Prime Office

Prime Office REIT-AG

Financial Report For The First Nine Months Of 2012

CONTENT

Prime Office REIT-AG in Q1-Q3/2012 at a glance

- Substantial increase of funds from operations (FFO) in Q1-Q3/2012 by 28.2% to 19.6 million Euro from 15.3 million Euro in Q1-Q3/2011
- Sustainable improvement of financial result from -31.8 million Euro in the previous year to -24.2 million Euro in Q1-Q3/2012 as a result of substantially lower net debt
- Net income of 7.3 million Euro or 0.14 Euro per share in the reporting period as a result of valuation effects and temporary vacancies: “EPRA earnings” i.e. the net income adjusted by valuation effects, increase significantly by 44.4% to 15.6 million Euro (Q1-Q3/2011: 10.8 million Euro)
- On-going financial crisis: Interest rate levels continue to cause non-cash losses of about 12.3 million Euro of the valuation of the derivative hedges (swap market values)
- Net leverage increases slightly to 576.3 million Euro in spite of a loan repayment (12.8 million Euro) as a result of the valuation of the interest rate hedges: Leverage at 60.0%, loan-to-value at 64.9%
- REIT equity ratio of 41.5% slightly up versus mid-year (41.4%). Equity ratio still below the 45% threshold under the REIT law due to the swap valuations
- Net asset value per share increases from 8.86 as at 30 June 2012 to 8.94 as at 30 September 2012
- Sale of Imtech Headquarters in Hamburg: Use of free cash (approx. 16 million Euro) from the sale inter alia to repay existing financings early at interest rates which are significantly higher than the current interest rate level (future net financial results will be relieved); expected profit of about 5.7 million Euro (German Commercial Code, HGB) will be carried forward as potential future dividends; the sale also strengthens the REIT equity ratio
- Board increases FFO guidance for 2012: At revenues of 72 – 74 million Euro the board increases its FFO guidance by 3 million Euro from originally 17 – 19 million Euro to 20 – 22 million Euro. The dividend guidance for the financial year 2012 is confirmed at last year's level of 9 – 12 million Euro in the interest of a stable corporate risk profile

OVERVIEW OF KEY FINANCIALS AS AT 30 SEPTEMBER 2012

Earnings figures and employees In million Euro (IFRS)	01/01-30/09/2012	01/01-30/09/2011	Delta in %
Rental and lease revenues	54.7	56.8	-3.7%
Rental and lease income	46.8	49.1	-4.6%
Operating income (EBIT)	31.5	42.3	-25.6%
Financial result	-24.2	-31.8	23.7%
Income for the reporting period	7.3	10.6	-31.6%
Income per share (in Euro)	0.14	0.36	-61.2%
EPRA earnings per share	0.30	0.21	44.3%
Funds from operations (FFO)	19.6	15.3	28.2%
FFO per share	0.38	0.29	28.2%
Employees (individuals)	9	8	n.a.

Balance sheet data In million Euro (IFRS)	30/09/2012	31/12/2011	Delta in %
Investment properties	961.1	970.8	-1.0%
Cash at bank and in hand	121.1	114.5	5.8%
Total assets	1,119.7	1,130.5	-1.0%
Equity	398.5	418.0	-4.7%
REIT equity ratio (in percent)	41.5	43.1	-3.8%
Total debt	721.2	712.6	1.2%
Net debt	576.3	561.5	2.6%
Leverage (in percent)	60.0	57.8	3.7%
Loan-to-value (in percent)	64.9	65.2	-0.4%
Net asset value (NAV)	464.4	471.6	-1.5%
NAV per share (in Euro)	8.94	9.08	-1.5%

LETTER FROM THE BOARD

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

Prime Office REIT-AG generated strong funds from operations (FFO) in the first nine months of fiscal year 2012 while particularly the market valuation of the derivative interest rate hedges (swap market values) proved a drag on the equity of Prime Office REIT-AG. Even though the Company registered temporary vacancies (about 5%) and higher rental and lease expenses on the back of intensive marketing and planning activities for the properties that require re-letting, its solid property and tenant base enabled Prime Office REIT-AG to generate 7.3 million Euro or 0.14 Euro per share in net income over the first nine months to the end of September 2012, compared to 10.6 million Euro in the prior year period. The net income adjusted by valuation effects (“EPRA earnings”), on the other hand, increased significantly over the first nine months of the fiscal year 2012 from 10.8 million Euro or 0.21 Euro per share in the prior year period to 15.6 million Euro or 0.30 Euro per share. Overall FFO substantially exceeded the guidance in the reporting period, amounting to 19.6 million Euro or 0.38 Euro per share. With this in mind and in view of the expected business development in Q4/2012, the board increased the FFO target for 2012 by 3 million Euro from 17 – 19 million Euro to 20 – 22 million Euro. The dividend guidance for the financial year 2012 was meanwhile confirmed at 9 – 12 million Euro in the interest of a stable corporate risk profile.

Even though the REIT equity ratio improved slightly compared to mid-year 2012, reaching 41.5% on 30 September 2012, it still remained below the statutory equity ratio of 45% on that date since the market values of existing interest rate and currency hedges (swap transactions) were subject to interest rate movements. By midyear 2011, i.e. when our Company started trading on the stock exchange, the aggregate market value of its active and passive derivative financing instruments had amounted to -22.4 million Euro. 15 months later, on 30 September 2012, this market value had declined to -65.9 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.

Due to temporary vacancies in individual properties, rental and lease revenues over the first three quarters of 2012 amounted to about 54.7 million Euro compared to 56.8 million Euro in the prior year period. Higher rental and lease expenses for the properties that require re-letting or have temporary vacancies resulted in rental and lease income of 46.8 million Euro from January to September 2012, down about 4.6% from the prior year level (49.1 million Euro).

Other operating expenses declined to approximately 3.5 million Euro over the reporting period, down from 6.4 million Euro in the previous year, which still included IPO costs of 3.7 million Euro. Expenses for employee benefits amounted to an overall 1.3 million Euro in the first three quarters of 2012, compared to 0.9 million Euro in the prior year period. At the time, the Company had eight employees overall, while it had nine employees on 30 September 2012 and ten employees till mid-year 2012.

Prime Office REIT-AG increased its operating income before valuation result (EBIT before valuation effects) by 0.3 million Euro to 42.1 million Euro over the reporting period, up from 41.8 million Euro in the prior year period. The financial result of Prime Office sustainably improved in Q1-Q3/2012: As expected, the financial result defined as the balance of finance income and expenses significantly improved year on year over the reporting period to -24.2 million Euro (Q1-Q3/2011: -31.8 million Euro). Interest expenses declined by an overall 3.4 million Euro or 11.4% from 29.9 million Euro in the prior year period to 26.2 million Euro in the reporting period.

Prime Office REIT-AG generated net income of 7.3 million Euro after 10.6 million Euro in Q1-Q3/2011, which was mainly due to the revaluation of the property portfolio at market rates, temporary vacancies in individual properties and marketing activities for the properties that require re-letting. The “EPRA earnings“, on the other hand, i.e. the net income adjusted by the effects from the fair valuation of the property portfolio and the derivative financing instruments, increased significantly from 10.8 million Euro in the prior year period to 15.6 million Euro in the first three quarters of 2012. The “EPRA earnings” per share therefore increased from 0.21 Euro per share by 44.3% to 0.30 Euro over the reporting period.

According to the market reports of the globally operating property services provider Jones Lang Lasalle (JLL), the office letting market proved resilient in the first nine months of 2012 even though letting volumes in Germany’s seven major office markets declined by 14% year on year. JLL further reports that decision-making processes are again starting to take substantially more time, due diligences are lengthy and particularly thorough and negotiations are protracted. Some plans for expansion are again being shelved or tenants must re-investigate potential efficiency increases for existing spaces before budgets for new rental premises are approved.

Although the portfolio of Prime Office has a weighted average lease term of approximately 6.3 years and a 95% occupancy rate, spaces of various sizes in the properties in Stuttgart, Frankfurt and Dusseldorf require re-letting. A major tenant in Heilbronn announced that in March 2013 it will move out of its approximately 3,100 m^2. Prospective new tenants for these spaces have already been identified. Similarly, the tenant in the Nuremberg property announced that it will not use these spaces longer term. Still, while this lease would originally have expired in 2013, the tenant prolonged the contract until the end of 2014. Overall, substantial letting and marketing activities are under way for all properties that require re-letting. New sample office space has been fitted out in the emporia (Stuttgart) to facilitate this process. Meanwhile, the fire prevention measures in the Westend-Ensemble (Frankfurt) could be completed and additional new show rooms in the Westend-Palais and the Senckenberg-Carré could be set up to support the marketing activities. Prime Office is still planning extensive reconstruction and refurbishment measures in the properties in Frankfurt and Dusseldorf, the most part of which will be carried out in fiscal year 2013. As a result, the properties in Frankfurt and Dusseldorf are still expected to be ready for occupation at the beginning of 2014.

