Prime Office

Prime Office REIT-AG

Financial Report For The First Nine Months Of 2013

CONTENT

Prime Office REIT-AG in Q1-Q3/2013 at a glance

- Nine-month results greatly influenced by special and one-time effects related to the merger with OCM German Real Estate GmbH and the property valuation, which result in a loss of -88.5 million Euro for the period
- Current vacancy rate of around 18% and property sales cause rental and lease revenues to decrease by around 29% to 38.7 million Euro
- Funds from operations (FFO): Vacancies and special effects result in an FFO of -3.3 million Euro, which is below the value for the previous year
- REIT equity ratio of around 40% as of 30 September 2013 continues to be below the requirements of the REIT law; selling process for achieving the minimum equity ratio of 45% through sales by the end of 2013
- Net asset value (NAV) down to 377.7 (31/12/12: 468.4) million Euro or 7.27(31/12/12: 9.02) Euro per share as a result of the adjusted property values; net NAV (equity per share) at 6.12 (31/12/12: 7.49) Euro per share
- Significant reduction in debt due to ongoing early repayment of loans: Total liabilities fall to 554.5 million Euro; loan-to-value reduced to 59.4 (31/12/12: 60.2) percent
- Merger with OCM German Real Estate Holding AG was sealed in Q3/2013: Merger agreement and transaction agreement received broad shareholder approval of around 80% at the general shareholders' meeting. The merger can now take place in Q1/2014.
- Successful letting in Stuttgart and Heilbronn: Long-term lease with Daimler AG in Stuttgart/Moehringen: After signing an agreement for around 11,300 square metres of rental space in August, Daimler used a lease option to increase the leased area by around 4,100 square metres to 15,400 square metres. The "Emporia" in Stuttgart/Moehringen will thus be fully let from the beginning of 2014. Long-term lease signed with municipal land registry in Heilbronn for around 14% of the lettable area of the property
- Sale of the office building at Hufelandstraße, Munich (BMW design centre) completed in September
- Executive board confirms revenue guidance of 51 to 53 million Euro and adjusts FFO guidance to -3 to -6 million Euro for full year 2013

OVERVIEW OF KEY FINANCIALS AS AT 30 SEPTEMBER 2013

Earnings figures and employees	**01.01.-30.09.13**	**01.01.-30.09.12**	**Delta**	**Delta**
In million Euro (IFRS)			**in %**	**in numbers**
Revenues	38.7	54.7	-29.2%	-15.9
Rental and lease income	29.2	46.8	-37.5%	-17.6
Operating income (EBIT)	-65.3	31.5	-307.2%	-96.8
Financial result	-23.2	-24.2	4.2%	1.0
Income for the reporting period	-88.5	7.3	-1,312.3%	-95.8
Income per share (in Euro)	-1.70	0.14	-1,314.3%	-1.84
EPRA earnings per share	-0.05	0.30	-117.9%	-0.4
Funds from operations (FFO)	-3.3	19.6	-116.7%	-22.8
FFO per share	-0.06	0.38	-115.8%	-0.44
Employees (individuals)	9	9	0.0%	0.0

Balance sheet data	**30.09.2013**	**31.12.2012**	**Delta**	**Delta**
in mm Euro			**in %**	**in numbers**
Investment properties	803.1	907.9	-11.5%	-104.8
Cash at bank and in hand	55.8	64.4	-13.3%	-8.6
Total assets	872.7	1,031.6	-15.4%	-158.9
Equity	318.1	389.1	-18.2%	-71.0
Equity per share (in Euro)	6.12	7.49	-18.2%	-1.37
REIT equity ratio (in percent)	39.6	42.9	-7.6%	-3.2
Total debt	554.5	642.5	-13.7%	-88.0
Net debt	485.2	521.2	-6.9%	-35.9
Leverage (in percent)	60.4	57.4	5.3%	3.0
Loan-to-value (in percent)	59.4	60.2	-1.3%	-0.8
Net asset value (NAV)	377.7	468.4	-19.4%	-90.6
NAV per share (in Euro)	7.27	9.02	-19.4%	-1.75

Letter from the board

Dear Shareholders,
Dear Sirs or Madams,

The third quarter of 2013 was of fundamental importance for Prime Office REIT-AG. On 7 August 2013, Prime Office REIT-AG and OCM German Real Estate Holding AG signed a transaction agreement and an agreement for a merger to create a joint company. This was preceded by intensive negotiations on the general economic terms and conditions of a transaction structure suitable for all of the parties involved, and in particular a lengthy and conscientiously performed due diligence process.

These strategic forward-looking plans were approved by a qualified majority of around 80% of the shareholders of our Company during the general shareholders' meeting on 24 September 2013, after approval by the required majority of shareholders of OCM German Real Estate Holding AG had cleared the way for the merger. The shareholders' meeting resolutions were also preceded by merger control approval of the merger by the Bundeskontrollamt in September 2013, so that the merger can now be promptly implemented. The two companies have therefore set a goal of implementing the merger in the first quarter of 2014. Following registration in the commercial register, the new Company will operate under the name Prime Office AG.

The merger will create a profitable, leading, high-dividend company that focuses on commercial properties in German metropolitan regions and is based on an attractive and highly diversified tenant structure. Based on the market valuations of 30 June 2013, the property portfolio of Prime Office AG is expected to have a gross asset value of around 2 billion Euro. Prime Office AG will generate annual rent, exclusive of heating, lighting and other service costs, of around 140 million Euro from more than 800 lease agreements and 64 buildings in 29 locations in Germany. The new Company will also strive to achieve further internal and external portfolio growth. Another goal is to significantly increase the stock market capitalisation and trading volume of the shares, to enable Prime Office AG to become one of the companies included in the Deutsche Börse MDAX Index over the medium term.

The development of the operating business of Prime Office REIT-AG in the first nine months of financial year 2013 was greatly influenced by a variety of special and one-time effects related to the merger, the current property portfolio vacancy rate of around 18%, and the related adjustment of the fair values of the property portfolio: Overall, the market value adjustment of approximately 85 million Euro, changing the value of the property portfolio to 803.1 million Euro as of 30 September 2013, had a significant effect on the results of the operating business of Prime Office REIT-AG during the reporting period. On the whole, the market value adjustment of the property portfolio reflects a movement towards shorter lease terms, delays in the letting process, particularly in Frankfurt and Dusseldorf, the current vacancy rate of around 18%, and a slightly more cautious market appraisal for individual properties.

In the end, the portfolio vacancies and the property sales in Hamburg and, to a lesser extent in Munich/Hufelandstraße (August 2013) caused rental and lease revenues to decline by around 29% to 38.7 million Euro. At the same time, expenses related to the merger with OCM German Real Estate Holding AG and associated due diligence and legal and advisory costs led to a significant increase in other operating expenses during the reporting period. The discharge of CEO Mr Claus Hermuth on 28 June 2013 was another factor. With regard to this, negotiations to terminate the employment contract were conducted and completed on 24 September 2013. As a result, mutually agreed termination of employment will take place on 31 December 2013. An appropriate liability in the amount of approximately 1 million Euro was formed during the reporting period.

The total of the special and one-time effects in the first nine months of 2013 resulted in a significant loss of -88.5 million Euro for the period. Due to the higher vacancy rate and special effects, funds from operations ("FFO") fell significantly year-on-year to -3.3 million Euro. The early repayment of loan liabilities as a result of the property sales in Hamburg and Munich, and special repayments of loans with interest rates in excess of 7% to further optimise the financing structure, meant that the financial result of -23.2 million Euro for the reporting period was around 4% below the level for the same period in the previous year (-24.2 million Euro) in spite of related one-time effects. On the whole, the Company will benefit from still lower leverage (LTV) that results from declining financing expenses: Compared to the 31 December 2012 reporting date, the LTV of Prime Office REIT-AG fell below the 60% level to end the reporting period at 59.4%.

Apart from the effects from the fair valuation of the property portfolio on income, the equity of Prime Office REIT-

AG continued to suffer from the market valuation of the derivative financial instruments used to hedge interest rates (swap market values). This led to a 300 basis points decline of the REIT equity ratio compared to 31 December 2012, which reached 39.6% as of the 30 September 2013 reporting date. As a consequence, the Company again failed to meet the REIT law's equity requirement of 45% at the quarterly reporting date. 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%, to return the equity to the statutory minimum without sanction. This deadline will expire on 31 December 2013. Reaching the REIT minimum equity ratio by 31 December 2013 and keeping REIT status is a top priority for the board. As a result, a process for selling two properties was initiated in financial year 2013. The sale of the property in Munich/Hufelandstraße was already completed in September 2013. Sale of the SZ-Turm property in Munich is also expected to be completed by the end of 2013, which would put the equity level at the REIT minimum equity ratio of 45% by 31 December 2013.

With a weighted average lease term of approximately 7.3 years and an aggregate occupancy of around 82%, the portfolio of Prime Office contained spaces of various sizes in the properties in Frankfurt, Dusseldorf and Heilbronn that required re-letting. Furthermore, the tenant in the Nuremberg property indicated that it would not use the space long-term. The tenant has, however, prolonged the lease agreement, which originally was to expire in 2013, to the end of 2014. Prospective new tenants have already expressed interest in the spaces. Overall, substantial letting and marketing activities are under way for all properties that require re-letting. Prime Office is planning extensive reconstruction and refurbishment measures particularly in the properties in Frankfurt and Dusseldorf that were originally scheduled to be largely completed in financial year 2013. Due to delays in the letting process, however, the reconstruction measures will now continue into 2014.

On 31 July 2013, the Company signed a lease with Daimler AG for a total of 11,315 square metres of attractive office and storage space and 220 passenger vehicle parking spaces in the office compound “emporia“ in Stuttgart/Moehringen. The lease agreement included an option to lease additional space. Daimler AG exercised this option in October 2013 to lease around an additional 4,100 square metres in the "emporia" office compound. As a result of the additional space leased by Daimler AG, resulting in a total of around 15,400 square metres, the property has achieved a status of fully leased.

In summary, in addition to the forward-looking decision to merge with OCM German Real Estate Holding AG to create a profitable, leading, high-dividend company focusing on commercial properties in German metropolitan regions, the third quarter of 2013 has also been greatly affected by operating progress with respect to letting and by the sale of properties. In addition, the Company's loan-to-value level was significantly reduced during optimisation of the financing structure by early repayment of loans following property sales and further special repayments of loans, so that the loan-to-value level has now fallen below the 60% mark to 59.4%.

We would like to thank our shareholders for the trust they have placed in us and the support they have given to our plans to merge with OCM German Real Estate Holding AG in order to return Prime Office REIT-AG to a path of growing profitability and high dividends. We will continue to do everything possible in the future to achieve our stated objectives in the interests of our shareholders.

