Prime Office

Prime Office REIT-AG

Interim Financial Report H1/2013

Prime Office REIT-AG in H1/2013 at a glance

- Half-year results dominated largely by various special and one-time effects that lead to a loss of -59.8 million Euro over the period
- Adjustment of the property portfolio value by -61 million Euro to about 848 million Euro due to changes in the market environment, subdued demand for office space in the locations with re-letting requirements and slight changes in the market outlook for various properties
- Expected increase in vacancies to about 22% and the sale of the property in Hamburg completed in 2012 lead to an about 28% decline in rental and lease revenues to 26.5 million Euro
- Funds from operations (FFO) in line with expectations, however down year on year to -0.1 million Euro due to an increase in vacancies and special effects
- REIT equity ratio of 40.6% as at 30 June 2013 below the requirements of the REIT law; advanced sales process for two properties to reach the minimum equity ratio of 45%
- Net asset value (NAV) down to 406.3 million Euro or 7.82 Euro per share as a result of the adjusted property values; net NAV (equity per share) at 6.62 Euro per share
- Significant decline of total liabilities to 579 million Euro; loan-to-value declines to 59.2%
- Intensive due diligence process in connection with the merger talks with OCM German Real Estate Holding AG: Additional steps required for a merger such as the valuation of the two companies, negotiations on a merger exchange ratio and the court appointment of the statutory merger auditor were taken in Q2/2013.
- Long-term lease concluded with Daimler AG at the end of July 2013: the lease for about 11,300 m^2 of office and storage space overall brings occupancy in the property from currently 39 % to about 85 % from 01 January 2014 Executive board confirms revenue guidance of 51 to 53 million Euro for the full year 2013 and slightly adjusts the FFO guidance to a range between -3 and 0 million Euro

OVERVIEW OF KEY FINANCIALS AS AT 30 JUNE 2013

Earnings figures and employees (In million Euro; IFRS)	**01/01-30/06/13**	**01/01-30/06/12**	**Delta in %**	**Delta in numbers**
Rental and lease revenues	26.5	36.6	-27.6%	-10.1
Rental and lease income	22.7	30.8	-26.3%	-8.1
Operating income (EBIT)	-45.1	18.6	n.a.	-63.7
Financial result	-14.7	-16.2	9.3%	1.5
Income for the reporting period	-59.8	2.4	n.a.	-62.2
Income per share (in Euro)	-1.15	0.05	n.a.	-1.2
EPRA earnings per share	0.01	0.19	n.a.	-0.2
Funds from operations (FFO)	-0.1	12.8	n.a.	-12.9
FFO per share	0.00	0.25	n.a.	-0.25
Employees (individuals)	9	10	-10.0%	-1.0

Balance sheet data (In million Euro, IFRS)	30/06/13	31/12/2012	Delta in %	Delta in numbers
Investment properties*	847.2	907.9	-6.7%	-60.7
Cash at bank and in hand	61.9	64.4	-4.0%	-2.5
Total assets	923.1	1,031.6	-10.5%	-108.5
Equity	344.1	389.1	-11.6%	-45.0
Equity per share (in Euro)	6.62	7.49	-11.6%	-0.9
REIT equity ratio (in percent)	40.6	42.9	-5.2%	-2.3
Total debt	579.0	642.5	-9.9%	-63.5
Net debt**	505.5	521.2	-3.0%	-15.7.0
Leverage (in percent)**	59.7	57.4	3.9%	2.3
Loan-to-value (in percent)**	59.2	60.2	-1.7%	1.0
Net asset value (NAV)	406.3	468.4	-13.3%	-62.1
NAV per share (in Euro)	7.83	9.02	-13.2%	-1.19

* Incl. assets classified as held for sale
** Properties classified as held for sale are not included

LETTER FROM THE BOARD

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

The first half of fiscal year 2013 was to a large extent dominated by various special and one-time effects and the increase of vacancies across the property portfolio to about 22%: the adjustment of the property portfolio's fair value as at 30 June 2013 by about -61 million Euro to 847.6 million Euro was a major contributor. It reflected a change in the market environment. Generally speaking, the value adjustments resulted from a subdued demand for office spaces in the locations with properties that require re-letting (Frankfurt, Dusseldorf and Stuttgart) and the related delays in letting. Moreover, the fair value of individual properties was adjusted to a slightly more cautious outlook for the properties themselves, and the increase of vacancies and the sale of the property in Hamburg by year-end 2012 led to an about 28% decline in rental and lease revenues.

Furthermore, the due diligence process in connection with the merger talks with OCM German Real Estate Holding AG led to a significant increase of legal and advisory costs in the first half of 2013. Another contribution was the discharge of CEO Claus Hermuth on 28 June 2013, which required appropriate provisions as at the balance sheet date for the upcoming negotiations on the termination of the employment contract.

In aggregate, the special and one-time effects in the first half of 2013 led to circumstances that required the Company to report a significant loss of -59.8 million Euro over the reporting period. The adjustment by one-time and special effects from the fair valuation of the property portfolio and the derivative financial instruments illustrates the major impact valuation effects had in the first half of 2013. Thus, the adjusted income for the reporting period, the so-called "EPRA earnings", show that only a small profit in the amount of -0.8 (H1/2012: 9.9) million Euro or -0.01 (H1/2012: 0.19) Euro per share had to be reported for the first half of 2013 in spite of the vacancy-driven decline in revenues.

Funds from operations ("FFO") in the first half of 2013 amounted as expected to -0.1 million Euro, down year on year due to the higher vacancies and the special effects. The early repayment of loan liabilities in January 2013 after the sale of the property in Hamburg and special repayments of loans with interest rates in excess of 7% to further optimise the financing structure meant that the financial result of -14.7 million Euro in the first half of 2013 fell slightly year on year (-16.2 million Euro) in spite of the aggregated special effects. Even so, the Company will continue to benefit from lower financing expenses and, as a result, from a further decline in its loan-to-value (LTV) going forward: compared to the previous balance sheet date on 31 December 2012, the LTV fell below 60% to 59.2% as at 30 June 2013 in spite of the devaluation of the property portfolio.

Apart from the effects from the fair valuation of the property portfolio on income, the equity of Prime Office REIT-AG continued to suffer from the market valuation of the derivative financial instruments used to hedge interest rates (swap market values). This led to a 230 basis points decline of the REIT equity ratio compared to 31 December 2012, which reached 40.6%. As a consequence the company again failed to meet the REIT law's equity requirement of 45% at the quarterly reporting date due to the valuation effects. By midyear 2011, i.e. when our Company started trading on the stock exchange, the aggregate market value of its active and passive derivative financial instruments had amounted to -22.4 million Euro. 24 months later, on 30 June 2013, this market value had declined to -62.2 million Euro as a result of the euro crisis, a development that affects particularly the balance sheet equity of the Company. Please bear in mind, however, that the market value of the interest rate and currency hedges is invariably zero at maturity. This provides for significant value recovery potential over the time to maturity, which will strengthen the capital base and take pressure off the financial result. The REIT law also grants the Company two years from 31 December 2011, when it first failed to meet the REIT minimum equity requirement of 45 %, during which to return the equity to the statutory minimum with impunity. This deadline expires on 31 December 2013. The executive board has made reaching the REIT minimum equity ratio by 31 December 2013 and protecting the REIT status a top priority. With this in mind, it has initiated the selling process for two properties which is expected to conclude before the end of the year.

With a weighted average lease term of approximately 7.6 years and an aggregate occupancy of 78%, the portfolio of Prime Office contained spaces of various sizes in the properties in Stuttgart, Heilbronn, Frankfurt and Dusseldorf that required re-letting. Furthermore, the tenant in the Nuremberg property had indicated that it would not use the space longer term. Still, while this lease would originally have expired in 2013, the tenant prolonged the contract until the end of 2014.

Prospective new tenants for these spaces have already expressed interest. Overall, substantial letting and marketing activities are under way for all properties that require re-letting. Prime Office is planning extensive reconstruction and refurbishment measures particularly in the properties in Frankfurt and Dusseldorf that were scheduled to be largely completed in fiscal year 2013 but will now continue into 2014 due to delays in the letting process. On 31 July 2013, the Company signed a lease with Daimler AG for a total of 11,315 square metres of attractive office and storage space and 220 passenger vehicle parking spaces in the office compound “emporia“ in Stuttgart-Moehringen. This brings occupancy in the property from currently 39% to about 85% when the lease commences at the beginning of 2014.

In the context of the financial reporting for the first quarter of 2013, the Company had announced on 8 May 2013 that the boards of Prime Office REIT-AG and OCM German Real Estate Holding AG had commenced talks on a potential merger with a view of creating a common listed company. As part of this process, we have engaged in intensive due diligence processes in the past months which led us to take additional steps that are required for a merger; these also include a valuation of both companies. In addition, the two companies have held negotiations on an exchange ratio for the merger and the merger auditor has been appointed by the court as stipulated by the law.

Yours sincerely

The Executive Board of Prime Office REIT-AG

INTERIM FINANCIAL STATEMENT OF PRIME OFFICE REIT-AG

Economic review

MACROECONOMIC DEVELOPMENT

Global economic output is expected to grow by slightly in excess of three percent in 2013, albeit at a slower pace than previously anticipated by the International Monetary Fund (IMF) in its last forecast in April 2013. The correction was triggered by the lower demand or the lower growth in the emerging and developing countries and the on-going recession in the euro zone. Even though economic growth accelerated in the first quarter of 2013 after climbing by 2.5% in the second half of 2012, growth expectations for 2013 were revised down due to the above factors and not least due to the subdued economic growth in the US. The IMF now expects global trade to grow by 3.1% in 2013 and 5.4% in 2014 (Word Economic Outlook, July 2013). The global economy is projected to grow by 3.1% in 2013 and 3.8% in 2014. Overall, the IMF points to new and in particular to on-going downside risks such as slower growth in the developing and emerging countries or declining credit origination as potential drags on growth.

While the economy in the euro zone is expected to contract by 0.6% in 2013, it will expand again in 2014 (0.9%) according to the IMF with Germany leading the field (0.3% in 2013 and 1.3% in 2014).

Leading economic research institutions in Germany, who presented their spring report in April 2013, believe that the German economy will again exhibit meaningful growth from the second quarter of 2013. For 2014, the economic research institutes project economic growth of 1.9%.

The economic outlook for Germany as reflected in the ZEW index published by the German Centre for European Economic Research (ZEW) remained generally positive in July 2013, however the ZEW index declined month on month. The euro debt crisis remains a cause for concern. At the same time, the indicator level highlights the trust financial market experts place in the resilience of the German economy. Its index level of 10.6 (in July 2013) suggests a generally positive economic outlook for the country while the ZEW economic index for the euro zone is still in negative territory (-74.4 points) even though it has improved by 4.8 points compared to June 2013.

The German ministry of the economy‘s July report on the economic situation in Germany concluded that the German economy is continuing to improve. While still moderate in first quarter of 2013 due to seasonal effects, macroeconomic growth had again picked up in the second quarter of 2013. Support came particularly from private consumption, the consistently upbeat labour market, the increase of real incomes and the continually benign price environment according to the German ministry of the economy.