The contract for the sale of the Imtech building in Hamburg was notarised on 02 November 2012. Economic ownership will be transferred to the buyer on 31 December 2012. Thanks to the sale of the modern property free cash of approx. 16 million Euro is to be expected after deduction of rent, other costs and repayment of financings. From this, a financing with an interest rate of more than seven percent will be repaid early. As a consequence, future net financial results will be relieved. The expected profit from the sale of about 5.7 million Euro according to the German Commercial Code (HGB) will be carried forward as potential future dividends. The sale of the Hamburg property also strengthens the REIT equity ratio by about 2 percentage points.

The lock-up period for the pre-IPO shareholders from the various DCM investment companies that had been involved in Prime Office irrevocably expired at the end of 01 July 2012. After about 5.7 million shares from the holdings of pre-IPO shareholders were placed with institutional investors in an accelerated book building procedure in mid-June, the share recovered substantially from its low of 2.73 Euro and was trading in a range between 3.19 and 3.61 Euro. It closed at 3.40 Euro at the end of the quarter. The shares of the pre-IPO shareholders were transferred to the accounts of the former unit holders until mid-July 2012, making these pre-IPO shareholders direct shareholders of Prime Office. While the capital market had been concerned about a share overhang and the related massive selling pressure from pre-IPO shareholders at the end of the lock-up period, this scenario did not materialise.

The IPO has given the Company a healthy foundation based on which it can actively participate in shaping the German office property market as a specialised REIT with a focus on quality office properties in Germany. The management will focus mainly on achieving the letting targets and promoting its existing organic growth potential through active and value adding asset management. In this context, dear Shareholders, we will not relent in our efforts to bring down the excessively high discount on the net asset value of the Prime Office share.

Yours sincerely

The Board of Prime Office REIT-AG

Economic review

MACROECONOMIC DEVELOPMENT

The global economy is increasingly dampened by the euro crisis. Global trade growth already slowed in 2011, and the International Monetary Fund (IMF) is expecting more weakening ahead in 2012 (World Economic Outlook, WEO Update, published in October 2012). It therefore revised its projections for 2012 down from previous estimates in July 2012. Still, world trade is expected to increase overall, as is global production, particularly since the emerging and developing countries are proving relatively resilient. The developed countries remain on their growth trajectory, too, but the IMF revised its previous growth forecasts from July 2012 down to 3.3% (-0.2 percentage points) for 2012 and 3.6% (-0.3 percentage points) for 2013.

The euro zone economy will likely contract by 0.4% in 2012 before recovering very slightly in 2013 (0.2%). Germany will continue to grow according to the IMF in spite of the economic slowdown in Europe and the world. The IMF kept its growth forecast for 2012 unchanged at 0.9%, but the estimate for German growth in 2013 was revised down by 0.5 percentage points to now 0.9%.

Leading economic research institutions in Germany, who presented their joint autumn report in Berlin in October 2012, warned that the German economy will increasingly feel the effects of the euro crisis and will therefore grow only half as quickly as previously anticipated. Overall, the economists now expect the economy to grow by 0.8% in 2012 and 1.0% in 2013, while they had still forecasted 0.9% for 2012 and 2.0% for 2013 in the spring of this year.

The economic outlook for Germany as reflected in the ZEW index published by the German Centre for European Economic Research (ZEW) remained depressed in October 2012 even though the index slightly improved from previous month’s levels. This increase suggests that the financial market experts who participated in the survey believe that the economic risks have diminished, among other things as a result of the European Central Bank’s resolve to buy “unlimited” amounts of sovereign debt under certain conditions.

The German government‘s report on the economic situation of the country portrays the German economy as relatively resilient even though it is increasingly feeling the effects of the weak European and global environment. Momentum is generally depressed and there are substantial downside risks although some survey-based sentiment indicators have picked up slightly in September 2012 after sometimes substantial declines in the previous months. Business sentiment remains subdued, however. In its autumn projections, the German government forecasts a 0.8% increase in real GDP for 2012 and a 1.0% increase in 2013, which is, however, a downward revision of its spring projections.

The generally weaker economy increasingly takes its toll on the labour market, which is less buoyant, even though the Federal Employment Agency has not yet signalled a trend reversal. While unemployment rose slightly over the past six months, the German government still expects a year-on-year decline in average annual unemployment in 2012.

THE PROPERTY OFFICE MARKET IN GERMANY

The German property market remains resilient and largely stable in spite of the difficult economic environment, which remains dominated by the turmoil surrounding the euro. While transaction volumes over the first nine months of the year are still slightly down year on year, the global property service provider Jones Lang Lasalle (JLL) reports that momentum in the German investment market has been picking up in the third quarter of 2012 after transaction volumes had declined in the second quarter of 2012 following an upbeat start into Q1/2012. While transaction volumes of 14.9 billion Euro over the first nine months of 2012 fell 14% short of last year's levels, JLL expects a substantial number of deals to close in the fourth quarter so that overall transactions could realistically reach 21 - 23 billion Euro in 2012 and almost touch prior year levels if they come in at the top of the range.

Single-property transactions again dominated the market with about 82% while portfolio deals accounted to less than a fifth. JLL reports that foreign investors particularly from the pension fund and insurance sectors are generally still interested and view Germany as a favourite investment destination in the euro zone. The share of office investments increased to about 44% over the first nine months of 2012, up from approximately 25% in the previous year.

While letting activities over the first nine months to September fell by about 14% year on year, the office letting market still registered take up for about 2.2 million m^2 and proved fairly resilient as a result. As in the past quarters, however, variations across individual markets were substantial. Berlin remained almost stable over the 9-month period on the back of higher take-up, while Dusseldorf, Hamburg, Cologne and Stuttgart declined disproportionately by 22 and 23% respectively. Overall office take-up in the seven major office markets declined by 13% over the first nine months to September 2012. JLL continues to forecast a letting volume of about 3 million m^2 in 2012, which would represent a 16% decline compared to 2011.

New construction across Germany remains subdued in 2012 in spite of a slight increase in completions, leading JLL to expect a year on year decline. Cumulative vacancies amount to about 8 million m^2 or 9% according to JLL calculations, which translates into a year on year decline of more than 7%. Letting („occupied office space“) remained more or less stable in the third quarter of 2012 across Germany's seven major office markets according to JLL.

Vacancy levels in Frankfurt (13.1%) and Dusseldorf (11.3%) substantially exceed the average of the major German office markets, while they amounted to approximately 8.7% in Munich and its surrounding communities, 8.1% in Hamburg and 5.7% in Stuttgart.

Top rents increased year on year across all major office markets with the exception of Frankfurt, where rents still stagnated. JLL does not expect rents to increase any further from here since demand has slackened and led to a slowdown. Top office rents in Dusseldorf, Frankfurt, Hamburg, Munich and Stuttgart fell compared to Q3/2011, reaching 4.8% in Frankfurt and Stuttgart, 4.7% in Dusseldorf and 4.5% in Munich.

Portfolio report

THE PROPERTY PORTFOLIO OF PRIME OFFICE-REIT AG

The portfolio of Prime Office REIT-AG currently consists of 14 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.

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

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

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

The portfolio's weighted average term of lease of 6.5 years as at 30 June 2012 was only slightly down compared to 31 December 2011 (6.8 years), mainly due to the early lease prolongation signed by the tenant BMW for the BMW-Designcenter in Hufelandstraße, Munich, in June 2012. Following a purchase price offer submitted by an external third party, the fair value of the property in Hammerstraße 30/34 in Hamburg was reduced by 1.6 million Euro to 44.0 million Euro as of September 30, 2012.

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

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

*The sale of the property was notarised on 02 November 2012. Economic ownership will be transferred to the buyer on 31 December 2012

Source: Market valuation CBRE (30 June 2012)

PROPERTY PORTFOLIO OF PRIME OFFICE REIT-AG

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

* The sale of the property was notarised on 02 November 2012. Economic ownership will be transferred to the buyer on 31 December 2012. Following a purchase price offer, the fair value of the was reduced by 1.6 million Euro to 44.0 million Euro as of 30 September 2012.

Source: Market valuation CBRE (30 June 2012)

Corporate development

Business development over the first 9 months of the fiscal year 2012 resulted in a higher increase of funds from operations than originally anticipated. With this in mind, the board increased the FFO targets for 2012 by 3 million Euro from originally 17 – 19 million Euro to 20 – 22 million Euro. The dividend guidance for the fiscal year 2012 was meanwhile confirmed at last year's level of 9 – 12 million Euro in the interest of a stable corporate risk profile. Overall, particularly the non-cash impact on the market valuation of the long-term interest rate and currency hedges (swap market values), the shorter remaining terms of lease in Frankfurt and Dusseldorf, marketing activities for the properties that require re-letting and temporary vacancies took their toll on the Company's performance in the first three quarters of 2012.