Yours sincerely,

The Executive Board of Prime Office REIT-AG

INTERIM MANAGEMENT REPORT OF PRIME OFFICE REIT-AG

Economic review

MACROECONOMIC DEVELOPMENT

The International Monetary Fund (IMF) is forecasting an increase of 2.9 percent in global gross domestic product in 2013. This represents a downward revision of 0.3 percentage points in the IMF's growth forecast compared to July 2013. On the whole, the IMF feels that the global economy will grow more slowly because growth recently reached cyclical highs in China and other emerging markets. Although growth rates remain high in these regions, growth is expected to remain below the levels achieved in recent years. In the IMF's view, the US and Eurozone have recently been providing positive signals for the global economy. The United States, for example, has recently been benefiting from solid domestic demand, and the Eurozone appears to be slowly leaving the recession behind.

The IMF feels that the stimulus for moderate growth in the global economy is coming from the developed economies, which will grow by 1.2% in 2013 and 2% in 2014. On the whole, however, there is still a risk that global economic growth could be negative. Estimates of Eurozone contraction have now been lowered to 0.1 percentage points for the year (July 2013: -0.4%) and the Eurozone is then expected to return to moderate growth of +1% in 2014. The IMF expects global trade to rise by 2.9% in 2013 and 4.9% in 2014, which in both cases represents a decrease compared to the forecasts of July 2013.

In the IMF's view, Germany still remains the economic engine in the Eurozone: For example, Germany is expected to grow by 0.5% in 2013 and 1.4% in 2014. This represents an increase in the growth forecast for Germany compared to July 2013.

According to leading German economic research institutes, which issued a joint study in October 2013, the German economy is at the beginning of an economic upswing supported by favourable domestic macroeconomic conditions. A variety of other factors also had a positive effect on the German economy: a reduction in uncertainty in the Eurozone, favourable financing conditions, and a revival of the global economy, which boosted overall investment activity. In view of the weak growth recorded in Q4 2012 - Q1 2013, the economic research institutes expect an inflation-adjusted increase in gross domestic product of 0.4% in 2013 and 1.8% in 2014.

The economic outlook for Germany reflected in the ZEW Index of the Centre for European Economic Research (ZEW) remains positive in October 2013. The assessment of the current economic situation in Germany has, however, deteriorated slightly. Economic expectations for Germany, on the other hand, reached their highest point since April 2010, with an indicator value of 52.8 points. Economic expectations also improved for the Eurozone in October 2013, with the indicator value rising by 0.5 points to 59.1 points, while the indicator for the current economic situation in the Eurozone decreased to -60.9 points.

The German ministry of the economy‘s October report on the economic situation in Germany concluded that the German economy continues to follow a path of solid growth. In its autumn forecast, the German federal government concluded that growth was being driven by domestic economic forces based on the optimistic sentiment of German companies and increasing investments in buildings and equipment. Employment and income have also increased significantly thereby causing an increase in private consumption. On the whole, the autumn forecast of the German federal government predicts an increase in economic momentum in 2014, with growth of 0.5 percent expected in 2013 and 1.7 percent for 2014.

THE OFFICE PROPERTY MARKET IN GERMANY

In its report on the German office property market in October 2013, the international property services provider Jones Lang LaSalle (JLL) stated that the letting market is stabilising and the German investment market is on course to achieve its best transaction year since 2007. The German investment market continues to show lively transaction activity. In spite of a lack of large-scale transactions, JLL feels that such transactions can still be concluded in the fourth quarter of 2013, as many large transactions were already in preparation or close to being concluded.

According to JLL, the office letting market continued its path to recovery from quarter to quarter in 2013. Although revenues remained lower, the shortfalls became increasingly smaller. Based on this, JLL described the pace of recovery in major property markets as surprisingly rapid. Office users will continue to examine properties in detail before making leasing decisions, so that a great deal of time will be required for decision-making. The situation in the letting market is not, however, the result of weak demand, but is instead due to a shortage of supply. Given the large overall number of letting enquiries, JLL revised its forecast of annual revenues in the German letting market upwards again. The Company feels that the 3 million square metre mark can still be achieved in the letting market in 2013, which would result in a decrease of just 2% compared to 2012.

Overall demand in the office letting market stabilised in the first nine months of 2013. There was, however, a wide range in the growth recorded in individual regions. Small cities of the so-called "big 7" recorded large increases in revenues, ranging from (+13%) in Cologne and (+26%) in Dusseldorf, and all the way to (+36%) in Stuttgart. In contrast, Hamburg remained unchanged from the previous year, while Frankfurt (-9%), Munich (-17%) and Berlin (-18%) fell below the results achieved in the previous year.

The vacancy rate in Germany's seven key office markets fell a further 2% to around 7.5 million square metres by the end of the third quarter of 2013, thereby further reducing the average vacancy rate to a current value of 8.5%. JLL's market experts do not expect the vacancy rate to change further by the end of the year. The regional markets remained highly diverse: vacancies in Dusseldorf (11.8%) and Frankfurt (11.3%) were in the two-digit range whereas Stuttgart (5.4%) had the lowest vacancy rate across Germany’s seven key office markets.

The top rent index as an aggregate across all seven key property markets reached 172.1 points (1987 = 100 points), rising for the 12th time in a row to achieve its highest level since the third quarter of 2002. Rents increased by 2.5% year-on-year.

Transaction volume was around 19 billion Euro in the first nine months of 2013 (+29% compared to the same period in the previous year), underscoring the attractiveness of Germany as a property investment market. Individual transactions continue to dominate the market, representing around 14.4 billion Euro, or around 76%, of total volume.

According to JLL, the German investment market will continue to be very attractive for property investors. The yield premium of properties over government bonds, for example, is still considered relatively high. This also applies to core properties, which remain a key focus for investors in spite of the current limited offering. JLL concludes that investors continue to believe strongly in the merits of Germany as a property location and forecasts sustained interest and high demand. Overall, JLL expects a transaction volume of 30 billion Euro for the full year of 2013, which would be the highest transaction volume since 2007.

Portfolio report

THE PROPERTY PORTFOLIO OF PRIME OFFICE-REIT AG

Following the sale of the property in Munich/Hufelandstraße (BMW design centre) in September 2013, the portfolio of Prime Office REIT-AG included a total of 12 office properties in central locations in major West German cities and conurbations as at the 30 September 2013 balance sheet date. They are office or administrative buildings, some of which also have a limited amount of retail, restaurant and hotel spaces.

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

Prime Office REIT-AG commissioned a revaluation of its property portfolio to be performed by Frankfurt-based valuer CB Richard Ellis as of 30 September 2013. Given a vacancy rate of 18%, the value of the portfolio properties declined by about 80.8 million Euro or 9.1% to about 803.1 million Euro, significantly down from its previous value of 883.9 million Euro as declared on 31 December 2012. Neither of these values includes the two properties that were sold in Hamburg and Munich (Hufelandstraße) ("like-for-like").

The market value adjustment as of 30 September 2013 primarily reflected the higher vacancy rate compared to the previous year and subdued demand for office space in locations that require re-letting (Frankfurt and Dusseldorf). The letting delays also resulted in longer vacancies. Plans were also changed to let spaces on a smaller scale, a change that implies higher capital expenditures. An occupancy level of slightly less than 100% is now expected for such properties. Additionally, the state of Hesse increased its real property transfer tax, which required adjustments of the fair value of the properties in Darmstadt and Frankfurt. A slight change in the market outlook for individual properties also resulted in an adjustment of the respective fair values since the valuation model (discounted cash flow approach) uses higher discount rates to account for this circumstance.

From an absolute perspective, the highest fair value adjustments compared to the valuation as of 31 December 2012 were made for the properties in Frankfurt (-39.2 million Euro or -25.3%) and Dusseldorf, Am Seestern 1 (-7.3 million Euro or -10.8%). Recent market developments led the Company to reassess the outcome of the letting process, adjust its rent expectations to reflect current market trends and adapt the long-term occupancy ratio to the multi-tenant strategy. Furthermore, the increase of the real property transfer tax in the state of Hesse led to fair value adjustments in Frankfurt and Darmstadt (T-Online: -2.6 million Euro or -1.5%; T-Systems: -1.8 million Euro or -3.4%). In the property in Essen/Opernplatz, the slight increase of the discount rate, which was motivated by a slight change in the market assessment for the property, led to a 2.6 million Euro (-6.8%) decline in value. The discount rate for the property in Stuttgart/Fellbach was increased to 6.7%. In addition, the expiry of a rent guarantee resulted in an adjustment of the annual rent by -0.1 million Euro, which caused a -4.0 million Euro or -10.3% decline in the market value of the property in Stuttgart/Fellbach.

Due to the purchase contract, which was concluded on November 20, 2013, the fair value of the property in Munich/Hultschiner Straße (SZ-Turm) was adjusted from a value of 186.5 million Euro as at 31 December 2012 to 164.1 million Euro. In addition, the property specific assessments of the market environments were adjusted in Heilbronn and Nuremberg. The values of the properties were adjusted accordingly by -0.8 million Euro or -2.7% and -0.6 million Euro or -4.6% respectively.

Overall, the market value adjustments as of 30 September 2013 amounted to about -80.8 million Euro (-9.1%) compared to year-end 2012. This reduces the value of the portfolio to 803.1 million Euro. With higher vacancies of 18% compared to year-end 2012, a weighted average lease term of 7.3 years and annual rent exclusive of heating, lighting and other service costs of about 44.1 million Euro, the portfolio has a gross initial yield of 5.4%. This corresponds to a vacancy-related multiplier of 18.4x the annual net rent exclusive of heating, lighting and other service costs (31 December 2012: 17.4). The net initial yield or the “EPRA topped-up” net initial yield reached 4.7% on 30 September 2013 (31 December 2012: 5.1%).

On 13 August 2013, the Company concluded an agreement for sale of the office building at Hufelandstraße 13/15, Munich with investor WealthCap. The transfer of benefits and burdens for the property, which has a total rental space of 8,224 square metres and is leased to BMW for a design centre and the Semcon Group, took place upon payment of the agreed purchase price of 20.5 million Euro on 4 September 2013. The purchase price was 0.5 million below the book value assigned at the middle of 2013. The transaction took place at a multiple of 14.9x the rent exclusive of heating, lighting and other service costs (6.7%). This does not include an investment rent which expires end of 2016.

The leases concluded in Stuttgart/Moehringen and Heilbronn reduced the portfolio vacancy rate from around 22% at the middle of 2013 to a current value of 18%.