The German government (spring forecast) continues to expect real GDP to increase by 0.5% in 2013 and 1.6% in 2014. The government also pointed out that business and consumer sentiment was generally improving. Furthermore, economic momentum should accelerate in the course of 2013. According to the German government, the positive expectations result from lower tax burdens on citizens that left room for greater consumption and growth. Expansion in 2013 and 2014 will be largely driven by the domestic economy which, in turn, should have a fundamentally positive effect on the labour market and as such ensure a stable development of wages and salaries in Germany.

THE OFFICE PROPERTY MARKET IN GERMANY

According to market reports by the internationally operating property service provider Jones Lang Lasalle (JLL), a flurry of transaction activity kept the German investment market on course over the first half of 2013. Conversely, office users showed increasing reticence to make letting decisions so that the property market in the first half of 2013 was mixed overall. In the so-called “big 7”, i.e. Germany’s seven major office markets Berlin, Dusseldorf, Frankfurt, Hamburg, Cologne, Munich and Stuttgart, office letting took off to a weak start in the first quarter of 2013 before picking up by 31% in the second quarter. Total turnover in the first half of 2013 amounted to about 1.4 million m^2 - down 11% year on year. Frankfurt, Berlin and Stuttgart, where year on year turnover volumes declined by 23%, 21% and 13% respectively, were particularly hard hit. As a rule, letting processes are difficult because tenants have very high demands on the quality of spaces, the equipment and the location while showing very strong price sensitivity when making their decisions.

Vacancies across the seven major office markets fell again in the second quarter of 2013 by just over 6% to about

7.7 million Euro m^2. This brought the average vacancy ratio further down to an overall of 8.7%. The market experts of JLL expect this vacancy level to remain unchanged through to year-end. The regional markets remained highly diverse: vacancies in Frankfurt (12.0%) and Dusseldorf (11.5%) were in the two-digit range whereas Stuttgart (5.6%) had the lowest vacancies across Germany's seven key office markets by mid-year.

The top rent index as an aggregate across all seven key property markets reached 171.36 points by mid-year 2013 (1987 = 100 points), exceeding its latest record in the fourth quarter of 2002. Rents increased by 2% year on year.

The transaction volume of 13.1 billion Euro over the first half of 2013 (+37% year on year) highlighted the attractiveness of Germany as a property investment market even if market momentum slightly declined quarter on quarter in the second quarter of 2013.

Total portfolio transactions in the first half of 2013 increased very significantly to an overall 3.4 billion Euro (+85% year on year). The overwhelming majority of transactions are still single property deals, though. They totalled 9.7 billion Euro or 74%.

The German investment market remains highly attractive to property investors according to JLL. The yield premium of properties over government bonds is still deemed very compelling. This also applies to core properties, which remain a key focus for investors in spite of the limited offering. JLL concludes that investors continue to believe strongly in the merits of Germany as a property location and forecasts sustained interest and demand. Apart from Canada and America, investors in German real estate have increasingly come from the Middle East and Asia. Consequently, JLL forecasts a transaction volume of 27 billion Euro in fiscal year 2013.

Portfolio report

THE PROPERTY PORTFOLIO OF PRIME OFFICE-REIT AG

The portfolio of Prime Office REIT-AG currently consists of 13 office properties, which are centrally located in large western German cities and conurbations. They are office or administrative buildings some of which also have a limited amount of retail, restaurant and hotel spaces.

Nine of these are located in Dusseldorf, Essen, Frankfurt am Main, 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.

In line with its half-yearly valuation calendar, Prime Office REIT-AG commissioned a revaluation of its property portfolio to be performed by Frankfurt-based valuer CB Richard Ellis. Since vacancies had increased to 22.1% by the valuation date on 30 June 2013, the value of the portfolio properties declined by about 61 million Euro or 6.7% to about 848 million Euro, significantly down from its previous value of 909 million Euro as at 31 December 2012.

The value adjustment as at 30 June 2013 predominantly reflects a change in the market environment. Particularly the subdued demand for office space in locations where properties require re-letting (Frankfurt, Dusseldorf and Stuttgart) led to delays and in some instances longer vacancies. Furthermore, the Company now plans to let spaces on a smaller scale, a change that implies higher capital expenditures and occupancy levels that remain slightly below 100% in the respective properties. Additionally, the state of Hesse increased its real property transfer tax, which required adjustments of the fair value of the properties in Darmstadt and Frankfurt. A slight change in the market outlook for individual properties also led to an adjustment of the respective fair values since the valuation model (discounted cash flow approach) uses higher discount rates to account for this circumstance.

From an absolute perspective, the highest fair value adjustments compared to the valuation as at 31 December 2012 were made for the properties in Frankfurt (-36.1 million Euro or -23.3%) and Dusseldorf, Am Seestern 1 (-7.0 million Euro or -10.4%). Recent market developments led the Company to reassess the outcome of the letting process, adjust its rent expectations to reflect current market trends and adapt the long-term occupancy ratio in the context of the multi-tenant strategy. Furthermore, the increase of the real property transfer tax in the state of Hesse led to fair value adjustments in Frankfurt and Darmstadt (T-Online: -2.2 million Euro or -1.3%: T-Systems: -1.6 million Euro or -3.0%). In the property in Essen/Opernplatz, the slight increase of the discount rate, which was motivated by a slight change in the market

assessment for the property, led to a 2.5 million Euro (-6.5%) decline in value. The discount rate for the property in Stuttgart/Fellbach was increased to 6.7%. In addition, the expiry of a rent guarantee resulted in an adjustment of the annual rent by -0.1 million Euro p.a. as at 30 June 2013 which caused a -2.5 million Euro or -6.4% decline in the market value of the property in Stuttgart/Fellbach. The market values of the Munich properties, which are in the process of being sold, were adjusted based on a concrete offer for the property in the Hufelandstrasse and the conveyor's valuation for the property in Hultschiner Strasse.. As at 30 June 2013, they now amount to 21.0 million Euro (Hufelandstrasse: -3.4 million Euro or -13.9%) and 182.5 million Euro (Hultschiner Strasse/SZ-Turm: -4.0 million Euro or -2.1%) respectively. In addition, the property specific assessments of the market environments were adjusted in Heilbronn and Nuremberg. The values of the properties were adjusted accordingly by -0.8 million Euro or -2.7% and
-0.5 million Euro or -3.8% respectively.

Overall, the value adjustments as at 30 June 2013 amounted to about -60.9 million Euro (-6.7%). This brings the value of the portfolio to 847.6 million Euro. With higher vacancies of 22.1% compared to year-end 2012, a weighted average lease term of 7.6 years and annual rent exclusive of heating, lighting and other service costs of about 45.7 million Euro, the portfolio has a gross initial yield of 5.4%. This corresponds to a vacancy-related multiplier of 18.6x the annual net rent exclusive of heating, lighting and other service costs (31 December 2012: 17.4). The net initial yield or the “EPRA topped-up” net initial yield reached 4.7% on 30 June 2013 (31 December 2012: 5.1 %).

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

	Market value as at 30/06/2013 (in mm Euro)	**Change vs. Dec. 2012 (in %)**	**Rented space (in m²)**	**Total lettable space (in m²)**	**Rent exclusive of heating, lighting and other service costs (in mm Euro p.a.)**	**Weighted Average Lease Term (in years)**
Munich, Hufelandstrasse 13-15	21.0	-13.9%	8,224	8,224	1.7	8.4
Frankfurt, Ludwig Erhard Anlage 2-8	119.0	-23.3%	833	35,101	0.3	8.5
Darmstadt, T-Online Allee 1	170.3	-1.3%	72,528	72,528	11.9	6.4
Essen, Alfredstrasse 236	73.1	0.1%	30,314	30,314	5.6	6.5
Darmstadt, Deutsche Telekom Allee 7	51.7	-3.0%	24,686	24,686	3.4	6.9
Stuttgart, Breitwiesenstrasse 5-7	38.9	-0.8%	9,830	25,284	1.3	7.4
Nuremberg, Richard Wagner Platz 1	12.5	-3.8%	6,445	6,445	1.1	1.7
Heilbronn, Bahnhofstrasse 1-5	29.1	-2.7%	13,482	14,750	2.0	4.5
Dusseldorf, Am Seestern 1	60.6	-10.4%	5,899	36,110	0.7	1.2
Stuttgart, Philipp Reis Strasse 2	36.6	-6.4%	19,854	19,854	3.4	9.3
Munich, Hultschiner Strasse 8	182.5	-2.1%	62,237	62,237	10.5	10.3
Dusseldorf/ Meerb., Earl Bakken Platz 1	16.3	-0.6%	8,038	8,038	1.3	6.2
Essen, Opernplatz 2	36.0	-6.5%	24,531	24,531	2.5	9.5
	847.6	**-6.7%**	**286,901**	**368,102**	**45.7**	**7.6**

Source: CBRE opinion as at 30 June 2013

Corporate development

The business development of Prime Office REIT-AG over the first half of 2013 was mainly influenced by various special and one-time effects: with -61 million Euro, the adjustment of the property portfolio's fair value as at 30 June 2013 was a major contributor. It reflected a change in the market environment, since subdued demand for office spaces in the locations with properties that require re-letting (Frankfurt, Dusseldorf and Stuttgart) in particular led to delays in letting. The fair value of individual properties was also adjusted based on a slightly more cautious outlook for these properties. Finally, the increase of vacancies and the sale of the Hamburg property in 2012 led to an about 28% decline in rental and lease revenues. Furthermore, the due diligence process related to the merger talks with OCM German Real Estate Holding AG led to a significant increase of legal and advisory costs in the first half of 2013. Another contribution was the discharge of CEO Claus Hermuth on 28 June 2013, which required provisions as at the balance sheet date for the upcoming negotiations on the termination of the employment contract.

Against the backdrop of special and one of effects in the first half of 2013, Prime Office REIT-AG generated revenues of 26.5 (H1/2012: 36.6) million Euro, a loss of -59.8 million Euro for the period and funds from operations (FFO) of -0.1 (Q1/2012: 12.8) million Euro. The „EPRA earnings", i.e. the income for the reporting period adjusted by valuation effects, amounted to 0.8 (H1/2012: 9.9) million Euro or 0.01 (H1/2012: 0.19) Euro per share in the first half of 2013. The year on year decline in EPRA earnings was therefore lower than the decline in rental income.

Revenues

The rental and lease revenues over the first six months of fiscal year 2013 amounted to an overall 26.5 million Euro due to temporarily lower occupancy and a property sale in 2012 (H1/2012: 36.6 million Euro). Other rental and lease revenues increased substantially to 1.9 million Euro over the first half of 2013 (previous year: 0.2 million Euro) following the payment of a settlement amount in connection with the termination of a rent guarantee by the former owner of the property in Stuttgart Fellbach.

The rental and lease expenses mainly include expenses for maintenance and marketing, planning costs for the properties that require re-letting and the asset management fee. Rental and lease expenses over the reporting period fell slightly year on year to 5.7 (H1/2012: 6.0) million Euro. As a result, the 8.1 million Euro decline in rental and lease income, which amounted to 22.7 (H1/2012: 30.8) million Euro over the reporting period, was less pronounced than the decline in rental and lease revenue, which was affected by the now higher vacancies of 22%.