In total, Prime Office REIT-AG generated 54.7 million Euro in revenues and 7.3 million Euro or 0.14 Euro per share in net income, compared to 10.6 million Euro or 0.36 Euro per share in Q1-Q3/2011. The „EPRA earnings“, i.e. the net income adjusted by the valuation effects on the other hand, did very well: With 15.6 million Euro, the “EPRA earnings” increased significantly year on year (up from 10.8 million Euro). The EPRA earnings per share increased likewise from 0.21 Euro in the previous year to 0.30 Euro in the reporting period.

Revenues

Rental and lease revenues amounted to 54.7 million Euro due to temporary vacancies (Q1-Q3/2011: 56.8 million Euro) over the first nine months of the fiscal year 2012. Other rental and lease revenues, on the other hand, increased year on year from 0.7 million Euro to 1.0 million Euro.

The marketing activities for the properties in Frankfurt, Dusseldorf, Stuttgart and Nuremberg, the related planning costs and the asset management fee paid under the contract concluded in 2007, resulted in an approximately 0.4 million Euro or 4.7% increase in rental and lease expenses to 8.9 million Euro over the reporting period. As a result, rental and lease expenses over the first three quarters of 2012 accounted for 16.3% of the revenues (Q1-Q3/2011: 14.9%) in total. This resulted in rental and lease income of 46.8 million Euro (Q1-Q3/2011: 49.1 million Euro) for Prime Office REIT-AG over the reporting period.

Other operating income was about 0.2 million Euro in the first nine months of the fiscal year 2012 and at the level from the prior year period. Other operating expenses declined to about 3.5 million Euro in the reporting period from approximately 6.4 million Euro in the prior year period, which, at the time, still contained IPO costs of 3.7 million Euro. Other operating expenses related inter alia to legal and advisory costs, disclosure costs, costs of the property valuation and auditing costs.

Expenses for employee benefits amounted to an overall 1.3 million Euro in the first nine months of 2012, compared to 0.9 million Euro in the prior year period.

Depreciation and amortization over the reporting period increased to about 82 k Euro in the reporting period and was mainly due to the on-schedule depreciation of office furniture and equipment in the show rooms (sample spaces) of the properties in Frankfurt and Dusseldorf. This compares to approximately 71 k Euro in the prior year period.

Operating income before valuation effects up year on year

The overall operating income before valuation effects increased slightly year on year by 0.3 million Euro to 42.1 million Euro (Q1-Q3/2011: 41.8 million Euro) in spite of temporary vacancies and higher rental and lease expenses.

Unrealised losses from the fair valuation of properties in the amount of 10.6 million Euro were recorded for the reporting period, i.e. for the first nine months of the fiscal year 2012. This number includes a 1.6 million Euro revaluation of the property in Hamburg as at 30 September 2012.

Operating earnings (EBIT) of 31.5 million Euro

As a result of the revaluation of the property portfolio at market rates and the temporary vacancies, Prime Office REIT-AG generated operating earnings (EBIT) of 31.5 million Euro in the first nine months of fiscal year 2012, compared to 42.3 million Euro in Q1-Q3/2011.

Financial result sustainably improved

As expected, the financial result defined as the balance of finance income and finance expenses significantly improved year on year in the reporting period to -24.2 million Euro (previously -31.8 million Euro). Interest expenses declined by 8.8 million Euro or 22.3%, from 39.5 million Euro in Q1-Q3/2011 to 30.7 million Euro in the reporting period. Earnings before income taxes (EBT) amounted to 7.3 million Euro over the first nine months of the fiscal year 2012 compared to 10.6 million Euro in the prior year period.

Net income of 7.3 million Euro in the first three quarters of 2012 - significant increase of „EPRA earnings“ to 15.6 million Euro

Prime Office REIT-AG generated a net income of 7.3 million Euro (Q1-Q3/2011: 10.6 million Euro) over the reporting period, which was mainly due to slight adjustments of the property portfolio's market value, temporary vacancies in individual properties and increased marketing activities for the properties that require re-letting. The „EPRA earnings“, which are adjusted by one-off or special effects from the fair valuation of the property portfolio and the derivative financing instruments, increased by a significant 4.8 million Euro or about 44% from 10.8 million Euro in the previous year to 15.6 million Euro in the reporting period.

With about 51.9 million issued shares, Prime Office generated income per share in the amount of 0.14 Euro in the reporting period, compared to 0.36 Euro in the prior year period. Conversely, the EPRA earnings per share increased substantially year on year to 0.30 Euro (Q1-Q3/2011: 0.21 Euro).

Funds from operations exceeded guidance and reached 19.6 million in Q1-Q3/2012
With 19.6 million Euro or 0.38 Euro per share, funds from operations (FFO) exceeded the guidance in Q1-Q3/2012 (Q1-Q3/2011: 15.3 million Euro or 0.29 Euro per share).

Funds from operations (FFO)

		9 months 2012	**9 months 2011**
		mm €	mm €
	Operating earnings (EBIT)	**31.5**	**42.3**
-	Unrealised valuation gains from the fair valuation of investment properties	0.0	0.5
+	Unrealised valuation losses from the fair valuation of investment properties	10.6	0.0
+	Depreciation and amortisation	0.1	0.1
-	Interest paid	22.5	28.6
+	Interest received	0.2	0.3
-	Interest (balance of interest paid and received)	22.3	28.3
+	Interest adjustment at the end of the period	-0.3	1.7
	Funds from operations (FFO)	**19.6**	**15.3**
	Funds from operations per share (weighted)	**0,38 €**	**0,29 €**

Cash flow of Prime Office REIT-AG

The operating cash flow, which is defined as the excess cash from operating activities, increased by 38.7% to 21.5 million Euro over the first nine months of the fiscal year 2012, compared to 15.45 million Euro in Q1-Q3/2011. The improvement results mainly from substantially lower interest payments compared to the prior year period and the repayment of loans that had been extended to several DCM investment companies.

Due to the investments of the Company in portfolio properties, which also include investments in show rooms etc., the cash flow from investment activities increased from -0.4 million Euro in Q1-Q3/2011 to 0.1 million Euro. The cash flow from financing activities in the first nine months of fiscal year 2012 resulted mainly from the repayment of existing bank loans in the amount of 12.8 million Euro and the dividend of 11.9 million Euro paid in May 2012. The cash flow from financing activities over the reporting period amounted to approx. -25.0 million Euro.

ASSETS AND FINANCIAL SITUATION

Balance sheet of Prime Office REIT-AG

Total assets of Prime Office REIT-AG as at 30 September 2012 decreased by 10.8 million Euro or 1.0% from 1,130.5 million Euro as at 31 December 2011 to 1,119.7 million Euro.

On the asset side of the balance sheet, the current assets decreased to 144.9 million Euro as at 30 September 2012 (31 December 2011: 151.1 million Euro), which was mainly due to the decline in other receivables and accounts receivable. Cash at bank and in hand of 121.1 million Euro form part of the current assets; they increased by about 6.6 million Euro or 5.8% compared to 31 December 2011 in spite of the dividend (11.9 million Euro) paid in May 2012. The increase resulted from the repayment of loans extended to DCM investment companies and the surpluses from operating activities over the reporting period. A derivative financial instrument in connection with a Swiss franc financing for the T-Online-Headquarters in Darmstadt was valued at 16.0 (31/12/2011: 16.0) million Euro on 30 September 2012.

The non-current assets as at 30 September 2012 amounted to 974.8 million Euro (31/12/2011: 979.4 million Euro) and consisted mainly of the investment properties, which amounted to 961.1 million Euro (31/12/2011: 970.8 million Euro). With 11.3 million Euro as at 30 September 2012, the market value of derivative financial instruments has almost doubled compared to 31 December 2011 (6.2 million Euro). The Company also holds non-current financial assets of about 2.1 million Euro (31/12/2011: 2.1 million Euro), which consist largely of an insurance policy with paid-up status taken out in the context of a property financing.

The REIT equity ratio improved slightly compared to the first half of the year, reaching 41.5% on 30 September 2012. The market valuation of the swaps proves a drag on the REIT equity ratio, which is still below the 45% threshold

The ongoing financial and euro crisis and the consistently low interest rate environment weighed on the equity in the first nine months of the fiscal year 2012 through the valuation of the long-term derivative interest and currency hedging instruments (interest rate and currency swaps) for the property financings of Prime Office REIT-AG. The dividend of 11.9 million Euro paid on schedule in May 2012 also resulted in a decrease of the equity. Overall, the equity declined from 418.0 million Euro as at 31 December 2011 to 398.5 million Euro as at the balance sheet date on 30 September 2012.

With investment property assets of 961.1 million Euro, the REIT equity ratio slightly improved to 41.5% as at the balance sheet date on 30 September 2012, compared to 41.4% as at 30 June 2012. On 30 September 2012, the equity ratio was therefore still below to the 45% threshold stipulated by the REIT law. However, this law 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 subscribed capital grew by 34.5 million Euro to an overall 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 September 2012. The capital reserves of 625.3 million Euro therefore remained equally unchanged on 30 September 2012. Including reserves for unrealised gains/losses from cash flow hedges (interest rate swaps) of -73.7 million Euro, reserves for unrealised gains/losses from cash flow hedges (currency swaps) of 0.1 million Euro, reserves for assets held for trading of 0.2 million Euro and the net income of 7.3 million Euro that was netted in the balance sheet result, Prime Office REIT-AG held 398.5 million Euro in equity as at the balance sheet date on 30 September 2012.