OVERVIEW OF RENTAL SPACES AND RENT OF PRIME OFFICE REIT-AG AS OF 30 SEPTEMBER 2013

	Market value as of 30/09/2013 (in mm Euro)	Change vs. Dec. 2012 (in %)	Rented space (in m^2)	Total rental space (in m^2)	Rent exclusive of heating, lighting and other service costs (in mm Euro p.a.)	Weighted Average Lease Term (in years)
Frankfurt, Ludwig Erhard Anlage 2-8	115.9	-25.3%	2%	35,101	0.3	8.2
Darmstadt, T-Online Allee 1	169.9	-1.5%	100%	72,528	11.9	6.2
Essen, Alfredstrasse 236	73.0	0.0%	100%	30,314	5.6	6.3
Darmstadt, Deutsche Telekom Allee 7	51.5	-3.4%	100%	24,686	3.4	6.6
Stuttgart, Breitwiesenstrasse 5-7	39.8	1.5%	100%	25,256	1.3	7.1
Nuremberg, Richard Wagner Platz 1	12.4	-4.6%	100%	6,445	1.1	1.4
Heilbronn, Bahnhofstrasse 1-5	29.1	-2.7%	94%	14,750	2.0	5.3
Dusseldorf, Am Seestern 1	60.3	-10.8%	19%	36,109	0.8	1.0
Stuttgart, Philipp Reis Strasse 2	34.9	-10.3%	100%	19,854	3.4	9.0
Munich, Hultschiner Strasse 8	164.1	-12.0%	100%	62,237	10.5	10.0
Dusseldorf/ Meerb., Earl Bakken Platz 1	16.3	-0.6%	100%	8,038	1.3	5.9
Essen, Opernplatz 2	35.9	-6.8%	100%	24,531	2.5	9.3
	803.1	**-11.5%**	**82%**	**359,850**	**44.1**	**7.3**

* In 2014 full occupancy will be reached, CBRE classifies already as fully occupied on basis of already settled future lettings

Source: CBRE opinion as of 30 September 2013 (Exception: Munich, Hultschiner Straße 8)

MAJOR LEASES OF PRIME OFFICE-REIT AG

In April, Prime Office REIT-AG concluded a variety of leases in the Dusseldorf/Seestern property with an office service provider and Vodafone partner companies. These included a five year lease with XPO Project Offices GmbH. The Company offers around 4,200 square metres of the building as "serviced offices", and sublets space to Vodafone partner companies and third-party technology companies. Prime Office REIT-AG also concluded five leases for smaller spaces of less than 450 to 850 square metres and terms of between six and 24 months. These new tenants are primarily service providers in the areas of advisory services and telecommunications.

Instead of the expected and reconstruction-driven vacancies for the property, these leases allowed Prime Office REIT-AG to increase its occupancy rate for the Dusseldorf/Seestern property by around 19 percent or around 6,900 square metres. Prime Office REIT-AG expects the existing interest of potential tenants, in particular local Vodafone partner companies, to result in further leases in the future.

In August 2013, the Company concluded a long-term lease with Daimler AG for a total of 11,300 square metres of attractive office and warehouse space and 220 parking spaces in the Stuttgart/Moehringen property The lease with Daimler AG included an option to let additional space. The Company exercised this option in October 2013 to lease around an additional 1,200 square metres of office and production space and approximately 2,900 square metres of warehouse space in the "emporia" office compound. As a result of the additional space leased by Daimler AG, resulting in a total of around 15,400 square metres, the property has achieved a status of fully leased.

In October 2013, the Company concluded a long-term lease for 2,021 square metres in the "Neckarturm" office and commercial building in Heilbronn, or around 14% of the total rental space. The lease with the Land Registry of the City of Heilbronn gains the Company a new, highly creditworthy tenant for the "Neckarturm" property located on Bahnhofstrasse in Heilbronn. The central location, easy accessibility and outstanding external appearance of the property were key factors in the long-term lease. The lease has a term of 10 years beginning on 1 November 2014. The high-quality "Neckarturm" property has a total rental area of 14,750 square metres, of which 13,901 square metres are currently leased. As a result, the property currently has an occupancy rate of 94.2 percent.

Corporate development

Prime Office REIT-AG and OCM German Real Estate Holding AG signed a notarised transaction agreement and merger agreement on 7 August 2013, aimed at the mutual goal of a merger. A majority of around 80% of the shareholders of Prime Office REIT-AG approved these strategic forward-looking plans at the general shareholders' meeting in September 2013. The Bundeskontrollamt also provided merger control approval of the planned merger in September. The stated objective of the two companies is to implement the merger promptly. Following registration in the commercial register, the new Company will operate under the name Prime Office AG.

The transaction will create a profitable, leading, high-dividend Company that focuses on commercial properties in German metropolitan regions and is based on an attractive and highly diversified tenant structure. Based on the market valuations of 30 June 2013, the property portfolio of Prime Office AG is expected to have a gross asset value of around 2.2 billion Euro. Prime Office AG will generate annual rent, exclusive of heating, lighting and other service costs, of around 140 million Euro from more than 800 lease agreements and 64 buildings in 29 locations in Germany. Prime Office AG will also strive to achieve further internal and external portfolio growth. Another goal of the Company is to significantly increase the stock market capitalisation and trading volume of the shares to enable Prime Office AG to become one of the companies included in the Deutsche Börse MDAX Index over the medium term.

The operating business of Prime Office REIT-AG was greatly influenced in the first nine months of financial year 2013 by a variety of special and one-time effects related to the merger. A key factor was a fair value adjustment in the magnitude of -85.2 million Euro made to the value of the property portfolio. The market value adjustment of the property portfolio was performed on 30 June 2013 and reflected changes in the market environment and delays in the letting of properties that require re-letting. The executive board also reduced the fair value of the SZ-Turm property in Munich to 164.1 million Euro based on a concluded sales contract. On the whole, the vacancy rate of approximately 18% as of 30 September 2013 and the property sales caused rental and lease revenues to decline by around 29%. Furthermore, the due diligence process in connection with the merger with OCM German Real Estate Holding AG led to a significant increase of legal and advisory costs in the first nine months of financial year 2013. Another one-time effect on the operating business of the Company was the discharge of CEO Claus Hermuth on 28 June 2013. Related negotiations to terminate the employment contract have in the meantime been concluded and the employment contract will be terminated on 31 December 2013. As a result of the discharge, cost-related liabilities of approximately 1.1 million Euro had to be formed as of the balance sheet date.

As a result of a variety of special and one-time effects, Prime Office REIT-AG realised losses of -88.5 million Euro in the first nine months of financial year 2013 on revenues of 38.7 (Q1-Q3/2012: 54.7) million Euro, and funds from operations (FFO) of -3.3 (Q1-Q3/2012: 19.6) million Euro. The "EPRA earnings", i.e. income for the reporting period adjusted for valuation effects, amounted to -2.8 (Q1-Q3/2012: 15.6) million Euro, or -0.05 (Q1-Q3 2012: 0.30) Euro per share for the reporting period.

REVENUES

The rental and lease revenues over the first nine months of financial year 2013 amounted to an overall 38.7 (Q1-Q3/2012: 54.7) million Euro due to lower occupancy and a property sale in 2012. Other rental and lease revenues increased substantially to 2.1 million Euro over the first nine months of 2013, compared to the same period in the previous year (1.0 million Euro), following the payment of a settlement amount in connection with the termination of a rent guarantee by the former owner of the property in Stuttgart/Fellbach.

The rental and lease expenses mainly include expenses for maintenance and marketing, planning costs for the properties that require re-letting and the asset management fee. Rental and lease expenses over the reporting period rose year-on-year to 11.6 (Q1-Q3/2012: 8.9) million Euro. As a result, the 17.6 million Euro decline in rental and lease income for the reporting period, which amounted to 29.2 (Q1-Q3/2012: 46.8) million Euro.

Other operating income for the first nine months of financial year 2013 fell to about 54 k Euro and were down compared to the same period in the previous year (0.2 million Euro) - this number includes one-time effects from the release of provisions. Other operating expenses over the first nine months amounted to about 6.8 million Euro and substantially exceeded the prior-year level (3.5 million Euro) due to special effects in connection with the merger negotiations with OCM German Real Estate Holding AG and related expenses for the due diligence process, which has now been completed. In addition to the legal and advisory costs that exceeded the prior-year level by 3.6 million Euro as a result of the transaction, other operating expenses consist inter alia of disclosure costs, costs of the property valuation and auditing costs.

Adjusted by the one-time effect in connection with the discharge of CEO Mr Claus Hermuth on 28 June 2013, expenses for employee benefits remained unchanged year on year. Given the discharge of the CEO and the now completed negotiations on the termination of his employment contract as of 31 December 2013, cost-related liabilities in the amount of around 1.1 million Euro were created during the reporting period. Expenses for employee benefits were around 2.4 (Q1-Q3/2012: 1.3) million Euro for the reporting period.

Depreciations over the first nine months of 2013 relate to on-schedule depreciations of office furniture and equipment in the showrooms (sample spaces) in the properties in Frankfurt and Dusseldorf. At 94K Euro, these were slightly higher year-on-year (82K Euro).

Due to the effects described in connection with the property valuation, occupancy rate and increased advisory service and due diligence costs for the merger with OCM German Real Estate Holding AG, operating income before valuation result declined by -22.1 million Euro to 20.0 (Q1-Q3/2012: 42.1) million Euro during the reporting period.

The periodic property valuation performed as of 30 June 2013, and a fair value adjustment for the SZ-Turm property in Munich, had a major effect on the Company's business development, as they resulted in market value adjustments of around 85 million Euro to the property portfolio during the reporting period. The correction of the property portfolio’s fair value by -11.5% to about 803.1 (31 December 2012: 907.9) million Euro is mainly a reflection of the changes in the market environment, since subdued demand for office space in the locations requiring re-letting (Frankfurt and Dusseldorf) in particular led to delays in re-letting. The fair valuation in the first nine months of 2013 accordingly led to unrealised losses of 85.3 (Q1-Q3/2012: 10.6) million Euro.

As a result, operating income (EBIT) was -65.3 (Q1-Q3/2012: 31.5) million Euro for the first three quarters of 2013.

Financial expenses grew slightly year-on-year to around 31 (previous year: 30.7) million Euro for the reporting period. Of these, 5.5 million Euro resulted from the fair valuation of derivative financial instruments (swap market values). In spite of one-time effects in connection with the early repayment of loan liabilities for the properties in Hamburg and Munich (SZ-Turm and Hufelandstraße) in the amount of about 2.3 million Euro, the pure interest expenses for the reporting period declined by around 1 million Euro to an overall value of 25.5 million Euro due to the decline in overall liabilities (Q1-Q3/2012: 26.5 million Euro). Conversely, Prime Office REIT-AG realised 7.7 (Q1-Q3/2012: 5.8) million Euro in gains from the fair valuation of derivative financial instruments over the first nine months of 2013. Financial gains were 7.8 (Q1-Q3/2012: 6.5) million Euro for the reporting period. Overall, the net financing expenses of the Company for the first three quarters of 2013 were 23.2 million Euro, representing a decrease of around 1 million Euro compared to the same period in the previous year (Q1-Q3/2012: 24.2 million Euro).

The earnings before income taxes (EBT) and the income for the reporting period amounted to -88.5 (Q1-Q3/2012: 7.3) million Euro. With about 51.9 million issued shares, Prime Office REIT-AG generated income per share in the amount of -1.70 Euro for the first nine months of 2013, compared to 0.14 Euro for the same period in the previous year.

Due to the vacancy rate and a variety of special and one-time effects, the “EPRA earnings“, i.e. income over the reporting period adjusted by effects from the fair valuation of the property portfolio and the derivative financial instruments, amounted to -2.8 (Q1-Q3/2012: 15.6) million Euro or -0.05 (Q1-Q3/2012: 0.30) Euro per share for the reporting period.