Other operating income over the first six months of fiscal year 2013 fell to about 44 k Euro, below the year on year level (0.2 million Euro) - this number includes one-time effects from the release of provisions. Other operating expenses over the first half of 2013 amounted to about 4.3 million Euro and substantially exceeded the prior-year level (2.4 million Euro) due to special effects in connection with the merger negotiations with OCM German Real Estate Holding AG and related expenses for the on-going due diligence process. In addition to the legal and advisory costs that exceed the prior-year level by 2.3 million Euro as a result of the transaction, other operating expenses consist inter alia of disclosure costs, costs of the property valuation and auditing costs.

Adjusted by the one-time effect in connection with the discharge of CEO Mr Claus Hermuth on 28 June 2013, expenses for employee benefits remained unchanged year on year. Given the discharge of the CEO and the as yet on-going negotiations on the termination of his employment contract, provisions in the amount of 1.1 million Euro were created as at the balance sheet date on 30 June 2013, which led to expenses for employee benefits of about 2.0 (H1/2012:0.9) million Euro over the reporting period H1/2013.

Depreciations over the first half of 2013 relate to on-schedule depreciations of office furniture and equipment in the showrooms (sample spaces) in the properties in Frankfurt and Dusseldorf. With 64 k Euro, they remained largely unchanged year on year (55 k Euro).

Due to the effects in connection with the occupancy and the planned merger with OCM German Real Estate Holding AG in the first half of 2013 described above, operating income before valuation result declined by -11.3 million Euro to 16.4 (H1/2012: 27.7) million Euro in the first half of 2013.

The on-schedule valuation of the properties as at 30 June 2013 had major implications on the Company's business development since it led to an about 61 million Euro adjustment in the fair value of the property portfolio. The correction of the property portfolio's fair value by -6.7% to about 848 (31 December 2012: 909) million Euro as at 30 June 2013 is mainly a reflection of the changes in the market environment, since subdued demand for office space in the locations that requiring re-letting (Frankfurt, Dusseldorf and Stuttgart) in particular has so far led to delays in re-letting. Furthermore, the cautious outlook on the future development of the letting market leads to a more guarded valuation of individual portfolio properties. This led to unrealised losses from fair valuation of 61.5 (H1/2012: 9.1) million Euro over the first half of 2013.

Accordingly, the operating income (EBIT) in the first half of 2013 amounted to -45.1 (H1/2012: 18.6) million Euro.

Financial expenses grew slightly year on year to 22.1 (previous year: 21.2) million Euro over the first half of 2013. Of these, 5.0 million Euro resulted from the fair valuation of derivative financial instruments (swap market values). In spite of one-time effects in connection with the early repayment of loan liabilities for the properties in Hamburg and Munich (SZ-Turm) in the amount of about 1.7 million Euro, the pure interest expenses over the first half of 2013 declined by 0.8 million Euro to an overall of 17.1 million Euro due to the decline in overall liabilities (H1/2012: 17.9 million Euro). Conversely, Prime Office REIT-AG generated 7.3 (H1/2012: 4.1) million Euro in gains from the fair valuation of derivative financial instruments over the first half of 2013. This resulted in financial gains of 7.4 (H1/2012: 5.0) million Euro in the first half of 2013. Consequently, net financing expenses of the Company over the first six months of fiscal year 2013 amounted to 14.7 (H1/2012: 16.2) million Euro.

The earnings before income taxes (EBT) and the income for the reporting period amounted to -59.8 (H1/2012: 2.4) million Euro. With about 51.9 million issued shares, Prime Office generated income per share in the amount of -1.15 Euro over the reporting period. This compares to 0.05 Euro in the first half of 2012.

The "EPRA earnings", i.e. the income o ver the reporting period adjusted by one-time or special effects from the fair valuation of the property portfolio and the derivative financial instruments, amounted to 0.8 (H1/2012: 9.9) million Euro or -0.01 (H1/2012: 0.19) Euro per share in H1/2013.

Funds from operations (FFO) in the first half of 2013 were in line with expectations and amounted to 0.1 million Euro or 0.00 Euro per share, substantially down compared to the first half of 2012 (12.8 million Euro or 0.25 Euro per share) due to the higher vacancies and the above-described one-time effects and special charges.

Funds from operations („FFO")

		H1/2013	H1/2012
		mm Euro	mm Euro
	Operating income (EBIT)	**-45.1**	**18.6**
	Adjustment by one-time effects from sales	1.4	0.0
-	Unrealised valuation gains from the fair valuation of investment properties	0.2	0.7
+	Unrealised valuation losses from the fair valuation of investment properties	61.7	9.8
+	Depreciation and amortisation	0.1	0.1
-	Interest paid	18.7	14.7
+	Interest received	0.1	0.2
-	**Interest paid (balance of interest paid and received)**	**18.6**	**14.5**
+	Interest adjustment at the end of the period	0.6	-0.5
	Funds from operations (FFO)	**-0.1**	**12.8**
	Funds from operations per share (weighted)	**€ 0.00**	**€ 0.25**

Cash flow of Prime Office REIT-AG

Lower rental income due to vacancies and interest payments in the amount of 18.7 million Euro in the first half of 2013 led to a decline in operating cash flow from 15.4 million Euro in the first half of the previous year to 0.3 million Euro in the first half of 2013.

Since the purchase price for the property in Hamburg was received in January 2013, the Company's cash flow from investment activities amounted to 40.7 million Euro in the first half of 2013. This also includes 1.0 million Euro investments in portfolio properties.

The cash flow from financing activities in the first half of 2013 was dominated by the repayment of loan liabilities (about 43.0 million Euro) in connection with the purchase price payment for the property in Hamburg and special repayments as part of the on-going optimisation of the financing structure. The cash flow from financing activities amounted to -43.0 (H1/2012: -19.0) million Euro in the reporting period.

Cash and cash equivalents on 01 January 2013 amounted to 65.5 million Euro. On the balance sheet date on 30 June 2013, they had declined by about 2 million Euro to about 63.5 million Euro.

ASSETS AND FINANCIAL SITUATION

Balance sheet of PRIME OFFICE REIT-AG

Total assets of Prime Office REIT-AG as at 30 June 2013 decreased by 108.5 million Euro or 10.5% from 1,031.6 million Euro as at 31 December 2012 to 923.1 million Euro.

The main contributors to the balance sheet shrinkage on the asset side were the adjustment of the fair values of the property portfolio (60.7 million Euro) and the about 42 million Euro decline of accounts receivable after the payment of the purchase price for the property in Hamburg that had been sold effective 31 December 2012.

The current assets consist largely of cash at bank and in hand (61.9 million Euro) and other receivables and financial assets (about 2.9 million Euro), which also include short-term money markets shares (1.7 million Euro).

Over the reporting period, the executive board of the Company decided to sell properties with an overall book value of 203.1 million Euro. Since the sale process is already advanced, the financial report as at 30 June 2013 is for the first time recognising “assets classified as held for sale”. Overall, the Company’s current assets increased to 269.0 (31 December 2012: 110.5) million Euro.

The non-current assets as at 30 June 2013 amounted to 654.1 million Euro (31 December 2012: 921.1 million Euro). The decline results from the classification of two properties as current assets that are recognised as “assets held for sale”; the Company plans to conclude the sale of the properties before year-end 2013. The non-current assets consist mainly of the remaining properties held as financial investments and valued at 644.1 million Euro. With 7.7 million Euro as at 30 June 2013, the market value of the derivative financial instruments declined compared to 31 December 2012 (10.8 million Euro). Non-current financial assets amounted to about 2.1 million Euro, unchanged from 31 December 2012. They consist largely of an insurance policy with paid-up status taken out in the context of a property financing.

In addition to the one-time effects in the first half of 2013 that were recognised in the income statement, the financial and euro crisis and the consistently low interest rate environment have been taking their toll on the equity of Prime Office REIT-AG in the past. This applies particularly to the valuation of the derivative financial instruments used to hedge the interest rates of the property financings over the long term (interest rate swaps) that led to other reserves in the amount of -55.6 million Euro as at 30 June 2013, affecting equity. With equity in the amount of 344.1 million Euro, the REIT equity ratio of Prime Office REIT-AG amounted to 40.6% and remained below the 45% stipulated under the REIT law. Prime Office needs to meet this criterion by year-end 2013 to avoid losing the REIT status. The executive board has made increasing the REIT equity ratio to at least 45% a top priority and has accordingly planned to sell properties until the end of the year; the properties in question are recognised as “assets classified for sale” (203.1 million Euro as at 30 June 2013).

The subscribed capital grew by 34.5 million Euro to an overall of 51.9 million Euro as at 31 December 2011 as a result of the IPO in mid-year 2011. It remained unchanged at 51.9 million Euro as at 30 June 2013. The capital reserves of 625.3 million Euro therefore remained equally unchanged on 30 June 2013. Including other reserves particularly for unrealised gains/losses from cash flow hedges (interest rate swaps) in the amount of -55.8 million Euro and a balance sheet loss of -277.6 million Euro for the period, Prime Office REIT-AG held 344.1 million Euro in equity as at the balance sheet date on 30 June 2013 (31 December 2012: 389.1 million Euro).

The sum of current and non-current liabilities of Prime Office REIT-AG declined substantially compared with 31 December 2012 (642.5 million Euro), i.e. by 63.5 million Euro to 579.0 million Euro as at 30 June 2013. The substantial decline of the overall liabilities is due to the early repayment of loans and special prepayments as part of the optimisation of the financing structure. The sum of current and non-current financial liabilities (ex derivatives) fell accordingly from about 551.0 million Euro as at 31 December 2012 to 508.3 million Euro as at 30 June 2013. Adjusted by the valuation effects from derivative financial instruments, the sum of current and non-current liabilities would have decreased even more. The loan to value (LTV) of Prime Office as at 30 June 2013 fell accordingly to now 59.2%. This substantially lower LTV will take pressure off the financial result going forward.

	FORMULA		30/06/2013	31/12/2012
Total liabilities	Current + non-current debt	in mm Euro	579.0	642.5
Net debt	Total debt - current assets	in mm Euro	505.5*	532.0
Leverage	Net debt : property market values	in %	59.7*	58.6
Loan-to-value	Liabilities to credit institutions : property mkt. value	in %	59.2	60.2
REIT equity ratio	Equity : property market values	in %	40.6	42.9

* Properties classified as held for sale are not included

As at the balance sheet date on 30 June 2013, the Company had current liabilities of 401.9 million Euro; this compares to 221.6 million Euro as at 31 December 2012. The increase in current liabilities results from the property financings in Dusseldorf, Nuremberg and Stuttgart that require prolongation on 31 December 2013 and were accordingly reclassified as current. In addition, the loans for the properties reclassified and recognised as assets held for sale and the related interest rate hedges are also recognised as current liabilities.

These include current financial liabilities of 384.6 (31 December 2012: 212.5) million Euro and trade receivables of 6.4 (31 December 2012: 3.4) million Euro. The other current liabilities in the amount of 0.3 million Euro consist of deferred charges (mainly deferred rent). The liabilities to tax authorities consist of payable value-added tax. With about 0.1 million Euro, these liabilities are substantially below the year-end level (31 December 2012: 1.0 million Euro).