Net debt at 576.3 million Euro, net debt at 60.0%, LTV at 64.9%

With 721.2 million Euro as at 30 September 2012, the sum of current and non-current liabilities of Prime Office REIT-AG had slightly increased compared to 31 December 2011 (712.6 million Euro). This was due to the valuation of derivative financial instruments that lock in interest over the term of the loan and whose market value is invariably zero at maturity. The sum of current and non-current financial liabilities (ex derivatives) fell from 632.7 million Euro as at 31 December 2011 to 624.2 million Euro as at the balance sheet date on 30 September 2012, which was largely due to repayments. Adjusted by the valuation effects from derivative financing instruments, the sum of current and non-current liabilities would have decreased substantially.

	FORMULA		31/09/2012	31/12/2011
Total liabilities	Current + non-current liabilities	(in million Euro)	721.2	712.6
Net debt	Total debt - current assets	(in million Euro)	576.3	561.5
Leverage	Net debt : property market values	in %	60.0	57.8
Loan-to-value	Liabilities to credit institutions : property market value	in %	64.9	65.2
REIT equity ratio	Equity : market value of the properties	in %	41.5	43.1

As at the balance sheet date on 30 September 2012, the Company had current liabilities of 177.7 million Euro, compared to 160.4 million Euro as at 31 December 2011. This includes trade receivables of 2.8 million Euro (31/12/2011: 2.7) million Euro. The other current liabilities in the amount of 0.5 million Euro fell slightly compared to the end of 2011 (0.6 million Euro). They now include only accrued rent, since previous liabilities to fund KGs of the DCM Group have been repaid. The liabilities to tax authorities consist of payable value-added tax. With about 0.6 million Euro, these liabilities are slightly below the year-end level (31 December 2011: 0.9 million Euro).

The non-current financial liabilities as at 30 September 2012 amounted to 450.4 million Euro and thus substantially fell below the level at year end 2011 (476.4 million Euro).

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

The on-going interest rate development again led to a substantial increase of the negative market values of derivative financial instruments (-75.8 million Euro at year end 2011 to -93.2 million Euro as at 30 September 2012). 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.

Net asset value

As at the balance sheet date on 30 September 2012, the overall net asset value (NAV) of Prime Office REIT-AG reached 464.4 million Euro, compared to 471.6 million Euro as at year end 2011. This resulted in an NAV per share of 8.94 Euro as at 30 September 2012, which is slightly above the mid-year 2012 level (8.86 Euro per share) but below the year-end level of 2011 (9.08 Euro).

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

		30 Sep 12	30 Sep 11
		mm €	mm €
	Equity	398.5	421.1
-	Derivative financial instruments (assets), of these:	27.2	19.5
	current	16.0	0.0
	non-current	11.3	19.5
-	Deferred tax assets	0.0	0.0
+	Derivative financial instruments (liabilities), of these:	93.2	63.0
	non-current	93.2	63.0
+	Deferred tax liabilities	0.0	0.0
	Net asset value (NAV)	**464.4**	**464.6**
	Net asset value per share	**8.94**	**8.94**
	(unweighted shares)		

Staff

Prime Office REIT-AG has a lean personnel structure. It had 9 employees overall on 30 September 2012 (previous year: 8). The Company is now also represented by only two board members after the contract of board member Heinz-Theo Tetsch expired at his own request on 30 June 2012.

	Staff
AS OF 30/09	TOTAL
Management board	2
Asset management	3
Other	4
Total	9

Effective 01 April 2012, an employee for technical asset management was added to the existing asset management team.

Risk management

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

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

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

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

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

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

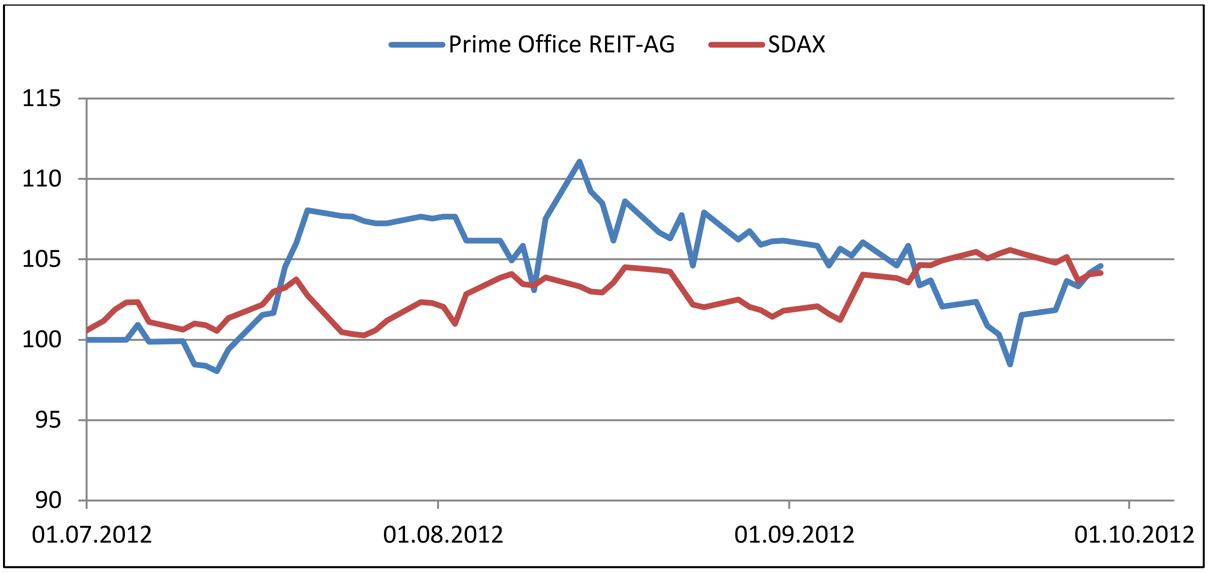
As any other company, Prime Office REIT-AG faces potential risks that can meaningfully impact its business, assets, financial situation and income.

The Prime Office share

DEVELOPMENT OF THE PRIME OFFICE SHARE PRICE

Capital market sentiment was largely positive over the third quarter of this fiscal year. The quarter started off with monetary policy moves by several central banks. The European Central Bank (ECB) cut interest rates, as did the Chinese and the Danish central bank, and the market reacted largely positively. Conversely, the decision-making process of the German High Court on whether or not the European Stability Mechanism (ESM) complied with applicable law weighed on market sentiment.

Further into the reporting period, negative economic indicators for the euro zone could not dampen the increasingly positive sentiment, which was driven among other things by the announcement of the ECB that it would intervene more heavily in government bond trading. Moreover, Spain managed to raise capital at relatively low interest rates compared to previous months. The fact that the European rescue fund EFSF could place six month paper at negative yields was also largely welcomed by the stock markets. They continued to rally in the third quarter, and the ascent was only temporarily and slightly interrupted by a decline of the US manufacturing industry's purchasing manager index. This positive development was helped in particular by the announcement of the ECB that it would buy unlimited amounts of government bonds. Other liquidity injections by several central banks and the resulting buying pressure from many investors should have helped to buoy stock market sentiment until the end of the reporting period.



The stock remained stable in the third quarter of 2012 and slightly outperformed the SDAX index of which Prime Office REIT-AG is a component. After a soft patch at the beginning of the reporting period, to stock price increased from its quarterly low of 3.19 Euro on 12 July 2012, rising initially by about 13 per cent to 3.61 by mid-August. The stock could not stay at this level, however, and traded at 3.40 Euro by the end of the third quarter 2012. From the largely positive share price development over the first half of the third quarter, the board concludes that - as feared in particular in May/ June- the share is not under selling pressure as a consequence of the expiring lock-up period. The successful secondary placement of about 5.7 million shares from the holdings of pre-IPO shareholders in June clearly reassured investors, as is favourably testified by the stock price. The publication of the half-yearly results also seems to have had a positive impact on the share price.

Even so, the management of Prime Office remains dissatisfied with the current share price and the still high discount on the Company's net asset value (NAV). The board will therefore continue to focus on reducing the discount on the Company's NAV and achieving fair valuation of Prime Office since the management believes that the market is still undervaluing the Company.

SHAREHOLDER STRUCTURE

The shareholder structure of Prime Office changed only slightly during the third quarter of this fiscal year without meaningfully affecting the shareholding weights of individual investors. The Company's shareholder structure is still dominated by long-term oriented institutional investors with a primary focus on property companies. The board views this as a strong investor vote of confidence in Prime Office.