Funds from operations (FFO) were -3.3 million Euro for the reporting period, or -0.06 Euro per share, substantially down compared to the same period in the previous year (Q1-Q3/2012: 19.6 million Euro or 0.38 Euro per share), due to the higher vacancies and the above-described one-time effects and special charges.

FUNDS FROM OPERATIONS („FFO“)

		Q1-Q3 2013	Q1-Q3 2012
		in mm Euro	in mm Euro
	Operating income (EBIT)	**-65.3**	**31.5**
	Adjustment by one-time effects from sales	2.6	
-	Unrealised valuation gains from the fair valuation of investment properties	1.2	0.8
+	Unrealised valuation losses from the fair valuation of investment properties	86.5	11.4
+	Depreciation and amortisation	0.1	0.1
-	Interest paid	27.1	22.5
+	Interest received	0.1	0.2
-	Interest paid (balance of interest paid and received)	27.0	22.3
+	Interest adjustment at the end of the period	1.0	-0.3
	Funds from operations (FFO)	**-3.3**	**19.6**
	Funds from operations per share (weighted)	**-0.06 €**	**0.38 €**

CASH FLOW OF PRIME OFFICE REIT-AG

Lower rental income due to vacancies and higher interest payments of 27.1 million Euro compared to the same period in the previous year (Q1-Q3/2012: 22.5 million Euro) led to a decline in operating cash flow to -1.0 million Euro for the first nine months of 2013 from a value of 21.5 million Euro for the same period in the previous year. The increase in interest payments was due to early repayment of loans and special repayments of loans during the reporting period aimed at further reducing the Company's debt.

The purchase price payments received for the properties in Hamburg/Hammerstraße (January 2013) and Munich/Hufelandstraße (September 2013) led to a significant year-on-year increase in the cash flow from investment activities to 60.3 million Euro in the first nine months of 2013 (Q1-Q3/2012: 0.1 million Euro). The cash flow from investment activities for the reporting period includes 1.4 million Euro in investments in portfolio properties.

Cash flow from financing activities in the first nine months of 2013 was dominated by the repayment of loan liabilities (about 67.7 million Euro) in connection with purchase price payments for the properties in Hamburg and Munich as well as special repayments as part of the on-going optimisation of the financing structure. The cash flow from financing activities amounted to -67.7 (Q1-Q3/2012: -25.0) million Euro in the reporting period.

Cash and cash equivalents on 01 January 2013 amounted to 65.5 million Euro. On the 30 September 2013 balance sheet date, they had declined by approximately 8.4 million Euro to around 57.1 million Euro. Of this amount, a total of 54.2 million EUR is not available for use by the Company under IAS 7.48.

ASSETS AND FINANCIAL SITUATION

Balance sheet of Prime Office REIT-AG

Total assets of Prime Office REIT-AG decreased by 158.9 million Euro or 15.4% during the reporting period from 1,031.6 million Euro as of 31 December 2012 to 872.7 million Euro as of the 30 September 2013 reporting date.

The main contributors to the balance sheet shrinkage on the asset side were the adjustment of the fair values of the property portfolio (-80.8 million Euro), the sale of the property in Munich/Hufelandstraße, which decreased investment assets by 21 million Euro, and the about 42 million Euro decline of accounts receivable after the payment of the purchase price for the property in Hamburg that had been sold effective 31 December 2012.

The current assets consist largely of cash at bank and in hand (55.8 million Euro) and other receivables and financial assets (about 4.1 million Euro), which also include short-term money markets shares (1.3 million Euro).

In addition to the now completed sale of the property in Munich/Hufelandstraße, the executive board of the Company also intends to sell another property in Munich (SZ-Turm, Hultschiner Straße). The book value of the property was adjusted to 164.1 million Euro as of the balance sheet date. Since the sale process had already been well advanced as of the 30 September 2013 balance sheet date, the property was recognised as “assets classified as held for sale”. As a result, the Company’s current assets increased to 225.5 (31 December 2012: 110.5) million Euro.

The non-current assets as of 30 September 2013 amounted to 647.1 million Euro (31 December 2012: 921.1 million Euro). The decrease resulted from the fair value adjustment of the investment properties, the sale of the Munich (Hufelandstraße) property in September 2013, and classification of the Munich (SZ-Turm) property as current assets reported as "assets classified as held for sale". The Company plans to conclude the sale of the properties before year-end 2013 in order to once again reach the minimum equity ratio of 45% required by the REIT law. The non-current assets consist mainly of the remaining properties held as financial investments and valued at 639.0 million Euro. With 7.9 million Euro as of 30 September 2013, the market value of the derivative financial instruments declined compared to 31 December 2012 (10.8 million Euro). During sale of the Hufelandstraße/Munich property, notice of termination was given for a life insurance policy with paid-up status that was taken out in the context of property financing. The life insurance policy is consequently no longer classified as a non-current financial asset, but is instead reported under current assets as other receivables and financial assets. The balance sheet no longer included non-current financial assets as of the balance sheet date (31 December 2012: 2.1 million Euro).

In addition to the one-time effects in the first nine months of financial year 2013 that were recognised in the income statement, the financial and euro crisis and the consistently low interest rate environment have been taking their toll on the equity of Prime Office REIT-AG in the past. This applies particularly to the valuation of the derivative financial instruments used to hedge the interest rates of the property financings over the long term (interest rate swaps) that led to other reserves in the amount of -52.8 million Euro as of 30 September 2013, affecting equity. With equity in the amount of 318.1 million Euro, the REIT equity ratio of Prime Office REIT-AG amounted to 39.6% as of the balance sheet date and therefore remained below the 45% stipulated under the REIT law. Prime Office REIT-AG needs to meet this criterion by year-end 2013 to avoid losing its REIT status. The executive board has made increasing the REIT equity ratio to at least 45% a top priority, and plans to sell further properties by year-end in order to satisfy the minimum REIT equity ratio. As a result of the planned sales, 164.1 million Euro in "assets classified as held for sale" was reported as of 30 September 2013.

The subscribed capital grew by 34.5 million Euro to an overall of 51.9 million Euro as of 31 December 2011, as a result of the IPO in mid-year 2011. It remained unchanged at 51.9 million Euro as of 30 September 2013. The capital reserves of 625.3 million Euro therefore remained equally unchanged on 30 September 2013. Including other reserves particularly for unrealised gains/losses from cash flow hedges (interest rate swaps) in the amount of -53.1 million Euro and a balance sheet loss of -306.3 million Euro for the period, Prime Office REIT-AG held 318.1 million Euro in equity as of the balance sheet date on 30 September 2013 (31 December 2012: 389.1 million Euro).

The sum of current and non-current liabilities of Prime Office REIT-AG declined substantially compared with 31 December 2012 (642.5 million Euro), i.e. by 88.0 million Euro to 554.5 million Euro as of 30 September 2013. The substantial decline of the overall liabilities is due to the early repayment of loans and special prepayments as part of the optimisation of the financing structure. The sum of current and non-current financial liabilities (ex derivatives) fell accordingly from about 551.0 million Euro as of 31 December 2012 to 486.7 million Euro as of 30 September 2013. Adjusted by the valuation effects from derivative financial instruments, the sum of current and non-current liabilities would have decreased even more. The loan to value (LTV) of Prime Office REIT-AG fell to a current level of 59.4% as of 30 September 2013, compared to a value of 60.2% as of 31 December 2012. This substantially lower LTV will take pressure off the financial result going forward.

	FORMULA		**30.09.2013**	**31.12.2012**
Total liabilities	Current + non-current debt	in mm Euro	554.5	642.5
Net debt	Total debt - current assets	in mm Euro	485.2	521.2
Leverage	Net debt: property market values	in %	60.4	57.4
Loan-to-value	Liabilities to credit institutions: property mkt. value	in %	59.4	60.2
REIT equity ratio	Equity: property market values	in %	39.6	42.9

- Without assets classified as held for sale

As of the balance sheet date on 30 September 2013, the Company had current liabilities of 380.1 million Euro; this compares to 221.6 million Euro as of 31 December 2012. The increase in current liabilities results from the property financings in Dusseldorf, Nuremberg and Stuttgart that require prolongation on 31 December 2013 and were accordingly classified as current. In addition, the loans for the properties recognised as "assets classified as held for sale" and the related interest rate hedges are also recognised as current liabilities.

The current liabilities include current financial liabilities of 360.7 (31 December 2012: 212.5) million Euro and trade payables of 8.4 (31 December 2012: 3.4) million Euro. As of 30 September 2013, the Company reported current derivative financial instruments of 9.6 (31 December 2012: 4.3) million Euro. The other current liabilities in the amount of 1.4 million Euro consist of deferred charges (mainly deferred rent). No liabilities to tax authorities were reported as of the 30 September 2013 balance sheet date. As a rule, these consist of payable value-added tax. Around 1.0 million Euro of such liabilities were reported as of 31 December 2012.

The non-current financial liabilities as of 30 September 2013 amounted to 174.4 million Euro and are substantially below the level at year end 2012 (420.9 million Euro).

After the repayment of the loan liabilities for the properties sold in Hamburg and Munich/Hufelandstraße, the negative market values of derivative financial instruments amounted to an overall 67.8 (31 December 2012: 91.5) million Euro at the reporting date on 30 September 2013. It should be noted that the valuation, i.e. the market value of derivative financial instruments (market value of interest rate swaps), invariably reaches 0 at maturity, which leaves substantial value recovery potential over the time to maturity.

Prime Office REIT-AG has no foreign currency loans.

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

The fixed interest for existing financings totalling 44.2 million Euro for the property in Frankfurt expired on 30 September 2013. A special repayment of 5 million Euro was made in this regard in order to prolong the remaining amount until 30 March 2014. The fixed interest on a financing for the SZ-Turm property (as of 31 December 2012: 28.2 million Euro) expired on 28 June 2013; a special repayment of 7.5 million Euro was already made in January 2013. The new interest on the loan, which has been negotiated at competitive conditions, has come down from previous levels. In addition, a repayment of 3.1 million Euro was made in February 2013 towards a financing loan for the T-Online property in Darmstadt.

Net asset value

As of the balance sheet date on 30 September 2013, the net asset value (NAV) of Prime Office REIT-AG reached 377.7 million Euro compared to 468.4 million Euro as of year end 2012. This corresponds to an NAV per share of 7.27 Euro as of 30 September 2013, which was down compared to 31 December 2012 (9.02 Euro per share) due to the adjustment of the fair values.

Without adjustment for the effects from derivative financial instruments, the net NAV of Prime Office REIT-AG, which corresponds to the value of the equity, amounted to 318.1 (31 December 2012: 389.1) million Euro on 30 September 2013. This results in a net NAV or equity per share of 6.12 (31 December 2012: 7.49) Euro.