The non-current financial liabilities as at 30 June 2013 amounted to 117.1 million Euro and are substantially below the level at year end 2012 (333.7 million Euro).

After repayment of loan liabilities in the first half of 2013, which had been taken out in connection with the property in Hamburg that was sold effective 31 December 2012, the negative market values of derivative financial instruments amounted to an overall of 70.6 (31/12/2012: 91.5) million Euro at the reporting date on 30 June 2013. It should be noted that the valuation, i.e. the market value of derivative financial instruments (market value of interest rate swaps), invariably reaches 0 at maturity, which leaves substantial value recovery potential over the time to maturity.

Prime Office REIT-AG has no foreign exchange loans.

The financings of the properties in Dusseldorf, Nuremberg and Stuttgart, which totalled about 95.5 million Euro as at 30 June 2013, require prolongation on 31 December 2013. About 45.0 million Euro from the IPO had already been set aside for the express purpose of paying off debts on these properties. Accordingly, the refinancing need for the three properties in Dusseldorf, Nuremberg and Stuttgart amounts to approximately 50.5 million Euro at year-end 2013. The executive board expects the conditions of future financings to correspond to the risk profile and the solid equity ratio.

The fixed interest for existing financings totalling 44.2 million Euro for the property in Frankfurt expires on 30 September 2013. The fixed interest on a financing for the SZ-Tower (as at 31 December 2012: 28.2 million Euro) expired on 28 June 2013; a special repayment of 7.5 million Euro has already been made in January 2013. The new interest on the loan, which has been negotiated at competitive conditions, has come down from previous levels. In addition, a repayment of 3.1 million Euro was made in February 2013 towards a financing loan for the property in Darmstadt.

Net asset value

As at the balance sheet date on 30 June 2013, the net asset value (NAV) of Prime Office REIT-AG reached 406.3 million Euro compared to 468.4 million Euro as at year end 2012. This corresponds to an NAV per share of 7.83 Euro as at 30 June 2013, which was down compared to 31 December 2012 (9.02 Euro per share) due to the adjustment of the fair values.

Without adjustment for the effects from derivative financial instruments, the net NAV of Prime Office, which corresponds to the value of the equity, amounted 344.1 (31 December 2012: 389.1) million Euro on 30 June 2013. This results in a net NAV or equity per share of 6.62 (31 December 2012: 7.49) Euro.

The following table illustrates the calculation of the net asset value:

		30 Jun 13	**31 Dec 12**
		mm Euro	mm Euro
	Equity	344.1	389.1
-	Derivative financial instruments (assets), of these:	8.3	12.2
	current	0.7	1.4
	non-current	7.7	10.8
+	Derivative financial instruments (liabilities), of these:	70.6	91.5
	current	10.5	4.3
	non-current	60.1	87.2
	Net asset value (NAV)	**406.3**	**468.4**
	Net asset value per share	**7.82**	**9.02**
	(not weighted)		
	Equity per share	**6.62**	**7.49**
	(not weighted)		

Staff

Prime Office REIT-AG has a lean personnel structure. It had 9 employees overall on 30 June 2013 (previous year: 10).

	Staff
AS OF 30/06/2013	TOTAL
Executive board	1
Asset management	3
Other	5
Total	9

During its meeting on 28 June 2013, the supervisory board of Prime Office REIT-AG decided to discharge the CEO of the company, Mr Claus Hermuth, from his duties effective immediately. Discussions in view of amicably terminating his employment contract will commence shortly. The CFO of the company, Mr Alexander von Cramm, has taken over CEO responsibilities until a successor for Mr Hermuth has been found.

Furthermore, the supervisory board of Prime Office REIT-AG decided during its meeting on 28 June 2013 to appoint Mr Richard Berg as executive board member effective 1 July 2013, thereby ensuring that the executive board consists of two members as requested by the law and the Company's articles of association. Mr Berg will remain in charge of Investor Relations and Corporate Communications in addition to his executive board responsibilities. Until further notice, the appointment will expire on 30 June 2014.

Risk management

In line with the requirements of the stock corporation law, the executive board of Prime Office REIT-AG collaborated with a renowned auditing firm to design and establish risk management and risk controlling. Its key responsibility is to consistently identify, monitor and reduce risk using appropriate measures. Regular risk reporting is ensured.

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

The system ensures that risks are
identified, evaluated
and addressed via necessary measures.
It also monitors the development of risk.

Risk management is overseen by executive board member Alexander von Cramm. 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 executive board.

At the reporting date 30 June 2013, the company had liabilities from bank loans in the total amount of 501.7 million Euro. Loans in the total amount of 288.7 million Euro will expire in less than twelve months. The Company still owns funds from the IPO in the amount of about 45 million Euro that are held available for the partial repayment of financings for the properties in Stuttgart, Nuremberg and Dusseldorf.

Financing agreements for properties in Stuttgart, Nuremberg and Dusseldorf with a total loan amount of about 96.2 million Euro as at 30 June 2013 will expire on 31 December 2013 and require prolongation. These loans would be due and payable if the Company were unable to agree with the lenders on loan prolongations or financing conditions. The executive board expects that the negotiations on the prolongations will go ahead as scheduled and that the properties can be refinanced or financings can be prolonged at competitive rates. The Company contemplates the sale of additional properties in order to strengthen the REIT equity ratio and return it to the minimum 45% that is required under the REIT law in fiscal year 2013.

As indicated, additional debt needs to be raised due to the vacancies in the portfolio and the planned refurbishment measures. The Company will be able to raise sufficient financing since the portfolio had a total market value of 847.6 million Euro at the balance sheet date and net liabilities at that date amounted to 505.5 million Euro. The executive board expects that the Company will be able to meet its financial obligations at any point in time.

The Company expects to have monthly liquidity of between 1 and 44 million Euro available in the second half of 2013, which consists of cash and money market funds minus cash collateral. The proceeds from the sale of and the repayment of the loans for the two properties that are currently being sold have been accounted for in this number.

Prime Office REIT-AG faces risks for future financings of property transactions in the form of interest rate risks. Derivative financial instruments are used with the objective of minimising risks from interest rate volatility.

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

The risks of Prime Office REIT-AG are described in detail in the annual report 2012 on page 66 et seqq. (risk management). The risk situation has not materially changed over the first six months of the year 2013 with one exception: due to the continuing vacancies in the portfolio, the Company's ability to maintain liquidity depends on whether the two properties that have been put on sale can be sold as scheduled or whether the Company can raise additional debt capital. The survival of the company is contingent on whether or not at least one of the two options can be realised. The executive board sees a reasonable probability that at least one of the two options can be realised

Barring unforeseen rent delinquencies in the second half of 2013 and subject to the on-schedule conclusion of the property sales or the Company's ability to raise additional debt or equity, the executive board sees no other critical risks to the Company.

The Prime Office share

DEVELOPMENT OF THE PRIME OFFICE SHARE PRICE

Capital market sentiment in the second quarter of fiscal year 2013 was generally volatile. At the beginning of the reporting period, the European Central Bank (ECB) initially refrained from cutting key lending rates further, even though many market participants had apparently expected such a move. In addition, the US reported weak labour market statistics; combined with some European countries' rather slow recovery from the euro crisis, this weighed on investor sentiment in the first weeks of the second quarter 2013. However the environment improved increasingly over the following weeks. The market welcomed the successful formation of the Italian government. Furthermore, the markets seemed to give a positive interpretation to the essentially unfavourable economic data from the southern European countries, the US and China, possibly because capital market participants expected a continued accommodative monetary policy and low interest rates as a result. The strong liquidity in the market led to greater buying pressures for investors which seems to have further supported the equity markets. The 25 basis point cut in ECB lending rates likely added to this effect. Further into the quarter, sentiment again deteriorated. The stock markets reacted negatively to signals from Fed chairman Ben Bernanke and the ECB that suggested the end of the loose monetary policy. Even though markets were still highly liquid at this point, it can be assumed that investors anticipated the end of the accommodative monetary policy early and repositioned themselves accordingly.

While volatile, the Prime Office share developed positively over the second quarter and gained about 10% overall in the reporting period. From its XETRA opening price of 3.24 Euro per share on 02 April 2013, the share price initially came under pressure and reached its quarterly low of 2.94 Euro on 22 April 2013. Further on, the share price largely demonstrated resilience and increased significantly in the days surrounding the publication of the first quarter results 2013 and the commencement of the talks with OCM German Real Estate Holding AG on a potential merger of the two companies. On 15 May 2013, it reached its quarterly high of 4.31 Euro. Over the next weeks, however, the share experienced another downward trend and was unable to continue on its strong mid-quarter level. The XETRA closing price of the second quarter on 28 June 2013 was 3.57 Euro per share.

In spite of the generally positive performance in the past quarter, the executive board remains dissatisfied with the current share price and the still excessively high discount on the Company's net asset value (NAV). The executive board will therefore continue to focus on sustainably reducing the discount on the Company's NAV and achieving a fair valuation of Prime Office by the capital market.

SHAREHOLDER STRUCTURE

The shareholder structure of Prime Office changed in the second quarter of fiscal year 2013, primarily after Ironsides Partners LLC (USA) increased its share in the company to about 11.6%. Please note, however, that this position aggregates the shares of several investment companies under the umbrella of Ironsides Partners LLC, i.e. no single investor holds over 10% of the shares in Prime Office. As a result, the Company still complies with an important requirement of the REIT law. Apart from the above, the shareholder structure of Prime Office has only slightly changed in the second quarter. The shareholder base of Prime Office is therefore still dominated by long-term oriented institutional investors with a primary focus on property companies. We view this as testament to the significant trust investors place in Prime Office and its strategy.

About 64.3% of the Prime Office shares were in free float on 30 June 2013.

Key shareholders of the Company holding shares ≥ 3%

Ironsides Partners LLC (USA)	11.6%
Oaktree European Principal Fund III LP (USA)	8.4%
Morgan Stanley Investment Ltd. (UK)	7.0%
Karoo Investment S.C.A. SICAV-SIF (Lux)	5.3%
Ruffer Ltd. (UK)	3.4%

INVESTOR RELATIONS

Prime Office again engaged in candid and intensive dialogue with its shareholders and other relevant capital market players in the second quarter of this fiscal year. As part of this effort, Prime Office attended the German Conference of Bankhaus Lampe in Baden-Baden and, only a few days later, an event hosted by GRI (Global Real Estate Institute) in Frankfurt am Main. The executive board also represented the property company on the Kempen Property Seminar in Amsterdam at the end of May 2013.

As at the end of the previous quarter, Prime Office was covered by eight banks and research firms on 30 June 2013, most of which continue to have a positive view on the property company. At the end of the quarter, one bank had an overweight recommendation on the stock, six banks and research firms recommended to buy and one bank recommended to hold the share. The positive valuation of Prime Office by the analysts is also reflected in their various price targets that ranged between 3.50 Euro and 5.50 Euro per share and thus exceeded, with one exception, the XETRA closing price of 3.57 Euro per share on 28 June 2013.