As at 30 September 2012, 71.6% of the shares were in free float with the remaining being held by institutional investors. The following table shows holdings in excess of 3%:

Oaktree (US)	7.9%
Morgan Stanley Investment Ltd. (UK)	5.5%
Karoo Investment S.C.A. SICAV-SIF (Lux)	5.3%
Ruffer Ltd. (UK)	3.4%
Aviva plc. (UK)	3.2%
Ironsides Partners LLC (USA)	3.1%

INVESTOR RELATIONS

Prime Office has again engaged in candid and intensive dialogue with its shareholders and relevant capital markets players in the third quarter of this fiscal year. For this purpose, the board of the property company participated not only in investor conferences but also in industry events, and it cultivated its strong network across the property market. In Berlin alone, the management of Prime Office participated in the Kempen German Property Seminar, the Conference of the Real Estate Share Initiative and the EPRA Conference. In Munich, the Company presented at Unicredit's German Investor Conference, the German Corporate Conference hosted by Berenberg and Goldman Sachs and the Baader Investment Conference. The property company also used road shows in London and New York to present the company to investors.

In the third quarter, SRC Research was the first bank-independent research firm to take up coverage of Prime Office. This brings the number of banks and research firms that regularly cover the property company to seven. Most of them view the Company in a positive light. On 30 September 2012, one bank had an overweight, four banks and research firms a buy and two banks a hold recommendation on the stock. The share price targets varied between 3.50 and 5.50 Euro, exceeding the share price of 3.40 Euro at the balance sheet date.

Statement of events after the reporting period

EVENTS AFTER THE INTERIM REPORTING PERIOD

The contract for the sale of the property in Hamburg (Imtech building, Hammerstraße 30/34) was notarised on 02 November 2012. Economic ownership will be transferred to the buyer on 31 December 2012.

Projections

MACROECONOMIC DEVELOPMENT

The euro crisis is increasingly weighing on the global economy. As a result, the International Monetary Fund expects global trade and production to further weaken in 2012 (World Economic Outlook, WEO Update, October 2012). In aggregate however, the economies will remain on a growth trajectory in spite of the lingering concerns about the adverse interrelation between countries, banks and the real economy. With this in mind, the IMF again revised its earlier forecasts for global production down to 3.3% (-0.2 percentage points) in 2012 and 3.6% (-0.3 percentage points) in 2013.

While the economy in the euro zone is expected to contract by 0.4% in 2012, it will grow again in 2013 (0.2%) according to the IMF, albeit much less than the IMF had still anticipated by mid-year 2012. Germany will likely keep growing, but the country remains vulnerable to negative external developments. The IMF did not change its projections for Germany in 2012 and still expects overall production to grow by 0.9%. This forecast slightly exceeds the expectation of the leading economic research institutions, which presented their forecast of 0.8% as part of their autumn report (see Die Welt, issue 11 October 2012). The German government likewise expects real GDP to increase by 0.8% in 2012 according to its autumn projection.

The German economy is increasingly feeling the effects of the weak European and global economic environment. Even so, the German government characterised the German economy as stable in its report on the economic situation of the country issued in October 2012, although it did point to substantial downside risks. According to the autumn projection of the German government, real GDP should increase by 0.8% in 2012 and 1.0% in 2013. Current economic indicators suggest further deceleration as the year progresses, although some sentiment indicators have improved in September. The downside risks have further dragged down business sentiment, however, the German government said. The economic weakness has also affected the labour market, for instance, which precludes further meaningful increases of today's high employment levels and should slow labour market momentum down even more. Unemployment has risen slightly over the past six months but the employment situation still continues to improve, albeit at a slower pace, and the average annual unemployment rate in 2012 will again be down year on year. The German labour market therefore continues to meaningfully support and stabilise the German economy. The resilient labour market and the promising outlook on the income front mean that private consumption will be a major contributor to growth in Germany alongside investments in housing construction.

THE PROPERTY OFFICE MARKET IN GERMANY

The German property market continues to be resilient and largely stable in spite of the difficult economic environment, which remains dominated by the turmoil surrounding the euro. While transaction volumes over the first nine months to September are still slightly down year on year, the global property services provider Jones Lang Lasalle (JLL) reports that momentum in the German investment market has been picking up in the third quarter 2012 after transaction volumes had declined in the second quarter of 2012 following an upbeat start into Q1/2012. Transaction volumes (14.9 billion Euro) over the first nine months of 2012 fell 14% short of last year's levels, but JLL expects a substantial number of deals to close in the fourth quarter of 2012 so that overall transactions could realistically reach 21 - 23 billion Euro in 2012 and almost touch prior year levels if they come in at the top of the range.

Even though letting activities declined over the first nine months of the year, the overall office letting market still proves fairly resilient. JLL forecasts a letting volume of about 3 million m^2 in 2012, which would represent a 16% decline vis-à-vis 2011. New construction across Germany remains subdued in 2012 in spite of the slight increase in completions, leading JLL to expect a decline compared to 2011. While absorption in 2012 should remain below last year's levels, JLL still expects the outcome in 2012 to exceed the 5 year average. The office markets are still robust according to JLL, but expectations have declined recently. Decision-making processes and due diligence will likely take longer and be followed by drawn-out negotiations. JLL therefore expects that a number of concrete searches will be concluded later than originally anticipated. For some companies, budgeting for a planned office move is proving challenging and many are forced to look at ways of increasing the efficiency of their available space first.

CAPEX MEASURES

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

The properties in Frankfurt and Dusseldorf/Seestern, which require re-letting, will undergo – in some cases extensive – refurbishment measures once the existing tenants have vacated the spaces at the end of their leases. The measures for the properties in Frankfurt and Dusseldorf are currently scheduled to be completed by 2013.

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

Opportunities and outlook

OPPORTUNITIES

The asset managers of Prime Office REIT-AG could let the remaining vacant spaces in the short term and temporarily achieve full occupancy until the leases for the spaces in Frankfurt and Dusseldorf expire. The spaces in question account for approximately 5% of the overall rental space in the property portfolio and are attributable to the properties in Stuttgart, Frankfurt and Heilbronn.

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

OUTLOOK

Based on revenues of 72 – 74 million Euro, the board increases the FFO guidance for 2012 by 3 million Euro from originally 17 – 19 million Euro to 20 – 22 million Euro. The dividend guidance for the financial year 2012 is confirmed at last year's level of 9 – 12 million Euro in the interest of a stable corporate risk profile.

Munich, 08 November 2012

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

Unaudited condensed financial statement of Prime Office REIT-AG as at 30 September 2012

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

	Note	01/01 to 30/09/2012	01/01 to 30/09/2011
		k€	k€
Revenues from rental and lease	5.1	54,679	56,754
Other revenues from rental and lease	5.2	1,019	748
Expenses for rental and lease	5.3	-8,881	-8,446
Net rental and lease income		**46,817**	**49,056**
Other operating income	5.4	232	190
Other operating expenses	5.5	-3,513	-6,436
Expenses for staff benefits		-1,341	-944
Depreciation and amortisation		-82	-71
Operating income before valuation		**42,113**	**41,795**
Unrealized gains / - losses from fair-value accounting of investment properties	5.6	-10,610	533
Operating earnings (EBIT)		**31,503**	**42,328**
Finance expenses	5.7	-30,711	-39,482
Finance income	5.7	6,472	7,719
Earnings before income taxes (EBT)		**7,264**	**10,565**
Income taxes		0	-193
Other taxes		0	240
Income for the reporting period		**7,264**	**10,612**

Income per share

Undiluted/diluted income per share		**0.14 €**	**0.36 €**

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

	Note	01/01 to 30/09/2012 k€	01/01 to 30/09/2011 k€
Result for the reporting period		**7,264**	**10,612**
Other operating income/expenses			
Changes in equity from reserves for unrealized gains/losses from the fair-value accounting of financial assets available for sale before income taxes	7.1	42	63
Release of income taxes recognized in equity on unrealized gains and losses from fair value recognition of financial assets available for sale on account of obtaining REIT status		0	1
Changes in equity from reserves for unrealized gains/losses from the fair-value accounting of financial assets available for sale after income taxes		42	64
Changes in equity from reserves for unrealized gains/losses from cash flow hedges (interest rate swaps) before income taxes	7.1	-14,550	-15,705
Release of income taxes recognized in equity on unrealized gains and losses from cash flow hedges (interest rate swaps) on account of obtaining REIT status		0	-160
Changes in equity from reserves for unrealized gains/losses from cash flow hedges (interest rate swaps) after income taxes		-14,550	-15,865
Changes in equity from reserves for unrealized gains/losses from cash flow hedges (currency swaps) after income taxes	7.1	-303	-181
Release of income taxes recognized in equity on unrealized gains and losses from cash flow hedges (currency swaps) on account of obtaining REIT status		0	-2
Changes in equity from reserves for unrealized gains/losses from cash flow hedges (currency swaps) after income taxes		-303	-183
Other gains/losses after taxes		**-14,811**	**-15,984**
Total comprehensive income after taxes		**-7,547**	**-5,372**

Balance sheet as at 30 September 2012 (unaudited)