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

		30. Sep. 13	31. Dec. 12
		in mm Euro	in mm Euro
	Equity	318.1	389.1
-	Derivative financial instruments (assets), of these:	8.2	12.2
	current	0.3	1.4
	non-current	7.9	10.8
-	Deferred tax assets	0.0	0.0
+	Derivative financial instruments (liabilities), of these:	67.8	91.5
	current	9.6	4.3
	non-current	58.3	87.2
+	Deferred tax liabilities	0.0	0.0
	Net asset value (NAV)	377.7	468.4
		-	-
	Net asset value per share	7.27	9.02
	(not weighted)	-	-
	Equity per share	6.12	7.49
	(not weighted)	-	-

STAFF

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

	Staff
AS OF 30/09/2013	TOTAL
Executive Board	2
Asset management	3
Other	4
Total	9

During its meeting on 28 June 2013, the supervisory board of Prime Office REIT-AG decided to discharge the CEO of the Company, Mr Claus Hermuth, from his duties, effective immediately. Discussions on a mutually agreeable termination of Mr Hermuth's employment contract were concluded in September and a mutually agreeable termination of his employment will take place on 31 December 2013. The CFO of the Company, Mr Alexander von Cramm, has taken over the CEO responsibilities.

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

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

Risk management

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

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

The system ensures that risks are

identified, evaluated

and addressed via necessary measures.

It also monitors the development of risk.

Risk management is overseen by executive board member Alexander von Cramm. It is consistently enhanced in cooperation with external advisers, to ensure that particularly new approaches and ideas can be incorporated in the risk management of Prime Office REIT-AG.

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

At the reporting date 30 September 2013, the Company had liabilities from bank loans in the total amount of 476.9 million Euro. Loans in the total amount of 360.7 million Euro will expire in less than one year. The Company still owns funds from the IPO in the amount of about 45 million Euro that are held available for the partial repayment of financings for the properties in Stuttgart, Nuremberg and Dusseldorf.

Financing agreements for properties in Stuttgart, Nuremberg and Dusseldorf with a total loan amount of about 95.8 million Euro as of 30 September 2013, will expire on 31 December 2013 and require prolongation. These loans would be due and payable if the Company were unable to agree with the lenders on loan prolongations or financing conditions. The executive board expects that the negotiations on the prolongations will go ahead as scheduled and that the properties can be refinanced or financings can be prolonged at competitive rates. The Company pushed respectively carried out the sale of properties in order to strengthen the REIT equity ratio and return it to the minimum 45% that is required under the REIT law in financial year 2013.

As indicated, additional debt needs to be raised due to vacancies in the portfolio and planned refurbishment measures. The Company will be able to raise sufficient financing, given that the portfolio had a total market value of 803.1 million Euro at the balance sheet date and net liabilities at that date amounted to 485.2 million Euro. The executive board expects that the Company will be able to meet its financial obligations at any point in time.

The Company expects to have a monthly liquidity of between 1 and 35 million Euro available in the fourth quarter of 2013, which consists of cash and money market funds minus cash collateral. The proceed from the sale of and the repayment of the loans for the property which is currently being sold has been accounted for in this number.

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

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

The risks of Prime Office REIT-AG are described in detail in the annual report for 2012 on page 66 et seqq. (risk report). The risk situation has not materially changed over the first nine months of the year 2013 with one exception: due to continuing vacancies in the portfolio, the Company’s ability to maintain liquidity depends on whether the property in Munich (Hultschiner Straße) can also be sold as scheduled or whether the Company can raise additional debt capital or equity. Survival of the Company is contingent on whether or not at least one of these options can be realised. The management board sees a reasonable probability that at least one of the two options can be realised

Barring unforeseen rent delinquencies in the fourth quarter of 2013 and subject to the on-schedule conclusion of the property sale Hultschiner Straße 8 (Munich) or the Company's ability to raise additional debt or equity, the executive board sees no other critical risks to the Company.

The Prime Office share

DEVELOPMENT OF THE PRIME OFFICE REIT-AG SHARE PRICE

Capital market sentiment in the third quarter of financial year 2013 was volatile but nevertheless predominantly positive. The beginning of the quarter was promising due to favourable reports from the European banking industry suggesting that an economic recovery was taking place in Europe. Spain in particular was showing the first signs of progress in its restructuring efforts. The European purchasing manager index was also showing a positive trend and the Ifo Business Climate Index recorded its third increase in a row, giving a significant boost to stock markets in the initial weeks of the third quarter. This was followed by positive economic data from the US, Asia and Europe, signalling a possible end to the US Federal Reserve's government bond buying programme and, consequently, an end to its expansive monetary policy. At the same time, however, increases in the European and Chinese purchasing manager indices and in German gross domestic product continued to provide support to the equity market, so that no clear trend was apparent on stock exchanges. Although the possibility of US involvement in the Syrian civil war then led to investor uncertainty, the market environment brightened significantly again in the following weeks. This was due to investor relief about the lack of US military intervention in Syria, as well as the ECB's decision to leave its key interest rate at 0.5 percent, indicating that it was continuing its recent liquidity policy. The central bank's announcement that government bond purchases would continue unchanged at the current level was also very positively received by stock markets. At the end of the quarter, the federal election results initially had a positive effect on investors, but market participants were clearly disillusioned by subsequent difficulties with coalition formation. The impending budget impasse in the US also led to uncertainty in capital markets.

The Prime Office REIT-AG share price was highly volatile in the third quarter of 2013 and recorded slightly negative performance with an overall drop of around 6 percent. Starting from the XETRA opening price of 3.52 Euro per share on 1 July 2013, the share price initially moved in a positive direction, reaching its quarterly high of 3.65 Euro on 2 July 2013 and again on 10 and 11 July 2013. The shares then experienced considerable pressure and, except for a few exceptions, recorded mainly negative movement in following weeks. It is important to note in connection with this that Prime Office REIT-AG announced on 7 August 2013 that its business development in the first half of 2013 would be greatly affected by an adjustment of around -61 million Euro in the market value of its property portfolio. In addition, further details on the planned merger with OCM German Real Estate Holding AG were announced on the same date, and the Company's results for the first half of 2013 were announced on 8 August 2013. The executive board of Prime Office REIT-AG believes that the announcement about the significant property portfolio valuation effects were primarily responsible for the negative development in the Company's share price at this time. After reaching a quarterly low of 2.74 Euro on 28 August 2013, the share price once again showed a significant positive trend in following weeks. This trend was maintained until the final days of September, when the share price showed a short period of weakness before settling at a relatively constant level. The XETRA closing price of the third quarter was 3.30 Euro per share on 30 September 2013.

The executive board of Prime Office REIT-AG remains dissatisfied with the recent development and current level of the share price and the still high discount on the Company's net asset value (NAV). Management will therefore continue to focus in particular on a long-term reduction in the discount on the Company's NAV and make every effort to achieve a fair valuation of Prime Office REIT-AG by the capital market. The executive board assumes that the Prime Office share will recover significantly with the further implementation of the merger and after completion of the financing measures.

SHAREHOLDER STRUCTURE

The shareholder structure of Prime Office REIT-AG changed only slightly during the third quarter of financial year 2013, with one exception. Ironsides Partners LLC (USA) increased its shareholdings again and held around 15.2 percent of the Company's shares as at 30 September 2013. This position, however, aggregates the shares of several investment companies under the umbrella of Ironsides Partners LLC so that no single investor holds over 10% of the shares in Prime Office REIT-AG. As a result, the Company continues to comply with an important requirement of the REIT law. Overall, the Company's shareholder base continues to be dominated by long-term oriented institutional investors with a primary focus on property companies. Management considers this to be proof of the high level of trust that investors have in the strategy and business model of Prime Office REIT-AG.

Free float amounted to about 61.2 percent of the shares on 30 September 2013.

Key shareholders of the Company holding shares ≥ 3%

Ironsides Partners LLC (USA)	15.2%
Oaktree (US)	8.4%
Morgan Stanley Investment Ltd. (UK)	6.5%
Karoo Investment S.C.A. SICAV-SIF (Lux)	5.3%
Ruffer Ltd. (UK)	3.4%
Other free float	61.2%

INVESTOR RELATIONS

As in previous quarters, Prime Office REIT-AG continued to engage in candid and intensive dialogue with relevant capital market players in the third quarter of the current financial year. Following the summer break, the Company first attended the SRC Forum Financial & Real Estate 2013 in Frankfurt am Main in September. The executive board also represented Prime Office REIT-AG at the 2013 German Corporate Conference organised by Berenberg Bank and Goldman Sachs and the Baader Investment Conference, both of which took place in Munich. The Company was also represented at the German Investment Conference (GIC) organised by UniCredit and Kepler Cheuvreux, which was also in Munich.

As of 30 September 2013 and at the end of the second quarter of the current financial year, Prime Office REIT-AG was being covered by eight banks and research firms, most of which continue to have a positive view of the Company. One bank had an overweight recommendation on the stock, four banks and research firms recommended buying the shares and two banks had a hold recommendation. One bank did not have a current recommendation at the end of the third quarter. The positive valuation of Prime Office REIT-AG by the analysts is also reflected in their various price targets, which ranged between 3.50 Euro and 5.30 Euro per share at the end of the reporting period, thereby exceeding in all cases the XETRA closing price of 3.30 Euro per share on 30 September 2013.

Statement of events after the reporting date

EVENTS AFTER THE INTERIM REPORTING PERIOD

On November 20, 2013 a sales contract for the SZ-Turm was notarised.

Projections

MACROECONOMIC DEVELOPMENT

Signs of a slight economic recovery are accumulating in the euro zone: Economic output increased again for the first time in one-and-a-half years. In addition, the Deutsche Bundesbank monthly report for October 2013 reports on a recent increase in the ZEW indicator of economic expectations for the Eurozone, even though the current economic situation is still rated as "poor".

The global outlook in the International Monetary Fund's (IMF) World Economic Outlook (October 2013) is, however, cautiously optimistic, as the global economy is only growing slowly and there is also a risk of negative changes. The Eurozone is nevertheless showing small positive growth. The IMF expects total global economic production to increase by only 2.9% in 2013 and therefore made another slight downward revision in its July 2013 forecast. Growth is expected to be 3.6% (July 2013: 3.8%) in 2014. The developed economies continue to show growth. The IMF left its growth forecast for total production in the developed economies unchanged at 1.2% for 2013 and 2.0% for 2014.

While the Eurozone is expected to contract by 0.4% in 2013, it should pick up again slightly in 2014 (1.0%) according to the IMF. Germany is expected to continue growing, and as the leader in the Eurozone, the IMF increased its forecast for growth in Germany to 0.5% for 2013 (+0.2 percentage points) and 1.4% for 2014 (+0.1 percentage points).

In October, the economic research institutes presented their joint analysis, which showed Germany at the start of an economic upswing. According to the analysis, Germany was benefiting from falling uncertainty in the Eurozone, favourable financing terms and a revival of the global economy that was boosting investment activity. The institutes expect an inflation-adjusted increase in gross domestic product of 0.4% for 2013 and an increase in economic output of as much as 1.8% in 2014.