Statement of events after the reporting period

EVENTS AFTER THE INTERIM REPORTING PERIOD

Supervisory board member Dr Lutz Mellinger has stepped down as member of the supervisory board of Prime Office REIT-AG. His activities for the Company ended on 27 July 2013. The executive board and the supervisory board of the Company thank him for the trusting, constructive and pleasant collaboration.

On 30 July 2013, the company concluded a long-term lease for about 11,300 m^2 with Daimler AG, Stuttgart, for the property in Stuttgart/Moehringen. This increases occupancy in the property from approximately 39% on 30 June 2013 to about 85% on 01 January 2014.

On 07 August 2013, the contract for a merger with OCM German Real Estate Holding AG has been notarially recorded. In connection with this event, the Company published additional transaction details and the postponement of the ordinary general meeting to 24 September 2013.

Projections

MACROECONOMIC DEVELOPMENT

The economic development in the euro zone continues to weigh on the global economy. Accordingly, the International Monetary Fund (IMF) published a cautious forecast in its World Economic Outlook (July 2013). The continued recession in the euro zone combined with the weak domestic demand and the slower growth in key emerging markets depresses the outlook for global growth. The IMF revised its forecast from April 2013 slightly down and is now projecting a global economic output of only just above 3% in 2013. It expects 3.8% growth in 2014. The developed economies continue on their growth trends, however the IMF adjusted its growth forecasts for total output in 2013 to 1.2% (-0.1%) and in 2014 to 2.1% (-0.2%), also slightly down from its forecast in April 2013.

While the euro zone is expected to contract by 0.6% in 2013, it should slightly pick up again in 2014 (0.9%) according to the IMF. Germany is expected to continue growing, leading the field in the euro zone, but the IMF also adjusted its forecast for growth in Germany to 0.3% (-0.3%) in 2013 and 1.3% (-0.1%) in 2014.

Leading economic research institutions in Germany, who presented their spring report in April 2013, believe that the German economy will quickly overcome the macro weakness seen over the winter months and again exhibit meaningful growth from the second quarter of 2013. For 2014, the economic research institutes project economic growth of 1.9%.

THE OFFICE PROPERTY MARKET IN GERMANY

The German property market was mixed in the first quarter of 2013 according to the internationally operating service provider Jones Lang Lasalle (JLL). Users were reluctant to conclude leases and increasingly reticent in making letting decisions, held back by uncertainties over the long-term development of their companies. The office letting market improved in the second quarter of 2013 after a relatively weak start into the year but is still subdued.

At mid-year 2013, Germany's seven key office markets had an aggregate vacancy ratio of 8.7% and JLL expects this to continue through to year end 2013. JLL expects rents in the property markets of Frankfurt, Munich, Hamburg and Stuttgart to increase slightly by year end 2013.

Since „Germany is an attractive destination for real estate investors" and interest from local and international players continues unabated, JLL expects to see continued positive transaction momentum in the second half of 2013, leading to a total investment volume of about 27 billion Euro in 2013.

CAPEX MEASURES

Prime Office REIT-AG's strategy focuses on generating stable, increasing long-term rental revenues from the existing office properties through active and return-oriented management. Based on its focus on quality growth in the German office property market and its attractive portfolio, which is broadly diversified across properties, locations and tenants, Prime Office REIT-AG plans to continue adding selected suitable office properties to the portfolio as and when it will be able to raise fresh equity.

The properties in Stuttgart/Moehringen, Frankfurt and Dusseldorf/Seestern that require re-letting will undergo (in some cases extensive) refurbishment measures. The investment volume for the three properties amounts to about 42 million Euro overall; the Company plans to finance part of it via debt capital. The refurbishment measures for the property in Stuttgart/Moehringen are scheduled to be completed in 2013; the measures in Dusseldorf and Frankfurt should be completed in 2013 and 2014 respectively.

The investment strategy targets office properties in the most important German office markets or major German cities with established or growing infrastructure. At the same time Prime Office REIT-AG is also looking to acquire appropriately pre-let developments. The Company aims to sustainably increase cash flows through value enhancing asset management and potential 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 might be able to let the remaining vacant spaces in the overall portfolio, that are limited to the properties in Dusseldorf, Frankfurt, Heilbronn and Stuttgart, short-term.

Planned capital expenditures for properties requiring re-letting will be accretive to earnings in the event of successful re-letting.

OUTLOOK

The executive board of Prime Office REIT-AG expects the economic environment in Germany and the office property market in Germany to progress steadily. Prime Office REIT-AG's operating business in 2013 will be characterised by the fair value adjustments of the properties as at 30 June 2013, temporary vacancies in the property in Stuttgart and particularly by the reconstruction-driven vacancies and planned refurbishment measures in the Frankfurt and Dusseldorf properties.

Reaching the REIT minimum equity ratio, protecting the REIT status and accelerating the efforts to reach the letting targets is a top priority against the backdrop of the anticipated vacancies, the planned refurbishment measures as well as the recent fair value adjustments. In addition, the Company initiated a selling process for properties that is expected to conclude this fiscal year 2013.

Based on the above assumptions, the executive board of Prime Office REIT-AG anticipates revenues (including operating cost prepayments) of between 51 and 53 million Euro and funds from operations of between -3 and 0 million Euro in fiscal year 2013.

Munich, 07 August 2013

Alexander von Cramm	Richard Berg
(Member of the Executive Board)	(Member of the Executive Board)

Unaudited condensed interim financial statement of Prime Office REIT-AG for the period commencing on 1 January and ending on 30 June 2013

Income statement for the period commencing on 1 January and ending on 30 June 2013 (unaudited)

	Note	01/01 to 30/06/2013 k€	01/01 to 30/06/2012 k€
Revenues from rental and lease	5.1	26,528	36,566
Other revenues from rental and lease	5.2	1,883	164
Expenses for rental, lease and sale	5.3	-5,743	-5,975
Rental, lease and sale income		**22,668**	**30,755**
Other operating income	5.4	45	221
Other operating expenses	5.5	-4,290	-2,392
Expenses for staff benefits	5.6	-1,974	-846
Depreciation and amortisation		-64	-55
Operating income before valuation result		**16,385**	**27,683**
Losses from fair valuation of investment properties	5.7	-61,453	-9,101
Operating income (EBIT)		**-45,068**	**18,582**
Finance expenses	5.8	-22.121	-21,203
Finance income	5.8	7.387	5,026
Income before income taxes (EBT)		**- 59,802**	**2,405**
Other taxes		-1	0
Income for the reporting period		**- 59,803**	**2,405**
Income per share			
Undiluted/diluted income per share	5.9	**- 1.15 €**	**0.05 €**

Comprehensive income statement for the period commencing on 1 January and ending on 30 June 2013 (unaudited)

	Note	01/01 to 30/06/2013	01/01 to 30/06/2012
		k€	k€
Income for the reporting period		**- 59,803**	**2,405**
Other operating income/expenses			
Changes in equity from reserves for unrealized gains/losses from the fair-value accounting of financial assets available for sale		42	28
Changes in equity from reserves for unrealized gains/losses from cash flow hedges (interest rate swaps)	7.1	14,729	-10,172
Changes in equity from reserves for unrealized gains/losses from cash flow hedges (currency swaps)	7.1	0	-192
Other income after taxes that requires reclassification and recognition as income/loss in the following periods		**14,711**	**-10,336**
Total comprehensive income after taxes		**- 45,032**	**-7,931**

Balance sheet as at 30 June 2013 *(unaudited)*

	Note	30/06/2013 k€	31/12/2012 k€
ASSETS			
Assets			
Current assets			
Accounts receivable	6.1	413	42,570
Other receivables and financial assets	6.1	2,935	2,171
Derivative financial instruments		656	1,380
Cash at bank and in hand	6.1	61,854	64,399
		65,858	110,520
Assets classified as held for sale	6.2	203,127	0
		268,985	**110,520**
Non-current assets			
Plant, property and equipment	6.3	242	290
Investment property	6.4	644,100	907,876
Intangible assets		34	33
Derivative financial instruments	6.1	7,693	10,812
Non-current financial assets	6.1	2,063	2,071
		654,132	**921,082**
TOTAL ASSETS		**923,117**	**1,031,602**
EQUITY AND LIABILITIES			
Liabilities			
Current liabilities			
Current financial liabilities	7.2	384,612	212,507
Accounts payable	7.2	6,426	3,389
Current derivative financial instruments		10,523	4,285
Other current liabilities	7.2	290	470
Payables to tax authorities		76	971
		401,927	**221,622**
Non-current liabilities			
Non-current financial liabilities	7.2	117,056	333,693
Non-current derivative financial instruments	7.2	60,057	87,177
		177,113	**420,870**
Total liabilities		**579,040**	**642,492**
Equity			
Subscribed capital	7.1	51,941	51,941
Capital reserves		625,323	625,324
Other reserves		- 55,576	-70,347
Net loss		- 277,611	-217,808
		344,077	**389,110**
TOTAL ASSETS		**923,117**	**1,031,602**

Statement of changes in equity for the period commencing on 1 January and ending on 30 June 2013 (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 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€
01/01/2013	51,941	625,324	222	-70,569	0	-217,808	389,110
Income for the reporting period	0	0	0	0	0	- 59.803	- 59,803
Other result for the reporting period	0	0	42	14,729	0	0	14,771
Total	51,941	625,324	264	- 55,840	0	-277,611	344,078
30/06/2013	**51,941**	**625,324**	**264**	**-55,840**	**0**	**-277,611**	**344,078**

	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 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€
01/01/2012	51,941	625,324	166	-59,169	407	-200,704	417,966
Income for the reporting period	0	0	0	0	0	2,405	2,405
Other result for the reporting period	0	0	28	-10,172	-192	0	-10,336
Total	51,941	625,324	194	-69,341	215	-198,299	410,034
Dividend payment	0	0	0	0	0	-11,947	-11,947
30/06/2012	**51,941**	**625,324**	**194**	**-69,341**	**215**	**-210,246**	**398,087**

Cash flow statement for the period commencing on 1 January and ending on 30 June 2013 *(unaudited)*

	Note	01/01 to 30/06/2013	01/01 to 30/06/2012
		k€	k€
Income for the reporting period		-59,803	2,405
Amortisations and depreciations of non-current assets		64	55
Unrealised valuation losses (gains) from fair value accounting of investment properties		61,453	9,101
Interest income and expenses	5.8	14,735	16,177
Changes in receivables and other assets	6.1	178	2,973
Changes in liabilities	7.2	2,202	-646
Other changes not affecting cash flow		48	-153
Taxes paid		1	0
Interest paid		-18,662	-14,674
Interest received		66	163
Cash flow from operating activities		281	15,401
Cash flow from disposals of investment properties		41,742	0
Investments in investment properties		-1,040	-687
Investments in intangible assets		-15	-18
Investments in other property, plant and [illegible]		-3	-8
Cash flow from investment activities		40,684	-713
Dividend payment		0	-11,947
Disbursements for the repayment of bank loans		-42,957	-6,883
Payments for loan transfers		0	-200
Cash flow from financing activities		-42,957	-19,030
Changes in cash and cash equivalents affecting cash flow		-1,993	-4,342
Exchange rate and valuation related changes of the cash fund		0	761
Cash and cash equivalents at the beginning of the period		65,511	129,512
Cash and cash equivalents at the end of the period		**63,518**	**125,931**

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.

