.48	117,384	112,957

The financial assets not available for use consist of pledged accounts over k€ 105,511 for the property financings in Dusseldorf, Stuttgart-Moehringen, Frankfurt und Nuremberg. The pledged amounts may only be used for future prepayments and property-specific investments for the said property financings.

This amount also includes cash sweep accounts over k€ 5,321 that have been agreed with Landesbank Hessen-Thueringen as other collateral for the loans for the properties Stuttgart-Moehringen, Nuremberg and Dusseldorf. All excess rent after the deduction of debt servicing and current operating costs is transferred to these accounts.

Another account with a current balance of k€ 228 has been pledged to UniCredit Bank. It is used as a settlement account for loan servicing payments for the properties Munich Sueddeutsche Zeitung, Hamburg, Essen-Gruga and Heilbronn. In addition, a full cash sweep account (account to collect rental income) has been agreed as collateral for the property in Frankfurt. At the reporting date, it held a balance of k€ 6,324. The balance may be used to pay for maintenance and repair, planning and letting costs upon written consent by the bank.

9. SEGMENT REPORTING

Under IFRS 8, the Company is generally obliged to provide information conducive to assessing the type and the financial impact of its business activities and the economic environment it is operating in.

The type of services offered by Prime Office REIT-AG consists exclusively of landlord activities. From a geographical point of view, Prime Office REIT-AG operates exclusively in the German market and has only one segment, "investment properties", which consists of rented office space owned but not used by the Company. The office properties contained in the segment form the income basis for Prime Office REIT-AG. The interim financial statement does not specify individual client categories because Prime Office REIT-AG holds only commercial properties in its portfolio. Prime Office REIT-AG seeks to select only tenants with very strong credit qualities.

The office properties are monitored separately from each other in order to determine the performance of each individual property in the segment and to allow for timely decisions relating to the development of the segment. Please also refer to sections 5.1 and 6.3.

Three tenancies in the segment account for approximately 50% (previous year 49%) or € 32.7 million (31 December 2011: approximately € 33.1 million) of the total rental income. Two of the three leases generate rental income of approximately € 22.3 million (31 December 2011: approximately € 22.7 million), are long-term in nature and expire in 2019 and 2023 respectively.

10. SUPPLEMENTARY EXPLANATIONS AND INFORMATION

10.1 RISKS AND OPPORTUNITIES

The risks of Prime Office REIT-AG are described in detail in the annual report 2011 on page 65 et seqq. (risk management). The risk situation has not materially changed over the first half of 2012, with the following two exceptions.

- the fixed interest on the loan specified as part of the financing and liquidity risks on page 70 of the annual report 2011, which expired on 30 June 2012, could be prolonged at market rates.
- the lease of Deutsche Rentenversicherung in the property in Nuremberg specified on page 71 of the financial report under vacancy risks, which would have expired on 31 July 2013, could be extended to 31 December 2013.

The risks and opportunities of Prime Office REIT-AG are described in detail in the report on the opportunities contained in the interim management report as of 30 June 2012.

10.2 EVENTS AFTER THE BALANCE SHEET DATE

There have been no meaningful events after the balance sheet date

10.3 RELATED PARTIES

Prime Office REIT-AG has business relationships with related parties. These include the members of Prime Office REIT-AG's executive board and DCM Deutsche Capital Management AG. They also include the subsidiaries of DCM Deutsche Capital Management AG, i.e. DCM Real Estate Management GmbH, DCM Service GmbH, which provides various services for some shareholders, DCM Verwaltungs GmbH, Verwaltung GIH Grundbesitzinvestitionsgesellschaft Hamm mbH and DFM GmbH, which acts as a general partner in individual limited partnership property companies ("KGs").

Mr Johann Deinboeck, the majority shareholder and supervisory board chairman of DCM Deutsche Capital Management AG, is also a related party. Mr Deinboeck is also the majority shareholder of a managing limited partner of all property KGs and himself a managing limited partner of one of the property KGs. Further, Mr Deinboeck holds shares in DCM Real Estate Management GmbH via an atypical silent partnership. Mr Deinboeck is also a general manager of Bayrische Fondsverwaltung GmbH, the general partner of MOM Mall of Munich Beteiligungs GmbH & Co. Objekt Hopfenpost KG (MOM).

On 28 September 2007 the Company signed an agreement on property management services with DCM Deutsche Capital Management AG and DCM Real Estate Management GmbH (that has most recently been amended on 18 January 2011). The total net remuneration paid under this agreement in the first half of 2012 amounts to k€1,175 (of which k€ 226 are recoverable; previous year: k€ 601 of which k€ 209 were recoverable). Since 01 July 2011, the property management fee has been a function of the properties' fair value.

Prime Office REIT-AG rented office space from MOM; for these spaces it paid k€ 106 in the first half of 2012 (previous year: k€ 44 to MOM and k€ 9 to DCM Deutsche Capital Management AG). From 1 September 2011, Prime Office REIT-AG rented new office spaces from MOM for which it is paying a monthly net amount of k€ 15.