THE OFFICE PROPERTY MARKET IN GERMANY

According to the international property service provider Jones Lang LaSalle (JLL), the German property market is firmly on course in 2013 to achieve the best German investment market results since 2007, with good overall conditions and a positive outlook creating good support for confidence among participants in the German property market. As a result, user demand remains comparatively high in Germany's major office property markets. The office letting market recovered from quarter to quarter, although quarterly revenues continued to fall below the levels in the previous year. These shortfalls became smaller, however, from quarter to quarter, leading JLL to describe the pace of recovery in major property markets as surprisingly rapid. In general, users examine properties in great detail before making leasing decisions, so that a great deal of time is required for decision-making. The situation in the letting market is not, however, the result of weak demand, but is instead due to a shortage of supply. Given a continuing high level of enquiries in the market, JLL made another upwards revision in its forecast of annual letting market revenues. The company feels that the 3 million square metre mark can still be achieved in 2013, which would result in a decrease of just 2% compared to 2012.

The average vacancy rate for Germany's seven key office markets fell by 2% to 7.49 million square metres at the end of the third quarter, resulting in an average vacancy rate of 8.5% in the major office markets. According to JLL, this level should remain unchanged to the end of the year in spite of an increase in completions. JLL expects rents in the property markets of Frankfurt and Stuttgart to increase slightly by year end 2013, while rents in the other key office markets remain at their present level.

Since "Germany is an attractive destination for real estate investors" and interest from local and international players continues unabated, the investment market continues to be lively. In spite of a lack of large-scale transactions, according to JLL many large transactions were in preparation or close to being concluded. As a result, JLL expects lively transaction activity, leading to a total investment volume of about 30 billion Euro in 2013. This would reach the volume achieved in the "boom year" of 2007.

CAPEX MEASURES

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

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

The investment strategy targets office properties in the most important German office markets or major German cities with established or growing infrastructure. Appropriately pre-let developments also fit Prime Office REIT-AG's acquisition profile.

Opportunities and outlook

OPPORTUNITIES

The asset managers of Prime Office REIT-AG might be able to let the remaining vacant spaces in the overall portfolio that are limited to the properties in Dusseldorf, Frankfurt and Heilbronn, short-term.

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

OUTLOOK

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

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

Based on the above assumptions, the executive board of Prime Office REIT-AG anticipates revenues (including operating cost prepayments) of between 51 and 53 million Euro and funds from operations of -3 to -6 million Euro in financial year 2013.

Munich, December 19, 2013

Alexander von Cramm	Richard Berg
(Board Member)	(Board Member)

Unaudited condensed interim financial statement for the period from 1 January 2013 to 30 September 2013

Income statement for the period from 1 January to 30 September 2013

	Note	01/01 to 30/09/2013	01/01 to 30/09/2012
		k€	k€
Revenues from rental and lease	5.1	38,729	54,679
Other revenues from rental and lease	5.2	2,086	1,019
Expenses for rental, lease and sale	5.3	-11,569	-8,881
Rental, lease and sale income		**29,246**	**46,817**
Other operating income	5.4	54	232
Other operating expenses	5.5	-6,806	-3,513
Expenses for staff benefits	5.6	-2,380	-1,341
Depreciation and amortisation		-94	-82
Operating income before valuation result		**20,020**	**42,113**
Losses from fair valuation of investment properties	5.7	-85,296	-10,610
Operating income (EBIT)		**-65,277**	**31,503**
Finance expenses	5.8	-31,031	-30,711
Finance income	5.8	7,821	6,472
Income before income taxes (EBT)		**-88,486**	**7,264**
Other taxes		-1	0
Income for the reporting period		**-88,487**	**7,264**
Income per share			
Undiluted/diluted income per share	5.9	**-1,70 €**	**0,14 €**

Comprehensive income statement for the period from 1 January to 30 September 2013

	Note	01/01 to 30/09/2013 k€	01/01 to 30/09/2012 k€
Income for the reporting period		**-88,487**	**7,264**
Other operating income/expenses			
Changes in equity from reserves for unrealised gains/losses from the fair-value accounting of financial assets available for sale		58	42
Changes in equity from reserves for unrealised gains/losses from cash flow hedges (interest rate swaps)	7.1	17,444	-14,550
Changes in equity from reserves for unrealised gains/losses from cash flow hedges (currency swaps)	7.1	0	-303
Other income after taxes that requires reclassification and recognition as income/loss in the following periods		**17,502**	**-14,811**
Total comprehensive income after taxes		**-70,985**	**-7,547**

Balance sheet as at 30 September 2013

	Note	30/09/2013 k€	31/12/2012 k€
ASSETS			
Assets			
Current assets			
Accounts receivable	6.1	864	42,570
Other receivables and financial assets	6.1	4,126	2,171
Receivables from tax authorities		254	0
Derivative financial instruments		333	1,380
Cash at bank and in hand	6.1	55,843	64,399
		61,420	110,520
Assets classified as held for sale	6.2	164,100	0
		225,520	**110,520**
Non-current assets			
Plant, property and equipment	6.3	224	290
Investment property	6.4	639,000	907,876
Intangible assets		33	33
Derivative financial instruments	6.1	7,886	10,812
Non-current financial assets	6.1	0	2,071
		647,143	**921,082**
TOTAL ASSETS		**872,663**	**1,031,602**
EQUITY AND LIABILITIES			
Liabilities			
Current liabilities			
Current financial liabilities	7.2	360,735	212,507
Accounts payable	7.2	8,374	3,389
Current derivative financial instruments		9,577	4,285
Other current liabilities	7.2	1.433	470
Payables to tax authorities		0	971
		380,119	**221,622**
Non-current liabilities			
Non-current financial liabilities	7.2	116,169	333,693
Non-current derivative financial instruments	7.2	58,251	87,177
		174,420	**420,870**
Total liabilities		**554,539**	**642,492**
Equity			
Subscribed capital	7.1	51,941	51,941
Capital reserves		625,323	625,324
Other reserves		-52,845	-70,347
Net loss		-306,295	-217,808
		318,124	**389,110**
TOTAL ASSETS		**872,663**	**1,031,602**

Statement of changes in equity for the period from 1 January to 30 September 2013

	Subscribed capital	Capital reserves	Other reserves: Reserves for unrealised gains/losses from the fair-value accounting of financial assets available for sale	Other reserves: Reserves for unrealised gains/losses from cash flow hedges (interest rate swaps)	Other reserves: Reserves for unrealised gains/losses from cash flow hedges (currency swaps)	Net loss	Total equity
	k€	k€	k€	k€	k€	k€	k€
01/01/2013	51,941	625,324	222	-70,569	0	-217,808	389,110
Income for the reporting period	0	0	0	0	0	-88,487	-88,487
Other result for the reporting period	0	0	58	17,444	0	0	17,502
Total	51,941	625,324	280	-53,125	0	-306,295	318,124
30/09/2013	**51,941**	**625,324**	**280**	**-53,125**	**0**	**-306,295**	**318,124**

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

Cash flow statement for the period from 1 January to 30 September 2013

	Note	01/01 to 30/09/2013	01/01 to 30/09/2012
		k€	k€
Income for the reporting period		-88,487	7,264
Amortisations and depreciations of non-current assets		94	82
Unrealised valuation losses (gains) from fair value accounting of investment properties		85,296	10,570
Interest income and expenses	5.8	23,209	24,238
Changes in receivables and other assets	6.1	104	2,174
Changes in liabilities	7.2	5,216	-370
Other changes not affecting cash flow		590	-170
Taxes paid		1	0
Interest paid		-27,073	-22,528
Interest received		89	228
Cash flow from operating activities		**-960**	21,489
Cash flow from disposals of investment properties		61,742	1,030
Investments in investment properties		-1,442	-880
Investments in intangible assets		-25	-18
Investments in other property, plant and		-4	-9
Cash flow from investment activities		60,270	123
Dividend payment		0	-11,947
Disbursements for the repayment of bank loans		-67,113	-12,819
Payments for loan transfers		0	-200
Cash flow from financing activities		**-67,713**	-24,965
Changes in cash and cash equivalents affecting cash flow		**-8,402**	-3,353
Exchange rate and valuation related changes of the cash fund		0	437
Cash and cash equivalents at the beginning of the period		65,511	129,512
Cash and cash equivalents at the end of the period		**57,109**	**126,596**

Notes to the individual financial statement of Prime Office REIT-AG

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 October 9, 2000. The Company has its offices in Hopfenstrasse 4, 80335 Munich, Germany.

The Company is a property company. The Company's 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 July 7, 2011, the Company became a Real Estate Investment Trust-Aktiengesellschaft (REIT-AG; REIT joint-stock company).

The Company's fiscal year ends on December 31 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 Prime Office REIT-AG.

On August 7, 2013, the executive board of the Company as the transferring company, and the executive board of OCM German Real Estate Holding AG as the absorbing company signed a notarial certified merger agreement (Deed no. W 2509/13 of notary public Dr. Hartmut Wicke, Munich). Before taking effect, the merger agreement had to be approved by the general shareholders' meetings of both the Company and OCM German Real Estate Holding AG. The appropriate approvals from the respective general shareholders' meetings were granted on September 23 and 24, 2013, respectively. As of the closing date of this reporting period on September 30, 2013, the merger had not yet been entered in the commercial register.

On account of the continuing vacancies in the property portfolio of Prime Office REIT-AG, the preservation of liquidity depends on whether the sale of the property in Munich (Hultschiner Straße 8) can be completed on schedule or whether additional debt financing can be raised. The survival of the company is contingent on whether or not at least one of the two options can be realised. The executive board sees a reasonable probability that at least one of the two options can be realised.

2. BASIS OF FINANCIAL STATEMENT PREPARATION AND ACCOUNTING METHODS

2.1 BASIS OF FINANCIAL STATEMENT PREPARATION

The condensed interim financial statement as at September 30, 2013 was prepared in line with IAS 34 as applicable in the EU.

The condensed interim financial statement does not contain all information and data required for an individual fiscal year-end IFRS-compliant financial statement and should therefore be considered together with the IFRS-compliant individual financial statement as at December 31, 2012.

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

2.2 MATERIAL ACCOUNTING PRINCIPLES

The Company has prepared the condensed interim financial statement in line with the accounting principles governing the IFRS-compliant individual financial statement as at December 31, 2012. The standards applicable for the first time from January 1, 2013 are an exception to this rule.

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

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

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

IFRS 13 Fair value measurement

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

Market price quotes are available for certain types of derivatives. If such prices do not exist, as is the case for the derivatives held by Prime Office REIT-AG, the fair value is determined on a regular basis using other valuation methods. The fair value measurement must account both for the credit default risk of the counterparty and the credit default risk of the company preparing the financial statement. The value adjustment performed during the fair value measurement process to take into account the credit default risk of a counterparty in a derivative financial instrument is called "Credit Value Adjustment (CVA)"; the value adjustment performed to take into account the credit default risk of the company preparing the financial statement is called "Debt Value Adjustment (DVA)". The calculation of this non-performance risk results in an improvement of the market values in the amount of € 1.6 million in aggregate across all financial instruments of Prime Office REIT-AG.