On account of the continuing vacancies in the property portfolio of Prime Office REIT-AG, the preservation of liquidity depends on whether the initiated selling process for two properties can be completed on schedule or whether additional debt financing can be raised. The survival of the company is contingent on whether or not at least one of the two options can be realised. The management board sees a reasonable probability that at least one of the two options can be realised

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 2013 was prepared in line with IAS 34 as applicable in the EU.

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 2012.

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 2012. The standards applicable for the first time from 1 January 2013 are an exception to this rule.

The company is for the first time applying IFRS 13 "Fair Value Measurement" and the changes to IAS 1 "Presentation of Financial Statements". The following paragraphs explain the nature and impact of these changes as stipulated under IAS 34. Several other new standards or changes also apply for the first time for the year 2013. However, they have no implications on the IFRS-compliant individual financial statement of Prime Office REIT-AG.

Change of IAS 1 - Presentation of items of other comprehensive income

The amendment of IAS 1 affects the presentation of the items of other comprehensive income. Under this amendment, items the Company plans to reclassify to profit or loss going forward (so-called recycling) need to be shown separately from items that remain in the equity. This amendment affects only the presentation in the financial statement and has therefore no implications on the asset, financial and income situation of the Company.

IFRS 13 Fair value measurement

The standard defines rules for determining the fair value and contains comprehensive quantitative and qualitative information on fair valuation. Conversely, the standard does not define when assets and liabilities must or can be measured at fair value. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Market price quotes are available for certain types of derivatives. If such prices do not exist, as is the case for the derivatives held by Prime Office REIT-AG, the fair value is determined on a regular basis using other valuation methods. The fair value measurement must account both for the credit default risk of the counterparty and the credit default risk of the company that prepares the financial statement. The value adjustment performed during the fair value measurement process to take into account the credit default risk of a counterparty in a derivative financial instrument is called “Credit Value Adjustment (CVA)”; the value adjustment performed to take into account the credit default risk of the company preparing the financial statement is called “Debt Value Adjustment (DVA)”. The calculation of this non-performance risk results in aggregate across or financial instruments of Prime Office REIT-AG in an improvement of the market values in the amount of 1.1 million Euro..

The changes must be applied from 1 January 2013 onwards. The above change has no meaningful implication on the presentation of the asset, financial and income situation of Prime Office REIT-AG.

IFRS 13 also demands specific information on the fair value. Part of this information is required under IAS 34 particularly for financial instruments, which means that it has implications for the reporting period of the condensed interim financial statement. The Company presents the new information in notes 6.1 and 7.2.

Additional new or amended standards and interpretations that have been published but whose application is not yet mandatory have not been applied early by the Company.

IRFS 5 requires that non-current assets be classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are recognised at the lower of their carrying amount and their fair value less costs to sell and presented separately in the balance sheet as non-current assets. This valuation rule does not apply to assets that are already recognised at fair value in accordance with other rules. Classification as “held for sale” only applies if the sale is highly probable and if the asset in its present condition is immediately available for sale. The IFRS 5-compliant recognition of assets classified as held for sale in the current assets is for the first time applied in the condensed interim financial statement of Prime Office REIT-AG as at 30 June 2013.

3 MATERIAL DISCRETION

The application of the IFRS requires discretionary board decisions on the deduction of reporting and evaluation 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.

With the exception of the circumstance presented in the following paragraph, 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 2012. As a result, please refer to the explanations provided in this earlier statement.

Since the sale of the two properties Hufelandstrasse 13-15, Munich, and Hultschiner Strasse 8, Munich, are deemed highly probable, the related reclassification of these properties as held for sale under IFRS 5 represents a material discretion of the management board.

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

According to the market valuation performed by CB Richard Ellis GmbH (CBRE) as at 30 June 2013, the market value of the property portfolio presented in the categories investment properties and assets classified as held for sale amounted to 847.6 million Euro. This compares to 909.2 million Euro as at 31 December 2012. The decline in value results from the general development of the German property market, the pro rata decline of the property portfolio's remaining term of the lease, the temporary vacancies in individual properties (Stuttgart, Frankfurt and Dusseldorf) and particularly the short remaining term of lease in the properties in Frankfurt and Dusseldorf that require re-letting.

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.

With three exceptions, valuation of the existing leases and vacant spaces was based on the assumption of a 50% probability that the existing leases will be prolonged and that new leases will be concluded respectively (31 December 2012: three exceptions with 50%). Based on the individual rental spaces, the average estimates are 53% (31 December 2012: 56%) for the property in Heilbronn, Bahnhofstrasse 1-5, 83% (31 December 2012: 50%) for the property in Stuttgart, Breitwiesenstrasse 5-7, and 52% (31 December 2012: 0%) for the property Am Seestern 1 in Dusseldorf. The higher probabilities result from the fact that indicative interest has already been expressed for individual rental spaces.

With the exception of the properties Ludwig-Erhard-Anlage 2-8 in Frankfurt and Am Seestern 1 in Dusseldorf, the management costs assumed for valuation purposes range between 0.79% and 3.49% (31 December 2012: between 0.77% and 3.49%) of the respective property's gross annual revenues; repair and maintenance costs were assumed to be between € 5.27 and € 8.84 per m² of space annually (31 December 2012: between € 4.86 and € 8.25 per m² of space). Conversely, the estimated management costs in per cent of the properties' respective gross annual revenues were 67.61% (31 December 2012: 75.42%) for the property Ludwig-Erhard-Anlage 2-8 in Frankfurt and 14.69% (31 December 2012: 1.36%) for the property Am Seestern 1 in Dusseldorf.

The discount rate used for valuation purposes ranged between 6.20% and 7.30% (31 December 2012: between 6.00% and 7.20%); the capitalisation rate used to determine the residual values ranged between 5.00% and 6.25% (31 December 2012: between 5.00% and 6.20%).

Cash flows were calculated based on an expected inflation rate of 1.60% in 2013 and 1.90% in 2014. An inflation rate of 2.0% is assumed for the following years. The carrying amounts of the investment properties and the assets classified as held for sale as presented in the individual financial statement as at 30 June 2013 are k€ 847,227 (31 December 2012: k€ 907,876). The market value of the real estate assets would increase to an overall € 880 million if the discount/capitalisation rate were to decline by 0.5%. Conversely, the market value of the real estate assets would decline to an overall € 817 million if the discount/capitalisation rate were to increase by 0.5%. A 0.5% increase of the discount/capitalisation rate would therefore result in additional write-downs of € 30 million.

The following overview details the individual valuation parameters for the properties:

	Lettable space in m²		Management costs based on annual gross revenues (rounded)		Maintenance and repair costs per m²		Discount rate (rounded)		Capitalisation rate (rounded)	
	30/06/13	*31/12/12*	30/06/13	*31/12/12*	30/06/13	*31/12/12*	30/06/13	*31/12/12*	30/06/13	*31/12/12*
Assets classified as held for sale										
Hufelandstr. 13-15,Munich	8,224	*8,224*	1%	*1%*	5.49 €/m²	*5.49 €/m²*	7%	*6%*	6%	*5%*
Hultschiner Str., Munich	62,237	*62,237*	1%	*1%*	5.70 €/m²	*4.86 €/m²*	6%	*6%*	6%	*6%*
Investment properties										
Ludwig-Erhard-Anlage 2-8, Frankfurt am Main	35,101	*35,101*	68%	*75%*	6.25 €/m²	*6.25 €/m²*	6%	*7%*	5%	*5%*
T-Online Allee 1, Darmstadt	72,528	*72,528*	1%	*1%*	6.39 €/m²	*6.39 €/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	*5.27*	7%	*7%*	6%	*6%*
Philipp-Reis Str. 2, Fellbach	19,854	*19,854*	1%	*1%*	8.84 €/m²	*8.25 €/m²*	7%	*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	*25,284*	3%	*3%*	6.27 €/m²	*6.37 €/m²*	7%	*7%*	6%	*6%*
Richard-Wagner-Platz 1, Nuremberg	6,445	*6,445*	2%	*2%*	7.01 €/m²	*7.01 €/m²*	7%	*6%*	6%	*6%*
Bahnhofstrasse 1-5, Heilbronn	14,750	*14,750*	3%	*3%*	6.63 €/m²	*6.52 €/m²*	7%	*7%*	6%	*6%*
Am Seestern 1, Dusseldorf	36,109	*35,819*	15%	*1%*	6.05 €/m²	*5.99 €/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 30/06/2013	**01/01 to 30/06/2012**
	k€	**k€**
Rental income	24,060	32,369
Gains from the recovery of service charges	2,468	4,197
Total	**26,528**	**36,566**

5.2 OTHER RENTAL AND LEASE INCOME

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

	01/01 to 30/06/2013 k€	01/01 to 30/06/2012 k€
Gain from the payment received in connection with the termination of a rent guarantee for the property Stuttgart/Philipp Reis Strasse 2	1,684	0
Out-of-period revenues	132	44
Gains from contract termination	51	0
Gains from input tax corrections	11	27
Gains from insurance indemnifications	2	5
Gains from refurbishment agreements	0	82
Other rental and lease gains	3	6
Total	**1,883**	**164**

Other rental and lease revenues from investment properties result mainly from the gain out of the termination of a rent guarantee for the property Stuttgart, Phillip-Reis-Strasse 2 against a settlement payment the Company received from two rent guarantors.

5.3 RENTAL, LEASE AND SALE EXPENSES

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

	01/01 to 30/06/2013 k€	01/01 to 30/06/2012 k€
Servicing, maintenance and repair	-2,727	-2,517
Property tax	-936	-680
Energy, water, waste water	-827	-1,055
Property management	-623	-1,175
Insurance policies	-367	-386
Non-recoverable input tax	-150	-84
Deferred operating costs	-71	-64
Other expenses	-42	-14
Total	**-5,743**	**-5,975**

5.4 OTHER OPERATING INCOME

Other operating income can be broken down as follows:

	01/01 to 30/06/2013 k€	01/01 to 30/06/2012 k€
Gains from reversed provisions	21	170
Gains from benefits in kind	20	17
Gains from securities	4	34
Total	**45**	**221**

5.5 OTHER OPERATING EXPENSES

Other operating expenses can be broken down as follows:

	01/01 to 30/06/2013 k€	01/01 to 30/06/2012 k€
Advisory costs	-2,862	-556
Costs related to the preparation of financial statements and audits	-216	-220
Expenditures benefiting past or future periods	-204	-246
Advertising costs	-159	-85
Supervisory board remunerations	-108	-189
Occupancy costs	-103	-106
Financial statements printing costs	-96	-336
Travel costs	-70	-86
Postal / telephone / office supply costs	-62	-43
Insurance policies	-61	-61
Property portfolio valuation costs	-57	-66
Accounting costs	-47	-47
Non-recoverable input tax	-45	-80
Notary and court fees	-44	-63
Vehicle costs	-40	-33
Contributions	-31	-27
Trade fair costs	-22	-23
Other expenses	-63	-125
Total	**-4,290**	**-2,392**

The increase of advisory costs in the amount of 2.2 million Euro results from the due diligence expenses in connection with the merger talks with OCM German Real Estate.