	Note	30/09/2012 k€	31/12/2011 k€
ASSETS			
Assets			
Current assets			
Accounts receivable	6.1	805	2,009
Other receivables and financial assets	6.1	7,003	18,602
Derivative financial instruments		15,962	16,011
Cash at bank and in hand	6.1	121,136	114,463
		144,907	**151,085**
Non-current assets			
Plant, property and equipment	6.2	277	341
Investment property	6.3	961,112	970,802
Intangible assets		26	17
Derivative financial instruments	6.1	11,285	6,177
Non-current financial assets	6.1	2,081	2,108
		974,781	**979,445**
TOTAL ASSETS		**1,119,688**	**1,130,530**
EQUITY AND LIABILITIES			
Liabilities			
Current liabilities			
Current financial liabilities	7.2	173,808	156,261
Accounts payable	7.2	2,756	2,707
Other current liabilities	7.2	528	555
Payables to tax authorities		581	850
		177,674	**160,373**
Non-current liabilities			
Non-current financial liabilities	7.2	450,385	476,408
Derivative financial instruments	7.2	93,158	75,783
		543,543	**552,191**
Total liabilities		**721,217**	**712,564**
Equity			
Subscribed capital	7.1	51,941	51,941
Capital reserves		625,324	625,324
Other reserves		-73,407	-58,595
Net loss		-205,387	-200,704
		398,471	**417,966**
TOTAL ASSETS		**1,119,688**	**1,130,530**

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

	Subscribed capital	Capital reserves	Other reserves: Reserves for unrealized gains/losses from the fair-value accounting of financial assets available for sale	Other reserves: Reserves for deferred taxes	Other reserves: Reserves for unrealized gains/losses from cash flow hedges (interest rate swaps)	Other reserves: Reserves for unrealized gains/losses from cash flow hedges (currency swaps)	Net loss	Total equity
	k€	k€	k€	k€	k€	k€	k€	k€
01/01/2012	51,941	625,324	166	0	-59,169	407	-200,704	417,966
Result for the reporting period	0	0	0	0	0	0	7,264	7,264
Other result for the reporting period	0	0	42	0	-14,550	-303	0	-14,811
Total result	51,941	625,324	208	0	-73,719	104	-193,440	410,419
Dividend payment	0	0	0	0	0	0	-11,947	-11,947
30/09/2012	**51,941**	**625,324**	**208**	**0**	**-73,719**	**104**	**-205,387**	**398,471**

	Subscribed capital	Capital reserves	Other reserves: Reserves for unrealized gains/losses from the fair-value accounting of financial assets available for sale	Other reserves: Reserves for deferred taxes	Other reserves: Reserves for unrealized gains/losses from cash flow hedges (interest rate swaps)	Other reserves: Reserves for unrealized gains/losses from cash flow hedges (currency swaps)	Net loss	Total equity
	k€	k€	k€	k€	k€	k€	k€	k€
01/01/2011	17,441	454,552	75	161	-33,687	702	-218,274	220,970
Result for the reporting period	0	0	0	0	0	0	10,612	10,612
Other result for the reporting period	0	0	63	-161	-15,705	-181	0	-15,984
Total result	17,441	454,552	138	0	-49,392	521	-207,662	215,598
Capital increase	34,500	170,957	0	0	0	0	0	205,457
30/09/2011	**51,941**	**625,509**	**138**	**0**	**-49,392**	**521**	**-207,662**	**421,055**

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

	Note	01/01 to 30/09/2012	01/01 to 30/09/2011
		k€	k€
Result for the reporting period		7,264	10,612
Amortisations and depreciations of non-current assets		82	71
Unrealised valuation losses (gains) from fair value accounting of investment properties	5.6	10,570	-533
Interest income and expenses	5.7	24,238	31,763
Changes in deferred tax liabilities		0	-4,951
Changes in deferred tax assets		0	5,144
Changes in receivables and other assets	6.1	2,174	-179
Changes in liabilities	7.2	-370	1,231
Other changes not affecting cash flow		-170	582
Interest paid		-22,528	-28,580
Interest received		228	292
Cash flow from operating activities		21,489	15,452
Cash flow from disposals of investment properties		1,030	0
Investments in investment properties		-880	-273
Investments in intangible assets		-18	-13
Investments in other property, plant and equipment		-9	-123
Cash flow from investment activities		123	-409
Proceeds from capital increase		0	205,456
Dividend payment		-11,947	0
Disbursements for the repayment of bank loans		-12,819	-96,247
Payments for loan transfers		-200	-700
Cash flow from financing activities		-24,965	108,510
Changes in cash and cash equivalents affecting cash flow		-3,353	123,552
Exchange rate and valuation related changes of the cash fund		437	0
Cash and cash equivalents at the beginning of the period		129,512	3,190
Cash and cash equivalents at the end of the period		**126,596**	**126,742**

Selected, explanatory notes (unaudited)

1. GENERAL INFORMATION

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

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

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

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

2 BASIS OF FINANCIAL STATEMENT PREPARATION AND ACCOUNTING METHODS

2.1 BASIS OF FINANCIAL STATEMENT PREPARATION

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

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

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

2.2 MATERIAL ACCOUNTING PRINCIPLES

The Company has prepared the condensed interim financial statement in line with the accounting principles governing the IFRS-compliant individual financial statement as at 31 December 2011.

Updates of the standards and interpretations used have not been available as at 31 March 2012.

3. MATERIAL DISCRETION

The application of 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.

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

4 MATERIAL ESTIMATES AND ASSUMPTIONS

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

4.1 FAIR VALUE OF INVESTMENT PROPERTIES

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

The property values determined as at 30 June 2012 have been critically reviewed as at 30 September 2012. During this exercise, the board came to the conclusion that the factors governing the valuation of the properties have materially changed for the property Hammerstraße 30/34, Hamburg. Following a purchase price offer submitted by an external third party, the fair value was reduced by k€ 1,600 to k€ 44,000 as a precautionary measure. The factors affecting the valuation of the other properties have not materially changed from the board's perspective. The values for the remaining properties that were assessed as at 30 June 2012 have therefore been incorporated unchanged in the financial statement as at 30 September 2012. Where capital expenditures for a specific property exceeded customary maintenance costs, such amount was added to the values determined as at 30 June 2012 (k€ 280 overall).

Please refer to the IFRS-compliant separate financial statement as at 30 June 2012 for the parameters used for property valuation.

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 30/09/2012	01/01 to 30/09/2011
	k€	k€
Rental income	48,390	50,716
Gains from the recovery of service charges	6,289	6,038
Total	**54,679**	**56,754**

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 30/09/2012	01/01 to 30/09/2011
	k€	k€
Gains from reimbursements for restitution	700	172
Gains from refurbishment	108	207
Gains from repair	84	52
Gains from insurance indemnifications	46	141
Out-of-period revenues	45	235
Gains from pre-tax corrections	27	155
Remaining rental and revenues	9	6
Total	**1,019**	**968**

5.3 RENTAL AND LEASE EXPENSES

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

	01/01 to 30/09/2012	01/01 to 30/09/2011
	k€	k€
Servicing, maintenance and repair	-3,785	-3,763
Property management	-1,745	-1,179
Energy, water, waste water	-1,482	-1,287
Property tax	-1,020	-977
Insurance policies	-580	-574
Non-recoverable input tax	-165	-399
Deferred operating costs	-85	-98
Other expenses	-19	-169
Total	**-8,881**	**-8,446**

5.4 OTHER OPERATING INCOME

The other operating revenues can be broken down as follows:

	01/01 to 30/09/2012	01/01 to 30/09/2011
	k€	k€
Gains from reversed provisions	170	31
Gains from securities	37	129
Gains from benefits in kind	25	25
Gains from plant, property and equipment sales	0	5
Total	**232**	**190**

5.5 OTHER OPERATING EXPENSES

The other operating expenses can be broken down as follows:

	01/01 to 30/09/2012	01/01 to 30/09/2011
	k€	k€
Advisory costs	-984	-841
Financial statements printing costs	-381	0
Expenditures benefiting past or future periods	-323	-198
Costs related to the preparation of financial statements and audits	-322	-469
Supervisory board remunerations	-290	-262
Advertising costs	-204	-172
Occupancy costs	-156	-87
Non-recoverable input tax	-110	0
Travel costs	-108	-82
Insurance policies	-91	-91
Property portfolio valuation costs	-82	-53
Accounting costs	-73	-67
IPO costs	-65	-3,752
Notary and court fees	-65	0
Vehicle costs	-58	-63
Postal / telephone / office supply costs	-57	-64
Contributions	-37	0
Trade fair costs	-23	-23
Reallocated personnel costs	-1	-19
Other expenses	-83	-193
Total	**-3,513**	**-6,436**

5.6 UNREALIZED GAINS/LOSSES FROM RECOGNITION AT FAIR VALUE

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

The discount and capitalisation rates under the discounted cash flow approach used for the valuation of the properties have remained unchanged compared to 31 December 2011, with three exceptions. In the properties Ludwig-Erhard-Anlage 2-8, Frankfurt, and Am Seestern 1, Dusseldorf, the changes in interest rates compared to 31 December 2011 result mainly from the deterioration of the property-specific letting outlooks and environments. In the property Hufelandstr. 13-15, Munich, the property-specific letting outlook and environment has improved.