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

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

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

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

3. MATERIAL DISCRETION

The application of the IFRS requires discretionary board decisions for deriving the 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 December 31, 2012. As a result, please refer to the explanations provided in this earlier statement.

Due to the still pending transfer of rights and obligations and the still pending purchase price payment for the property Hultschiner Straße 8, Munich, the related reclassification of this property as held for sale under IFRS 5 represents a material discretion of the executive board.

4. MATERIAL ESTIMATES AND ASSUMPTIONS

An IFRS-compliant individual financial statement requires certain estimates and assumptions, which impact the recognised assets and liabilities, the reported contingent claims and liabilities and the presentation of revenues and expenses during the reporting year. Since estimates and assumptions must be made based specifically 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

The market value of the property portfolio presented in the categories investment properties and assets classified as held for sale corresponds with one exception to the market valuation performed by CB Richard Ellis GmbH (CBRE) as at 30 September 2013 and amounted to 803.1 million Euro. This compares to 909.2 million Euro as at 31 December 2012. The decline in value results from the general development of the German property market, the pro rata decline of the property portfolio's remaining term of the lease, the temporary vacancies in individual properties (Stuttgart, Frankfurt and Dusseldorf) and particularly the short remaining term of lease in the properties in Frankfurt and Dusseldorf that require re-letting. Due to the purchase contract, which was concluded on November 20, 2013, the fair value of the property Hultschiner Strasse 8, Munich was reduced by € 18.4 million in comparison to June 30, 2013 to € 164.1 million.

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 pertaining to future occupancy levels and the probability of lease prolongation options being exercised, all of which can significantly impact fair value in future adjustments.

With three exceptions, valuation of the existing leases and vacant spaces was based on the assumption of a 50% probability that the existing leases will be prolonged or new leases will be concluded, respectively (31 December 2012: 50% with three exceptions). Based on the individual rental spaces, the average estimate is 53% (31 December 2012: 56%) for the property in Heilbronn, Bahnhofstrasse 1-5.The higher probability results from the fact that indicative interest has already been expressed for prolongation.

For the property in Nuremberg, Richard-Wagner-Platz 1, the average estimate lies at 34% as the Deutsche Rentenversicherung will give up the majority of their office space. In Dusseldorf, am Seestern lies the average estimate for the probability of prolongation at 47%. Here a probability of prolongation of 0% for the tenants Hochtief AG and Vodafone D2 GmbH is given, since the respective leases were terminated in due time.

With the exception of the properties Ludwig-Erhard-Anlage 2-8 in Frankfurt and Am Seestern 1 in Dusseldorf, the management costs assumed for valuation purposes range between 0.79% and 3.55% (31 December 2012: between 0.77% and 3.49%) of the respective property's gross annual revenues; repair and maintenance costs were assumed to be between € 5.27 and € 8.84 per m² of space annually (31 December 2012: between € 4.86 and € 8.25 per m² of space). The estimated management costs in per cent of the properties' respective gross annual revenues were 65.20% (31 December 2012: 75.42%) for the property Ludwig-Erhard-Anlage 2-8 in Frankfurt and 12.18% (31 December 2012: 1.36%) for the property Am Seestern 1 in Dusseldorf.

The discount rate used for valuation purposes ranged between 6.30% and 7.40% (31 December 2012: between 6.00% and 7.20%); the capitalisation rate used to determine the residual values ranged between 5.00% and 6.25% (31 December 2012: between 5.00% and 6.20%).

Cash flows were calculated based on an expected inflation rate of 1.60% in 2013 and 1.90% in 2014. An inflation rate of 2.0% is assumed for the following years. The carrying amounts of the investment properties and the assets classified as held for sale as presented in the individual financial statement as at 30 June 2013 are k€ 803,100 (31 December 2012: k€ 907,876). The market value of the real estate assets would increase to an overall € 841.2 million if the discount rate were to decline by 0.5%. Conversely, the market value of the real estate assets would decline to an overall € 780.1 million if the discount rate were to increase by 0.5%. A 0.5% increase of the discount rate would therefore result in additional write-downs of € 29.8 million.

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

	Lettable space in m²		Management costs based on annual gross revenues (rounded)		Maintenance and repair costs per m²		Discount rate (rounded)		Capitalisation rate (rounded)	
	30/09/2013	*31/12/2012*	30/09/2013	*31/12/2012*	30/09/2013	*31/12/2012*	30/09/2013	*31/12/2012*	30/09/2013	*31/12/2012*
Assets classified as held for sale										
Hufelandstr. 13-15, Munich		*8,224*		*1%*		*5.49 €/m²*		*6%*		*5%*
Hultschiner Str. 8, Munich	62,237	*62,237*	1%	*1%*	6.52 €/m²	*4.86 €/m²*	7%	*6%*	6%	*6%*
Investment properties										
Ludwig-Erhard-Anlage 2-8, Frankfurt am Main	35,101	*35,101*	65%	*75%*	6.25 €/m²	*6.25 €/m²*	6%	*7%*	5%	*5%*
T-Online Allee 1, Darmstadt	72,528	*72,528*	1%	*1%*	6.39 €/m²	*6.39 €/m²*	7%	*7%*	6%	*6%*
Earl-Bakken-Platz 1, Meerbusch	8,038	*8,038*	1%	*1%*	5.86 €/m²	*5.86 €/m²*	7%	*7%*	6%	*6%*
Opernplatz 2, Essen	24,531	*24,531*	1%	*1%*	5.27 €/m²	*5.27 €/m²*	7%	*7%*	6%	*6%*
Philipp-Reis Str. 2, Fellbach	19,854	*19,854*	1%	*1%*	8.84 €/m²	*8.25 €/m²*	7%	*6%*	6%	*6%*
Alfredstr. 236, Essen	30,314	*30,314*	1%	*1%*	6.35 €/m²	*6.35 €/m²*	7%	*7%*	6%	*6%*
Deutsche Telekom Allee 7, Darmstadt	24,686	*24,686*	2%	*2%*	6.51 €/m²	*6.51 €/m²*	7%	*7%*	6%	*6%*
Breitwiesenstr. 5-7, Stuttgart	25,256	*25,284*	4%	*3%*	6.27 €/m²	*6.37 €/m²*	7%	*7%*	6%	*6%*
Richard-Wagner-Platz 1, Nuremberg	6,445	*6,445*	2%	*2%*	7.01 €/m²	*7.01 €/m²*	7%	*6%*	6%	*6%*
Bahnhofstrasse 1-5, Heilbronn	14,750	*14,750*	3%	*3%*	6.78 €/m²	*6.52 €/m²*	7%	*7%*	6%	*6%*
Am Seestern 1, Dusseldorf	36,109	*35,819*	12%	*1%*	6.03 €/m²	*5.99 €/m²*	7%	*7%*	6%	*6%*

Please refer to the IFRS-compliant individual financial statement as at December 31, 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 and from assets classified as held for sale:

	01/01 to 30/09/2013	01/01 to 30/09/2012
	k€	k€
Rental income	35,176	48,390
Gains from the recovery of service charges	3,554	6,289
Total	**38,729**	**54,679**

5.2 OTHER RENTAL AND LEASE INCOME

The table below shows the composition of other rental and lease income from investment properties and from assets classified as held for sale:

	01/01 to 30/09/2013	01/01 to 30/09/2012
	k€	k€
Gain from termination of a rent guarantee for Stuttgart/Philipp Reis Strasse 2	1,684	0
Gains from refurbishment agreements	172	108
Out-of-period revenues	147	45
Gains from contract termination	51	0
Gains from input tax corrections	22	27
Gains from insurance indemnifications	7	46
Gains from reimbursement of dismantling services	0	700
Gains from repair works	0	84
Other rental and lease gains	3	9
Total	**2,086**	**1,019**

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

5.3 RENTAL, LEASE AND SALE EXPENSES

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

	01/01 to 30/09/2013 k€	01/01 to 30/09/2012 k€
Servicing, maintenance and repair	-6,558	-3,785
Property management	-1,397	-1,745
Energy, water, waste water	-1,182	-1,482
Property tax	-932	-1,020
Insurance policies	-566	-580
Accounting loss from disposal of Hufelandstrasse 13-15, Munich	-500	0
Non-recoverable input tax	-254	-165
Deferred operating costs	-83	-85
Other expenses	-99	-19
Total	**-11,569**	**-8,881**

5.4 OTHER OPERATING INCOME

Other operating income can be broken down as follows:

	01/01 to 30/09/2013 k€	01/01 to 30/09/2012 k€
Gains from reversed provisions	21	170
Gains from benefits in kind	29	25
Gains from securities	4	37
Total	**54**	**232**

5.5 OTHER OPERATING EXPENSES

Other operating expenses can be broken down as follows:

	01/01 to 30/09/2013 k€	01/01 to 30/09/2012 k€
Advisory costs	-4,599	-984
Costs related to the preparation of financial statements and audits	-389	-322
Financial statements printing costs	-250	-381
Expenditures benefiting past or future periods	-213	-323
Advertising costs	-187	-204
Supervisory board remunerations	-162	-290
Occupancy costs	-154	-156
Non-recoverable input tax	-128	-110
Travel costs	-117	-108
Postal / telephone / office supply costs	-91	-57
Insurance policies	-91	-91
Property portfolio valuation costs	-72	-82
Accounting costs	-69	-73
Notary and court fees	-68	-65
Vehicle costs	-59	-58
Contributions	-44	-37
Trade fair costs	-23	-23
Other expenses	-89	-149
Total	**-6,806**	**-3,513**

The increase of advisory costs in the amount of € 3.6 million pertains to the merger negotiations with OCM German Real Estate Holding. Please refer to section 1 for more details.

5.6 EXPENSES FOR STAFF BENEFITS

The increase in expenses for staff benefits in the amount of € 1.0 million is related to the discharge of the CEO on June 28, 2013 and the negotiations to terminate the employment contract, which have since been concluded

5.7 LOSSES FROM FAIR VALUATION OF INVESTMENT PROPERTIES

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

The executive board has concluded that the factors governing the valuation of the property Hultschiner Strasse 8, Munich, have changed materially. Due to the purchase contract, which was concluded on November 20, 2013, the fair value of the property Hultschiner Straße 8, Munich was reduced by € 18.4 million in comparison to June 30, 2013 to € 164.1 million.

For the purposes of the discounted cash flow approach used for the property valuation, the discount rate was, moreover, increased by an average 1.98% and the capitalisation rate by an average 1.70% to reflect the current development in the property market.

These valuation criteria and the refurbishment-related vacancies in the properties Frankfurt, Ludwig-Erhard-Anlage 2-8, Stuttgart, Breitwiesenstrasse 5-7, and Dusseldorf, Am Seestern 1, led to a net loss from the fair valuation of investment property of -k€ 85.296 for the period January 1 to September 30, 2013 after a loss of -k€ 10,610 reported for the period January 1 to September 30, 2012.