5.6 EXPENSES FOR STAFF BENEFITS

The increase in expenses for staff benefits in the amount of 1.1 million Euro is related to the discharge of the CEO on 28 June 2013 and the still on-going negotiations on the termination of the employment contract.

5.7 LOSSES FROM FAIR VALUATION OF INVESTMENT PROPERTIES

Due to the existing property valuation as at 30 June 2013, the gains and losses from the change in the fair value of investment property, which largely reflect the changes in the lease situation between the two valuation dates (30 June 2012 and 31 December 2011 till 30 June 2013 and 31 December 2012 respectively), is recognised in the profit or loss according to IAS 40.35. Small changes in the discount and capitalisation rates also result from the respective property situations and mainly arise from the fact that the risk assessment for individual properties was adjusted to the change in the lease situation.

For the purposes of the discounted cash flow approach used for the property valuation, the discount rate was increased by an average 2.19% and the capitalisation rate by an average 2.22% to reflect the current development in the property market. These valuation criteria and the refurbishment-related vacancies in the properties Frankfurt, Ludwig-Erhard-Anlage 2-8, Stuttgart, Breitwiesenstrasse 5-7, and Dusseldorf, Am Seestern 1, led to a net loss from the fair valuation of investment property of -k€ 61,453 for the period 1 January till 30 June 2013 after a loss of -k€ 9,101 reported for the period 1 January till 30 June 2012.

5.8 NET FINANCING EXPENSES

Net financing expenses can be broken down as follows:

	01/01 to 30/06/2013	**01/01 to 30/06/2012**
	k€	**k€**
Interest expenses	-17,111	-17,904
Expenses from the fair valuation of derivative financial instruments	-5,010	-2,444
Foreign exchange losses	0	-855
Total financial expenses	-22,121	-21,203
Gains from the fair valuation of derivative financial instruments	7,320	4,084
Other interest	51	163
Financial gains from finance lease	15	19
Gains from foreign exchange transactions	0	761
Total financial gains	7,386	5,027
Total	**-14,735**	**-16,176**

5.9 INCOME PER SHARE

The undiluted income per share is calculated as the ratio of the income due to shareholders and the average number of shares issued over the fiscal year. Since, as in the previous year, no diluting equity instruments have been issued in 2013, the undiluted and diluted income per share are identical. The income due to shareholders corresponds to the profit/loss over the respective period. The average number of shares amounts to 51,941,345 (previous year: 51,941,345) no par value shares.

	Note	01/01 to 30/06/2013	01/01 to 30/06/2012
		k€	k€
Profit/loss, attributable to shareholders		-59,803	2,405
Average number of shares issued (in thousands)	7.1	51,941	51,941
Undiluted/diluted income per share		**-1.15 €**	**0.05 €**

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	30/06/2013	0	0	413	0	0	413
	31/12/2012	*0*	*0*	*42,570*	*0*	*0*	*42,570*
Other receivables and financial assets	30/06/2013	0	1,664	1,271	0	0	2,935
	31/12/2012	*0*	*1,111*	*1,060*	*0*	*0*	*2,171*
Derivative financial instruments	30/06/2013	0	656	0	0	0	656
	31/12/2012	*0*	*1,380*	*0*	*0*	*0*	*1,380*
Cash at bank and in hand	30/06/2013	61,854	0	0	0	0	61,854
	31/12/2012	*64,399*	*0*	*0*	*0*	*0*	*64,399*
	30/06/2013	**61,854**	**2,320**	**1,684**	**0**	**0**	**65,858**
	31/12/2012	*64,399*	*2,491*	*43,630*	*0*	*0*	*110,520*
Non-current assets:							
Financial assets	30/06/2013	0	0	281	1,782	0	2,063
	31/12/2012	*0*	*0*	*331*	*1,740*	*0*	*2,071*
Derivative financial instruments	30/06/2013	0	7,693	0	0	0	7,693
	31/12/2012	*0*	*10,812*	*0*	*0*	*0*	*10,812*
	30/06/2013	**0**	**7,693**	**281**	**1,782**	**0**	**9,756**
	31/12/2012	*0*	*10,812*	*331*	*1,740*	*0*	*12,883*
Total	**30/06/2013**	**61,854**	**10,013**	**1,965**	**1,782**	**0**	**75,614**
	31/12/2012	*64,399*	*13,303*	*43,961*	*1,740*	*0*	*123,403*

The decline in accounts receivable as at 30 June 2013 compared to 31 December 2012 results from the payment of the receivable purchase price for the property Hamburg/Hammerstrasse 30/34 in the amount of 41.7 million Euro.

As at 30 June 2013, the entirely current financial assets held for trading can be broken down as follows:

	30/06/2013	31/12/2012
	k€	k€
Securities	1,664	1,111
Total	**1,664**	**1,111**

The securities have been recognised at fair value which is based on the prices in active stock markets.

The changes in financial assets between 1 January and 30 June 2013 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	Not affecting income through netting with related loans	Total
		k€	k€	k€	k€	k€
Derivatives held for trading	30/06/2013	-3,843	0	0	0	-3,843
	31/12/2012	6,016	0	0	0	*6,016*
Derivatives held for hedging purposes	30/06/2013	*0*	0	*0*	*0*	0
	31/12/2012	*0*	0	-407	-15,604	*-16,011*
Securities held for trading	30/06/2013	3	0	0	0	3
	31/12/2012	38	0	0	0	*38*
Total	**30/06/2013**	**-3,840**	**0**	**0**	**0**	**-3,840**
	31/12/2012	*6,054*	*0*	*-407*	*-15,604*	*-9,957*

Floating-to-fixed ("fixed-payer") swaps are in place for all floating rate loans to hedge against rises in interest rates. All derivative financial instruments have been recognised at fair value. The market value of interest-rate swaps and interest cap agreements has been determined by discounting future cash flows over the remaining term of the contracts based on current market rates or yield curves.

The derivatives that have been valued based on a valuation approach with input parameters that can observed in the market are interest-rate swaps and interests cap agreements. Valuation also takes into account the credit default risks presented in section 2.2 on IFRS.

The input parameters for this valuation approach are level 2 input factors that are either directly or indirectly observable in active markets.

The following swaps expired in the fiscal year or were refinanced in response to a loan prolongation. There are no other changes compared to 31 December 2012.

In € currency	Bank	Nominal value	Value date	Due date	Fixed interest rate	Floating interest rate	Due or refinanced:
Hamburg, Hammerstrasse 30/34	Unicredit	17,401,705.99 €	01/06/2010	31/01/2013	2.86%	EURIBOR-3M	Fully repaid
	Unicredit	7,457,874.00 €	31/05/2010	31/01/2013	2.86%	EURIBOR-3M	Fully repaid
Munich, Hultschiner Strasse 8	Unicredit	30,000,000.00 €	27/07/2011	30/06/2015	2%	EURIBOR-3M	Special repayment in per cent k€ 322

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

		Level 1	**Level 2**	**Level 3**	**Total**
		k€	**k€**	**k€**	**k€**
Assets held for trading	30/06/2013	0	8,349	0	8,349
	31/12/2012	0	*12,192*	0	*12,192*
Financial assets available for sale	30/06/2013	0	1,782	0	1,782
	31/12/2012	*0*	*1,740*	*0*	*1,740*
	30/06/2013	**0**	**10,131**	**0**	**10,131**
	31/12/2012	0	13,932	0	13,932

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 2012 for an explanation of the valuation levels.

6.2 ASSETS CLASSIFIED AS HELD A FOR SALE

The assets classified as held for sale can be broken down as follows:

Book values properties	**30/06/2013**	**31/12/2012**
	k€	**k€**
Munich, Hufelandstrasse 13-15	20,627	0
Munich, Hultschiner Strasse 8	182,500	0
Total	**203,127**	**0**

The assets classified as held for sale have been valued as at 30 June 2013 by the independent valuer CB Richard Ellis Deutschland GmbH. They have a market value of about 203.1 million Euro. The fair valuation of the investment properties has relevance for the assets classified as available for sale. Please refer to the notes of the IFRS-compliant individual financial statement as at 31 December 2012 for explanations on the valuation methods used for investment properties.

The two properties will be sold in order to strengthen the REIT equity ratio that must reach at least 45 % on 31 December 2013 if the Company is to retain its REIT status and in order to strengthen the Company’s liquidity.

The property located in Munich, Hufelandstrasse 13 – 15, has a plot size of 3,249 m^2 and rental space of 8,224 m^2. The main tenant of the property is BMW AG, which uses about 4,600 m^2 of the property as a design centre. The lease with BMW runs until 30 September 2023. Spaces have also been rented out to Semcon GmbH, which also signed a long-term lease until 30 September 2022. The property is fully let. The selling process is scheduled to be completed by year-end 2013.

The property located in Hultschiner Strasse 8 in Munich has a total rental space of 62,237 m^2 and a plot size of 21,942 m^2. The property is a single tenant property. It has been rented out to Süddeutscher Verlag, which signed a long-term lease until 09 October 2023. The selling process is scheduled to be completed by year-end 2013.

6.3 PLANT, PROPERTY AND EQUIPMENT

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

	30/06/2013	31/12/2012
	k€	**k€**
Office equipment	147	152
Show rooms	58	92
Other business and office equipment	37	46
Total	**242**	**290**

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

6.4 INVESTMENT PROPERTIES

Investment property assets have developed as follows:

	30/06/2013	31/12/2012
	k€	**k€**
Book value as at 01/01	907,876	970,802
Investments in portfolio properties	872	1,260
Disposal of portfolio properties	0	-44,000
Gains from fair value adjustments	242	1,150
Losses from fair value adjustments	-61,694	-21,319
Reclassification of portfolio properties in "assets classified as held for sale"	-203,127	
Correction of straight-line rent approach due to the application of IAS 40.33.	-69	-17
Total	**644,100**	**907,876**

The investment property assets have been valued as at 30 June 2013 by the independent valuer CB Richard Ellis Deutschland GmbH. Please refer to the notes of the IFRS-compliant individual financial statement as at 31 December 2012 for details on the valuation methods used.

The book value consists of the following properties:

Book values properties	30/06/2013	31/12/2012
	k€	k€
Munich, Hufelandstrasse 13-15	0	23,977
Frankfurt, Ludwig-Erhard-Anlage 2-8	119,000	155,100
Darmstadt, T-Online-Allee 1	170,300	172,500
Dusseldorf/Meerbusch, Earl-Bakken-Platz 1	16,300	16,400
Essen, Opernplatz 2	36,000	38,500
Munich, Hultschiner Strasse 8	0	186,500
Stuttgart, Phillip-Reis-Strasse 2	36,600	38,899
Essen, Alfredstrasse 236	73,100	73,000
Darmstadt, Deutsche-Telekom-Allee 7	51,700	53,300
Stuttgart, Breitwiesenstrasse 5-7	38,900	39,200
Nuremberg, Richard-Wagner-Platz 1	12,500	13,000
Heilbronn, Bahnhofstrasse 1-5	29,100	29,900
Dusseldorf, Am Seestern 1	60,600	67,600
Total	**644,100**	**907,876**

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.