In view of the property in Hammerstraße 30/34, Hamburg, the board concluded from an external third party purchase price offer that the fair value of the property ought to be reduced by k€ 1,600 to k€ 44,000.

These circumstances led to total unrealised losses from fair valuation of k€ 10,610 for the time period between 1 January and 30 September 2012, after a profit of k€ 533 was reported as at 30 September 2011.

5.7 NET FINANCING EXPENSES

Net financing expenses can be broken down as follows:

	01/01 to 30/09/2012	01/01 to 30/09/2011
	k€	k€
Interest expenses	-26,490	-29,899
Expenses from the fair valuation of derivative financial instruments	-3,522	-7,829
Foreign exchange losses	-699	-1,755
Total financial expenses	-30,711	-39,482
Gains from the fair valuation of derivative financial instruments	5,807	7,106
Gains from foreign exchange transactions	437	308
Other interest	200	272
Financial gains from finance lease	28	33
Total financial gains	6,472	7,719
Total	**-24,239**	**-31,763**

5.8 EARNINGS PER SHARE

The undiluted income per share is calculated as the ratio of the income due to shareholders and the average number of issued shares over the fiscal year. Since, as in the previous year, no diluting equity instruments have been issued in 2012, the undiluted and diluted income per share are identical. The income due to shareholders corresponds to the profit/loss over the respective period. The average number of shares amounts to 51,941,345 (previous year: 29,194,092) no par value shares.

	Note	01/01 to 30/09/2012	01/01 to 30/09/2011
		k€	k€
Profit/loss, attributable to shareholders		7,264	10,612
Average number of shares issued (in thousands)	7.1	51,941	29,194
Undiluted/diluted income per share		**0.14 €**	**0.36 €**

6. NOTES TO THE BALANCE SHEET - ASSETS

6.1 FINANCIAL AND OTHER ASSETS

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

		Cash	Held for trading	Receivables	Financial assets available for sale	Derivatives held for hedging purposes	Total
		k€	k€	k€	k€	k€	k€
Current assets:							
Accounts receivable	30/09/2012	0	0	805	0	0	805
	31/12/2011	*0*	*0*	*2,009*	*0*	*0*	*2,009*
Other receivables and financial assets	30/09/2012	0	5,460	*1,543*	0	0	7,003
	31/12/2011	*0*	*15,050*	*3,553*	*0*	*0*	*18,602*
Derivative financial instruments	30/09/2012	0	0	0	0	15,962	15,962
	31/12/2011	*0*	*0*	*0*	*0*	*16,011*	*16,011*
Cash at bank and in hand	30/09/2012	121,136	0	0	0	0	121,136
	31/12/2011	*114,463*	*0*	*0*	*0*	*0*	*114,463*
	30/09/2012	**121,136**	**5,460**	**2,348**	**0**	**15,962**	**144,907**
	31/12/2011	*114,463*	*15,050*	*5,562*	*0*	*16,011*	*151,085*
Non-current assets:							
Financial assets	30/09/2012	0	0	355	1,726	0	2,081
	31/12/2011	*0*	*0*	*425*	*1,683*	*0*	*2,108*
Derivative financial instruments	30/09/2012	0	11,285	0	0	0	11,285
	31/12/2011	*0*	*6,177*	*0*	*0*	*0*	*6,177*
	30/09/2012	**0**	**11,285**	**355**	**1,726**	**0**	**13,366**
	31/12/2011	*0*	*6,177*	*425*	*1,683*	*0*	*8,285*
Total	**30/09/2012**	**121,136**	**16,745**	**2,703**	**1,726**	**15,962**	**158,273**
	31/12/2011	*114,463*	*21,226*	*5,987*	*1,683*	*16,011*	*159,370*

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

	30/09/2012	31/12/2011
	k€	k€
Securities	5,460	15,050
Total	**5,460**	**15,050**

The securities have been recognised at fair value.

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

		Recognised as income in the income statement	Ineffectivity, recognised as income in the income statement	Not affecting income in the equity	Total
		k€	k€	k€	k€
Derivatives held for trading	30/09/2012	5,109	0	0	5,109
	31/12/2011	5,238	0	0	*5,238*
Derivatives held for hedging purposes	30/09/2012	*254*	0	*-303*	-49
	31/12/2011	*1,384*	0	-294	*1,090*
Securities held for trading	30/09/2012	37	0	0	37
	31/12/2011	176	0	0	*176*
Total	**30/09/2012**	**5,401**	**0**	**-303**	**5,097**
	31/12/2011	*6,798*	*0*	*-294*	*6,504*

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

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

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

		Level 1	Level 2	Level 3	Total
		k€	k€	k€	k€
Assets held for trading	30/09/2012	0	11,285	0	11,285
	31/12/2011	0	*6,176*	0	*6,176*
Financial assets available for sale	30/09/2012	0	1,725	0	1,725
	31/12/2011	*0*	*1,683*	*0*	*1,683*
Derivatives held for hedging purposes	30/09/2012	0	15,962	0	15,962
	31/12/2011	*0*	*16,011*	*0*	*16,011*
	30/09/2012	**0**	**28,973**	**0**	**28,973**
	31/12/2011	0	23,870	0	23,870

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

6.2 PLANT, PROPERTY AND EQUIPMENT

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

	30/09/2012	31/12/2011
	k€	k€
Office equipment	127	139
Show rooms	106	155
Other business and office equipment	44	46
Total	**277**	**341**

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

6.3 INVESTMENT PROPERTIES

Investment property assets have developed as follows:

	30/09/2012	31/12/2011
	k€	k€
Book value as at 01/01	970,802	968,418
Investments in portfolio properties	880	642
Derecognition of portfolio properties	0	-1,200
Gains from fair value adjustments	754	9,688
Losses from fair value adjustments	-11,365	-6,819
Correction of straight-line rent approach due to the application of IAS 40.33.	41	73
Total	**961,112**	**970,802**

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

The book value consists of the following properties:

Book values properties	**30/09/2012**	**31/12/2011**
	k€	k€
Hufelandstraße 13-15, Munich	23,753	23,584
Ludwig-Erhard-Anlage 2-8, Frankfurt	158,061	161,800
T-Online-Allee 1, Darmstadt	172,500	172,500
Earl-Bakken-Platz 1 (Lise-Meitner-Straße), Meerbusch	16,400	16,400
Opernplatz 2, Essen	38,500	38,600
Hultschiner Str., Munich	186,600	186,600
Phillip-Reis-Str.2, Stuttgart-Fellbach	39,179	39,419
Hammerstraße 30/34, Hamburg	44,000	45,500
Alfredstraße 236, Essen	73,200	73,100
Deutsche-Telekom-Allee 7, Darmstadt	53,200	53,200
Breitwiesenstraße 5-7, Stuttgart	40,553	41,700
Richard-Wagner-Platz 1, Nurnberg	13,000	13,000
Bahnhofstraße 1-5, Heilbronn	29,900	29,700
Am Seestern 1, Dusseldorf	72,266	75,700
Total	**961,112**	**970,802**

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

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

6.4 LEASE AGREEMENTS

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

		Up to one year	Between one and five years	Between five and ten years	Total
		k€	k€	k€	k€
Minimum lease payments	30/09/2012	53,411	180,582	162,473	396,466
	31/12/2011	*64,013*	*182,742*	*178,760*	*425,515*

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

7 NOTES TO THE BALANCE SHEET - EQUITY AND LIABILITIES

7.1 EQUITY

Development of common shares	**Current shares**
Number of shares on 01 January 2011	**17,441,345**
Change in the subscribed capital	34,500,000
Number of shares on 31 December 2011	**51,941,345**
Number of shares on 01 January 2012	**51,941,345**
Change in the subscribed capital	0
Number of shares on 30 September 2012	**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 regular general shareholders' meeting of Prime Office REIT-AG on 10 May 2012 approved the distribution of a dividend of 0.23 €. The dividend, which amounted to a total k€ 11,947, was paid to the shareholders on 11 May 2012.

As at 30 September 2012, the effective change in the market value of the interest and currency swaps held for hedging purposes led to a change in the reserve for unrealised gains/losses from cash flow hedges (interest rate swaps) of k€ 14,550 (31 December 2011: - k€ 25,482) and to a change in the reserve for unrealised gains/losses from cash flow hedges (currency swaps) of - k€ 303 (31 December 2011: k€ 295).

Due to the currency swaps' change in market value, the reserve for unrealised gains/losses from cash flow hedges (currency swaps) of k€ 104 (previous year: k€ 408) also includes gains from currency conversion identified as effective hedges of the currency swaps. To offset the effects from the currency conversion of the loans, k€ 303 in foreign exchange gains from the reserve for unrealised gains/losses from cash flow hedges (currency swaps) have been matched against the relevant currency gains recorded in the income statement.