Until 30 June 2012, the Company had total receivables of k€ 0 (31 December 2011: k€ 2,085) from and liabilities of k€ 0 (31 December 2011: k€ 447) to the shareholders DCM GmbH & Co. Renditefonds 16 KG, Deutsche Fonds Management GmbH & Co. DCM Renditefonds 18 KG, DCM GmbH & Co. Renditefonds 22 KG and Deutsche Fonds Management GmbH & Co. DCM Renditefonds 23 KG. These receivables and liabilities, which result from the transfer of the properties from the KGs to Prime Office REIT-AG, have all been paid until 30 June 2012. Until the balance sheet date, the Company also held shareholder receivables of k€ 0 (31 December 2011: k€ 212) from loans granted including interest, which have also been repaid.

All transactions were concluded at standard market terms and conditions.

10.4 EXECUTIVE BOARD

The Executive Board of the Company consists of:

- Mr. Claus Hermuth, CEO, attorney-at-law
- Mr. Alexander von Cramm, Deputy CEO, specialist for business administration
- Mr. Heinz-Theo Tetsch, specialist for business administration (until 30 June 2012).

The Supervisory Board consists of:

- Prof. Dr. h.c. Roland Berger (chairman), business consultant,
- Prof. Dr. Kurt Faltlhauser (deputy chairman), former minister of finance of the state of Bavaria,
- Prof. Dr. Franz-Joseph Busse, university professor,
- Mr. Stefan Giesler, specialist for bank business administration,
- Prof. Dr. Harald Wiedmann, auditor,
- Dr. Lutz Mellinger, specialist for business administration.

Munich, as of 08 August 2012

Claus Hermuth	Alexander von Cramm
(Member of the Executive Board)	(Member of the Executive Board)

Declaration of the legal representatives

"We hereby confirm to the best of our knowledge that, in accordance with the applicable accounting principles for interim financial statements, the interim financial statements provide a true and fair view of the net assets, the financial position and the results of the Company, and that the interim management report presents the business development including the results of operations and the position of the Company in such a way that a true picture is provided, and that the major opportunities and risks of the probable development of the Company are described."

Munich, as of 08 August 2012

Claus Hermuth (Member of the Executive Board)	Alexander von Cramm (Member of the Executive Board)

Auditor´s Review Report

Translation from the German language

To Prime Office REIT-AG

We have reviewed the interim condensed financial statements, comprising the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and selected explanatory notes, and the interim management report of Prime Office REIT-AG for the period from 1 January to 30 June 2012, which are part of the six-monthly financial report pursuant to Sec. 37w WpHG ["Wertpapierhandelsgesetz": German Securities Trading Act]. The preparation of the interim condensed financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the management report in accordance with the requirements of the WpHG applicable to interim management reports is the responsibility of the Company's management. Our responsibility is to issue a report on the interim condensed financial statements and the interim management report based on our review.

We conducted our review of the interim condensed financial statements and the interim management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim management reports. A review is limited primarily to making inquiries of company personnel and applying analytical procedures and thus does not provide the assurance that we would obtain from an audit of financial statements. In accordance with our engagement, we have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements are not prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU or that the interim management report is not prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim management reports.

Munich, 8 August 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

von Petrikowsky	Neugebauer
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Information on Prime Office-REIT-AG

Issuing Price	6.20 Euro
XETRA-Closing 30 June 2012	3.25 Euro
Low/ High in Reporting period	2.73 Euro/ 4.52 Euro
Market Capitalisation 30 June 2012	168.8 million Euro
Market	Prime Standard, Frankfurt and XETRA
Index	FTSE EPRA/NAREIT Global Real Estate Index Series, RX REIT Index, SDAX Index
Current shares	51,941,445 shares
Stock Market Symbol	PMO
Security Code (WKN)	PRME01
ISIN	DE000PRME012
Designated Sponsors	Berenberg Bank, Close Brothers Seydler

Corporate calendar 2012 / 2013

04 – 05/09/2012	Kempen Seminar German Property Seminar, Berlin
05/09/2012	Conference of the Real Estate Share Initiative, Berlin
06 – 07/09/2012	EPRA conference, Berlin
24 – 26/09/2012	German Investor Conference, Unicredit, Munich
24 – 26/09/2012	German Corporate Conference, Berenberg & Goldman Sachs, Munich
25 – 27/09/2012	Baader Investment Conference, Munich
08 – 10/10/2012	expo real, Munich
08/11/2012	Interim report Q3 2012
12 – 14/11/2012	German Equity Forum, Frankfurt
14 – 17/11/2012	Führungstreffen Wirtschaft, Berlin
04/12 – 07/12/2012	10th Annual Berenberg European Conference, Pennyhill
11/12 – 12/12/2012	Small- & MidCap-Conference CB Seydler, Geneva
2013	
12 – 15/03/2013	MIPIM, Cannes
21 03/2013	Publication annual report 2012
24/04/2013	General shareholders' meeting

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