6.5 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	30/06/2013	32,123	120,481	61.015	213,655
	31/12/2012	*46,539*	*171,460*	*142,084*	*360,083*

The Company has transferred the rights and obligations from all existing and future leases to the financing banks should it default 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 2012	**51,941,345**
Change in the subscribed capital	0
Number of shares on 31 December 2012	**51,941,345**
Number of shares on 01 January 2013	**51,941,345**
Change in the subscribed capital	0
Number of shares on 30 June 2013	**51,941,345**

The shares are no-par-value bearer shares each of which has a prorated share of € 1.00 in the Company's share capital. 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 real change in the market value of the interest 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€ 13,584 on 30 June 2013 (previous year: - k€ 10,172). Furthermore, k€ 1,146 were released from these reserves via the income statement during the first half of 2013. The overall resulting change of the reserves for unrealised gains/losses amounted to k€ 14,729

The reserves for unrealised gains/losses from the fair valuation of financial assets available for sale contain an accumulated k€ 264 (31 December 2012: k€ 222) change in the value of the life insurance recognised as non-current receivables and classified as "financial asset available for sale".

The book value of the Company’s net assets exceeded the Company's market capitalisation on 30 June 2013. This is due to the fact that the share is traded at a discount to its intrinsic value on account of the Company’s non-compliance with the REIT ratio and the re-letting requirements in the properties Stuttgart, Breitwiesenstrasse 5-7, Dusseldorf, Am Seestern 1, and Frankfurt, Ludwig-Erhard-Anlage 2-8.

7.2 FINANCIAL LIABILITIES

The book values of the financial liabilities as at 30 June 2013 and 31 December 2012 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	30/06/2013	384,612	117,056	0	501,668
	31/12/2012	*212,507*	*333,693*	*0*	*546,200*
Accounts payable	30/06/2013	6,426	0	0	6,426
	31/12/2012	*3,389*	*0*	*0*	*3,389*
Derivative financial instruments	30/06/2013	10,523	5,928	54,128	70,579
	31/12/2012	*4,285*	*8,667*	*78,509*	*91,461*
Other liabilities	30/06/2013	290	0	0	290
	31/12/2012	*470*	*0*	*0*	*470*
	30/06/2013	**401,851**	**122,984**	**54,128**	**578,963**
	31/12/2012	*220.651*	*342.360*	*78.509*	*641.520*

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

Non-current loans that serve to finance properties “classified as held for sale” as at 30 June 2013 are recognised on principle as current liabilities to credit institutions. Irrespective of this presentation in the financial report, the loans have the following maturities:

Property	Credit institution	Nominal value Loan	Expiry of financing
Munich, Hufelandstrasse 13-15	DG Hyp	15,630,000.00 €	30/12/2014
Munich, Hultschiner Str. 8	HypoVereinsbank (Senior Loan)	54,800,000.00 €	31/12/2028
	HypoVereinsbank KfW ERP	40,200,000.00 €	31/03/2021
	HypoVereinsbank KfW	10,000,000.00 €	31/03/2021
	UniCredit (Senior Loan II)	30,000,000.00 €	30/06/2015

The changes in the fair values of the derivatives 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 exclusively in euro.

The changes of the derivative financial instruments between 1 January and 30 June 2013 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	30/06/2013	7,298	0	0	7,298
	31/12/2012	*-2,930*	*0*	*0*	*-2,930*
Derivatives held for hedging purposes	30/06/2013	0	0	13,584	13,584
	31/12/2012	*0*	*-5,948*	*-11,400*	*-17,348*
Total	**30/06/2013**	**7,298**	**0**	**13, 584**	**20,882**
	31/12/2012	*-2,930*	*-5,948*	*-11,400*	*-20,278*

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	30/06/2013	0	52,494	0	52,494
	31/12/2012	*0*	*68,113*	*0*	*68,113*

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 2012 for an explanation of the valuation levels.

The conditions and terms of the loans have remained unchanged versus the IFRS-compliant individual financial statement as at 31 December 2012 with two exceptions. The repayment schedule of the two tranches of the COREALCREDIT BANK AG loan for Darmstadt, T-Online-Allee 1 was adjusted to the corresponding swap contracts. Furthermore, the fixed-interest period of the Hypovereinsbank financing (senior loan II) was prolonged to 30 September 2013 and the nominal interest rate premium was reduced from 1.80% to 1.20%.

The loans have been secured with extensive collateral recorded in the land registries competent for the relevant properties. The registered loan collateral has decreased by € 55.4 million compared to the IFRS-compliant individual financial statement for 31 December 2012. In the first half of the year, the following discharges were effected in the land registry entries of the respective properties: Munich, Hufelandstrasse 13-15, in the amount of € 8.5 million, Nuremberg, Richard-Wagner-Platz 1, in the amount of € 5.0 million and Hamburg, Hammerstrasse 30/34, in the amount of € 41.9 million.

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 three 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)	30/06/2013	31/12/2012
	k€	k€
Cash and cash equivalents	**61,854**	**64,399**
Securities	**1,664**	**1,112**
Cash fund	**63,518**	**65,511**
Of these, not available for use by the Company under IAS 7.48	59,971	58,402

The financial assets not available for use consist of pledged accounts in the amount of k€ 45,226 (31 December 2012: k€ 45,226) for the property financings in Dusseldorf, Stuttgart-Moehringen, Frankfurt and Nuremberg. The pledged amounts may only be used for future prepayments and property-specific investments for the said properties.

The item also includes cash sweep accounts in the amount of k€ 5,894 (previous year: k€ 6,444) 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 k€ 1,002 have been pledged to COREALCREDIT BANK AG since fiscal year 2012 for the property Darmstadt, T-Systems; the amount will be used for another early prepayment at the end of the loan term. This amount is being saved in monthly instalments and amounted to k€ 501 as at 30 June 2013.

In addition, a rent deposit of k€ 26 (previous year: k€ 15) has been invested as interest bearing collateral in a fixed-term deposit.

The rent guarantee in the amount of k€ 2,172 (previous year: k€ 0) the Company received for the property Stuttgart, Philipp-Reis-Strasse 2, has also been pledged. This amount is being used for monthly repayments in the amount of k€ 88 and will expire on 30 June 2015.

A full cash sweep account (account to collect rental income) has been agreed as collateral for the property in Frankfurt. It held a balance of k€ 6,152 (previous year: k€ 6,466) at the reporting date. 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 63% (31 December 2012: 50%) or € 28.1 million (31 December 2012: € 32.1) of the total rental income. Two of the three leases generate rental income of approximately € 22.4 million (31 December 2012: approximately € 22.4 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 2012 on page 66 et seqq. (risk management). The risk situation has not materially changed over the first half of 2013.

The opportunities of Prime Office REIT-AG are described in detail in the annual report 2012 on page 87 et seqq. (r eport on opportunities).

10.2 EVENTS AFTER THE BALANCE SHEET DATE

Supervisory board member Dr Lutz Mellinger has stepped down as member of the supervisory board of Prime Office REIT-AG. His activities for the Company ended on 27 July 2013. The management board and the supervisory board of the Company thank him for the trusting, constructive and pleasant collaboration.

On 30 July 2013, the company concluded a long-term lease for about 11,300 m^2 with Daimler AG, Stuttgart, for the property in Stuttgart/Moehringen. This increases occupancy in the property from approximately 39 % or 30 June 2013 to about 85 % on 01 January 2014.

When publishing additional transaction details on the planned merger of the Company with OCM German Real Estate Holding AG, Prime Office REIT-AG also communicated on 7 August 2013 that the ordinary general meeting has been postponed to 24 September 2013.

10.3 RELATED PARTIES

Prime Office REIT-AG has business relationships with related parties. These include the members of the executive and supervisory boards of Prime Office REIT-AG.

Another related party is Stefan Giesler who is a member of the supervisory board of Prime Office REIT-AG and a partner of optegra GmbH & Co. KG Steuerberatungsgesellschaft und Wirtschaftsprüfungsgesellschaft.

Optegra provides accounting and controlling services for the Company which mainly consist of accounting, financial reporting in line with the German Commercial Code and the preparation of the IFRS-compliant individual financial statement, half-yearly financial reporting and quarterly reporting.

The Company's expenses for these services in the first half of 2013 amounted to k€ 371.
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 (until 28 June 2013),

Mr Alexander von Cramm, Deputy CEO (until 30 June 2013) and CEO (from July 2013), specialist for business administration,

Mr Richard Berg, Deputy CEO, specialist for business administration (from 1 July 2013)

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, tax adviser,

Prof. Dr. Harald Wiedmann, auditor,

Dr. Lutz Mellinger, specialist for business administration (until 27 July 2013).

Munich, 07 August 2013

Alexander von Cramm	Richard Berg
(CEO)	(Deputy CEO)

REPRESENTATION OF THE LEGAL REPRESENTATIVES

"We hereby confirm to the best of our knowledge that the management report describes the business development including the results of operations and the position of the Company in a way that truly reflects the actual situation and describes the major opportunities and risks of the probable development of the Company."

Munich, 07 August 2013

Alexander von Cramm	Richard Berg
(CEO)	(Deputy CEO)

Information on Prime Office REIT-AG

Subscription Price	6.20 Euro
XETRA closing price 28 June 2013	3.57 Euro
Low / high over the reporting period	2.96 Euro / 4.25 Euro
Market capitalisation as at 28 June 2013	185.4 million Euro
Official Market	Prime Standard, Frankfurt and XETRA
Index	FTSE EPRA/NAREIT Global Real Estate Index Series, RX REIT Index, SDAX Index
Number of shares	51,941,345 shares
Stock Market Symbol	PMO
Security Code (WKN)	PRME01
ISIN	DE000PRME012
Designated Sponsors	Berenberg Bank, Close Brothers Seydler

Corporate calendar 2013

08/08/2013	Half-year report 2013
24/09/2013	General shareholders' meeting
04/09/2013	SRC Forum Financials & Real Estate, Frankfurt
23 – 25/09/2013	German Corporate Conference Berenberg/ Goldman
24 – 26/09/2013	Baader Investment Conference, Munich
24 – 26/09/2013	German Investment Conference UniCredit, Kepler
07 – 09/10/2013	expo real, Munich
04/11/2013	Nine-months report 2013
11 – 13/11/2013	Deutsches Eigenkapitalforum, Frankfurt
21–23/11/2013	Führungstreffen Wirtschaft, Berlin
December 2013	Small- & MidCap-Conference CB Seydler, Geneva

Contact

Prime Office REIT-AG
Hopfenstrasse 4
80335 Munich
Telephone: +49. 89 710 40 90-0
Facsimile: +49. 89 710 40 90-99
Email: info@prime-office.de
www.prime-office.de

IR & PR contact

Richard Berg
Director

Telephone: +49. 89 710 40 90-40
Facsimile: +49. 89 710 40 90-99
richard.berg@prime-office.de

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