The reserves for unrealised gains/losses from the fair valuation of financial assets available for sale contain an accumulated k€ 208 (31 December 2011: k€ 166) change in the value of the life insurance recognised as non-current receivables and classified as "financial assets available for sale".

7.2 FINANCIAL LIABILITIES

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

		Up to one year	Between one and five years	Between five and ten years	Total
		k€	**k€**	**k€**	**k€**
Liabilities to credit institutions	30/09/2012	173,808	432,987	17,398	624,193
	31/12/2011	*156,261*	*379,413*	*96,995*	*632,669*
Accounts payable	30/09/2012	2,756	0	0	2,756
	31/12/2011	*2,707*	*0*	*0*	*2,707*
Derivative financial instruments	30/09/2012	0	11,230	81,928	93,158
	31/12/2011	*0*	*5,423*	*70,361*	*75,784*
Other liabilities	30/09/2012	528	0	0	528
	31/12/2011	*555*	*0*	*0*	*555*
	30/09/2012	**177,093**	**444,217**	**99,326**	**720,636**
	31/12/2011	*159,524*	*384,836*	*167,356*	*711,715*

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

The changes in the fair values of the 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 in the following currencies (Euro equivalent):

	30 September 2012	31 December 2011
	k€	**k€**
EUR	492,272	503,169
CHF	131,922	129,500
Total	**624,193**	**632,669**

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

		Recognised as income in the income statement	Ineffectivity, recognised as income in the income statement	Not affecting income in the equity	Total
		k€	k€	k€	k€
Derivatives held for trading	30/09/2012	-2,824	0	0	-2,824
	31/12/2011	*-5,673*	*0*	*0*	*-5,673*
Derivatives held for hedging purposes	30/09/2012	0	0	-14,550	-14,550
	31/12/2011	*0*	*-34*	*-25,481*	*-25,515*
Total	**30/09/2012**	**-2,824**	**0**	**-14,550**	**-17,374**
	31/12/2011	*-5,673*	*-34*	*-25,481*	*-31,188*

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

		Level 1	Level 2	Level 3	Total
		k€	k€	k€	k€
Derivatives held for hedging purposes	30/09/2012	0	69,915	0	69,915
	31/12/2011	*0*	*55,365*	*0*	*55,365*

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

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

In EUR	Nominal value	Term	Repayment p.a.	Interest rate (loan)	Interest rate hedge (swap)
COREALCREDIT BANK AG	27,178,433.44 €	30/06/2014	609 k€ plus pledged savings 501 k€	EURIBOR-1M + 1,95%	4.810%

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

8 NOTES TO THE CASH FLOW STATEMENT

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

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

The cash fund can be broken down as follows:

Cash at bank and in hand (< 3 months)	30/09/2012	31/12/2011
	k€	k€
Cash and cash equivalents	**121,136**	**114,463**
Securities	**5,460**	**15,049**
Cash fund	**126,596**	**129,512**
Of these, not available for use by the Company under IAS 7.48	118,808	112,957

The financial assets not available for use consist of pledged accounts over k€ 105,224 for the property financings in Dusseldorf, Stuttgart-Moehringen, Frankfurt und Nuremberg. The pledged amounts may only be used for future prepayments and property-specific investments for the said property financings.

This amount also includes cash sweep accounts over k€ 5,715 that have been agreed with Landesbank Hessen-Thueringen as other collateral for the loans for the properties Stuttgart-Moehringen, Nuremberg and Dusseldorf. All excess rent after the deduction of debt servicing and current operating costs is transferred to these accounts.

Another account with a current balance of k€ 515 has been pledged to UniCredit Bank. It is used as a settlement account for loan servicing payments for the properties Munich Sueddeutsche Zeitung, Hamburg, Essen-Gruga and Heilbronn.

Another k€ 1,002 have been pledged to COREALCREDIT BANK AG for the property Darmstadt, T-Systems; it will be used for another early prepayment at the end of the loan term. The money is being saved on a monthly basis; it amounted to k€ 125 as at 30 September 2012.

In addition, a rent deposit of k€ 13 has been invested in a fixed-term deposit as interest bearing collateral.

A full cash sweep account (account to collect rental income) has been agreed as collateral for the property in Frankfurt. At the reporting date, it held a balance of k€ 7,216. The balance may be used to pay for maintenance and repair, planning and letting costs upon written consent by the bank.

9. SEGMENT REPORTING

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

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

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

Three tenancies in the segment account for approximately 50% (31 December 2011: 49%) or € 32.0 million of the total rental income. Two of the three leases generate rental income of approximately € 22.3 million (31 December 2011: approximately € 22.7 million), are long-term in nature and expire in 2019 and 2023 respectively.

10. SUPPLEMENTARY EXPLANATIONS AND INFORMATION

10.1 RISKS AND OPPORTUNITIES

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

- The fixed interest on the loan specified as part of the financing and liquidity risks on page 70 of the annual report 2011, which expired on 30 June 2012, could be prolonged by another two years at market rates.
- The lease of Deutsche Rentenversicherung in the property in Nuremberg specified on page 71 of the financial report 2011 under vacancy risks, which would have expired on 31 July 2013, could be extended to 31/12/2013.

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

10.2 EVENTS AFTER THE BALANCE SHEET DATE

The contract for the sale of the property in Hamburg (Imtech building, Hammerstraße 30/34) was notarised on 02 November 2012. Economic ownership will be transferred to the buyer on 31 December 2012.

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.

Until 4 July 2012, these also included the subsidiaries of DCM Deutsche Capital Management AG and its subsidiaries. DCM Real Estate Management GmbH, DCM Service GmbH, which provides various services for some shareholders, DCM Verwaltungs GmbH, Verwaltung GIH Grundbesitzinvestitionsgesellschaft Hamm mbH and DFM GmbH, which acts as a general partner in individual limited partnership property companies ("KGs").

Mr Johann Deinboeck was also a related party until 04 July 2012. At the time, he was the majority shareholder and supervisory board chairman of DCM Deutsche Capital Management AG. Mr Deinboeck is also the majority shareholder of a managing limited partner of all property KGs and himself a managing limited partner of one of the property KGs. Further, Mr Deinboeck also held shares in DCM Real Estate Management GmbH via an atypical silent partnership at the time. Mr Deinboeck was also a general manager of Bayrische Fondsverwaltung GmbH, the general partner of MOM Mall of Munich Beteiligungs GmbH & Co. Objekt Hopfenpost KG (MOM).

On 28 September 2007 the Company signed an agreement on property management services with DCM Deutsche Capital Management AG and DCM Real Estate Management GmbH (that has most recently been amended on 18 January 2011). The total net remuneration paid until 04 July 2012 under this agreement amounted to k€ 1,175 (of which k€ 226 are recoverable; previous year: k€ 1,179 of which k€ 314 were recoverable). Since 01 July 2011, the property management fee has been a function of the properties' fair value.

Prime Office REIT-AG rented office space from MOM for which it paid k€ 106 until 04 July 2012 (previous year: k€ 74 to MOM and k€ 13 to DCM Deutsche Capital Management AG). From 1 September 2011, Prime Office REIT-AG rented new office spaces from MOM for which it is paying a monthly net amount of k€ 15.

All transactions were concluded at standard market terms and conditions.

10.4 EXECUTIVE BOARD

The Executive Board of the Company consists of:

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

The Supervisory Board consists of:

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

Munich, 8 November 2012

Claus Hermuth (Board Member)	Alexander von Cramm (Board Member)

Representation of the legal representatives

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

Munich, 8 November 2012

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

Information on Prime Office REIT-AG

Issuing Price	6.20 Euro
XETRA-Closing 28 September 2012	3.40 Euro
Low/ High in Reporting period	2.80 Euro / 4.50 Euro
Market capitalisation 28 September 2012	176.6 million Euro
Market	Prime Standard, Frankfurt and XETRA
Index	FTSE EPRA/NAREIT Global Real Estate Index Series, RX REIT Index, SDAX Index
Current shares	51,941,445 shares
Stock Market Symbol	PMO
Security Code (WKN)	PRME01
ISIN	DE000PRME012
Designated Sponsors	Berenberg Bank, Close Brothers Seydler

Corporate calendar 2012 / 2013

12 – 14/11/2012	German Equity Forum, Frankfurt
14 – 17/11/2012	Führungstreffen Wirtschaft, Berlin
21/11/2012	German Property Briefing, London (PIE)
22 – 23/11/2012	Roadshow Baader Bank London, Zurich
11/12 – 12/12/2012	Small- & MidCap-Conference CB Seydler, Geneva
2013	
12 – 15/03/2013	MIPIM, Cannes
21/03/2013	Publication of the annual report 2012
03/04/2013	VIP Real Estate Conference, Deutsche Bank, Frankfurt
11 – 12/03/2013	Germany Conference Bankhaus Lampe, Baden Baden
24/04/2013	General shareholders' meeting
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

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