5.8 NET FINANCING EXPENSES

Net financing expenses can be broken down as follows:

	01/01 to 30/09/2013	**01/01 to 30/09/2012**
	k€	**k€**
Interest expenses	-25,516	-26,490
Expenses from the fair valuation of derivative financial instruments	-5,515	-3,522
Foreign exchange losses	0	-699
Total financial expenses	-31,031	-30,711
Gains from the fair valuation of derivative financial instruments	7,732	5,807
Other interest	69	200
Financial gains from finance lease	20	28
Gains from foreign exchange transactions	0	437
Total financial gains	7,821	6,472
Total	**-23,209**	**-24,239**

5.9 INCOME PER SHARE

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

	Note	**01/01 to 30/09/2013**	**01/01 to 30/09/2012**
		k€	**k€**
Profit/loss, attributable to shareholders		-88,487	7,264
Average number of shares issued (in thousands)	7.1	51,941	51,941
Undiluted/diluted income per share		**-1.70 €**	**0.14 €**

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	30/09/2013	0	0	864	0	0	864
	31/12/2012	*0*	*0*	*42,570*	*0*	*0*	*42,570*
Other receivables and financial assets	30/09/2013	0	1,265	1,063	1,797	0	4,126
	31/12/2012	*0*	*1,111*	*1,060*	*0*	*0*	*2,171*
Receivables from tax authorities	30/09/2013	0	0	254	0	0	254
	31/12/2012	*0*	*0*	*0*	*0*	*0*	*0*
Derivative financial instruments	30/09/2013	0	333	0	0	0	333
	31/12/2012	*0*	*1,380*	*0*	*0*	*0*	*1,380*
Cash at bank and in hand	30/09/2013	55,843	0	0	0	0	55,843
	31/12/2012	*64,399*	*0*	*0*	*0*	*0*	*64,399*
	30/09/2013	**55,843**	**1,598**	**2,181**	**0**	**0**	**61,420**
	31/12/2012	*64,399*	*2,491*	*43,630*	*0*	*0*	*110,520*
Non-current assets:							
Financial assets	30/09/2013	0	0	0	0	0	0
	31/12/2012	*0*	*0*	*331*	*1,740*	*0*	*2,071*
Derivative financial instruments	30/09/2013	0	7,886	0	0	0	7,886
	31/12/2012	*0*	*10,812*	*0*	*0*	*0*	*10,812*
	30/09/2013	**0**	**7,886**	**0**	**0**	**0**	**7,886**
	31/12/2012	*0*	*10,812*	*331*	*1,740*	*0*	*12,883*
Total	**30/09/2013**	**55,843**	**9,484**	**2,181**	**0**	**0**	**69,306**
	31/12/2012	*64,399*	*13,303*	*43,961*	*1,740*	*0*	*123,403*

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

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

	30/09/2013	31/12/2012
	k€	**k€**
Securities	1,265	1,111
Total	**1,265**	**1,111**

The securities were recognised at fair value based on prices in active stock markets.

The changes in financial assets between January 1 and September 30, 2013 can be broken down as follows:

		Recognised as income in the income statement	Ineffectiveness, recognised as income in the income statement	Not affecting income in equity	Not affecting income through netting with related loans	Total
		k€	**k€**	**k€**	**k€**	**k€**
Derivatives held for trading	30/09/2013	-3,973	0	0	0	-3,973
	31/12/2012	6,016	0	0	0	*6,016*
Derivatives held for hedging purposes	30/09/2013	*0*	0	*0*	*0*	0
	31/12/2012	*0*	0	-407	-15,604	*-16,011*
Securities held for trading	30/09/2013	3	0	0	0	3
	31/12/2012	38	0	0	0	*38*
Total	**30/09/2013**	**-3,970**	**0**	**0**	**0**	**-3,970**
	31/12/2012	*6,054*	*0*	*-407*	*-15,604*	*-9,957*

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

The derivatives that valued using a valuation approach with input parameters that can be observed in the market are interest-rate swaps and interests cap agreements. Valuation also takes into account the credit default risks presented in section 2.2 on IFRS 13.

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

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

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

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

		Level 1	**Level 2**	**Level 3**	**Total**
		k€	**k€**	**k€**	**k€**
Assets held for trading	30/09/2013	0	8,219	0	8,219
	31/12/2012	0	*12,192*	0	*12,192*
Financial assets available for sale	30/09/2013	0	1,797	0	1,797
	31/12/2012	*0*	*1,740*	*0*	*1,740*
	30/09/2013	**0**	**10,016**	**0**	**10,016**
	31/12/2012	0	13,932	0	13,932

There were no reclassifications between level 1 and level 2 assets recognised at fair value and no reclassifications from or to level 3 assets recognised at fair value during the fiscal year. Please refer to the IFRS-compliant individual financial statement as at December 31, 2012 for an explanation of the valuation levels.

6.2 ASSETS CLASSIFIED AS HELD FOR SALE

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

Book values properties	**30/09/2013**	**31/12/2012**
	k€	**k€**
Munich, Hultschiner Strasse 8	164,100	0
Total	**164,100**	**0**

The assets classified as held for sale were valued as at September 30, 2013 by independent valuer CB Richard Ellis Deutschland GmbH. They have a market value of about € 170.9 million. The fair valuation of the investment properties has relevance for the assets classified as available for sale. Please refer to the notes of the IFRS-compliant individual financial statement as at December 31, 2012 for explanations on the valuation methods used for investment properties. Due to the purchase contract, which was concluded on November 20, 2013, the fair value of the property Hultschiner Straße 8, Munich was reduced by € 18.4 million in comparison to June 30, 2013 to € 164.1 million.

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

The property located in Hultschiner Strasse 8 in Munich has a total rental space of 62,237 m² and a plot size of 21,942 m². The property is a single tenant property. It has been rented to Süddeutscher Verlag on a long-term lease until October 9, 2023. The selling process is scheduled to be completed by year-end 2013.

6.3 PLANT, PROPERTY AND EQUIPMENT

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

	30/09/2013	31/12/2012
	k€	k€
Office equipment	144	152
Show rooms	48	92
Other business and office equipment	32	46
Total	**224**	**290**

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

6.4 INVESTMENT PROPERTIES

Investment property assets have developed as follows:

	30/09/2013	31/12/2012
	k€	k€
Book value as at 01/01	907,876	970,802
Investments in portfolio properties	1,275	1,260
Disposal of portfolio properties	-20,627	-44,000
Gains from fair value adjustments	1,179	1,150
Losses from fair value adjustments	-86,491	-21,319
Reclassification of portfolio properties in "assets classified as held for sale"	-164,100	0
Correction of straight-line rent approach due to the application of IAS 40.33.	-112	-17
Total	**639,000**	**907,876**

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

The book value consists of the following properties:

Book values properties	**30/09/2013**	**31/12/2012**
	k€	**k€**
Munich, Hufelandstrasse 13-15	0	23,977
Frankfurt, Ludwig-Erhard-Anlage 2-8	115,900	155,100
Darmstadt, T-Online-Allee 1	169,900	172,500
Dusseldorf/Meerbusch, Earl-Bakken-Platz 1	16,300	16,400
Essen, Opernplatz 2	35,900	38,500
Munich, Hultschiner Strasse 8	0	186,500
Stuttgart, Phillip-Reis-Strasse 2	34,900	38,899
Essen, Alfredstrasse 236	73,000	73,000
Darmstadt, Deutsche-Telekom-Allee 7	51,500	53,300
Stuttgart, Breitwiesenstrasse 5-7	39,800	39,200
Nuremberg, Richard-Wagner-Platz 1	12,400	13,000
Heilbronn, Bahnhofstrasse 1-5	29,100	29,900
Dusseldorf, Am Seestern 1	60,300	67,600
Total	**639,000**	**907,876**

The property Munich, Hufelandstrasse 13-15 was sold by purchase contract dated August 13, 2013 for k€ 20,500. Commercial title was transferred on September 4, 2013. The price compared to a carrying amount of k€ 21,000 in the financial statement for the first six months of the year. As such, a loss of k€ 500 was realised in the third quarter. In addition, sale-related charges of k€ 103 were incurred for estate agents' fees, and a penalty of k€ 683 for premature repayment of the loan on the property.

6.5 LEASE AGREEMENTS

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

		Up to one year	**Between one and five years**	**Between five and ten years**	**Total**
		k€	**k€**	**k€**	**k€**
Minimum lease payments	30/09/2013	32,000	119,199	58,242	209,440
	31/12/2012	*46,539*	*171,460*	*142,084*	*360,083*

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

7. NOTES TO THE BALANCE SHEET - EQUITY AND LIABILITIES

7.1 EQUITY

Development of common shares	Number of shares
Number of shares on January 1, 2012	**51,941,345**
Change in the subscribed capital	0
Number of shares on December 31, 2012	**51,941,345**
Number of shares on January 1, 2013	**51,941,345**
Change in the subscribed capital	0
Number of shares on September 30, 2013	**51,941,345**

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

As per the resolution of the general shareholders' meeting on June 29, 2011 and subject to 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 May 19, 2016 (approved capital 2011).

In the general shareholders' meeting on June 29, 2011, the Company's share capital was conditionally 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 May 19, 2016.

The real change in the market value of the interest swaps held for hedging purposes led to a change in the reserve for unrealised gains/losses from cash flow hedges (interest rate swaps) of k€ 15,924 on September 30, 2013 (previous year: k€ 14,550). Furthermore, k€ 1,519 were released from these reserves via the income statement during the first nine months of 2013. The overall resulting change of the reserves for unrealised gains/losses amounted to k€ 17,444.

The reserves for unrealised gains/losses from the fair valuation of financial assets available for sale contain an accumulated k€ 280 (December 31, 2012: k€ 222) change in the value of the life insurance recognised as non-current receivables and classified as "financial asset available for sale".

7.2 FINANCIAL LIABILITIES

The book values of the financial liabilities as at September 30, 2013 and December 31, 2012 can be broken down as follows:

		Up to one year	Between one and five years	Between five and ten years	Total
		k€	**k€**	**k€**	**k€**
Liabilities to credit institutions	30/09/2013	360,735	116,169	0	476,904
	31/12/2012	*212,507*	*333,693*	*0*	*546,200*
Accounts payable	30/09/2013	8,374	0	0	8,374
	31/12/2012	*3,389*	*0*	*0*	*3,389*
Derivative financial instruments	30/09/2013	9,577	5,669	52,582	67,828
	31/12/2012	*4,285*	*8,667*	*78,509*	*91,461*
Other liabilities	30/09/2013	1,433	0	0	1,433
	31/12/2012	*470*	*0*	*0*	*470*
	30/09/2013	**380,119**	**121,838**	**52,582**	**554,539**
	31/12/2012	*220,651*	*342,360*	*78,509*	*641,520*

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

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

In € currency	Credit institution	Nominal value Loan	Expiry of financing
Munich, Hultschiner Strasse 8	HypoVereinsbank (Senior Loan)	54,800,000.00 €	31/12/2028
	HypoVereinsbank KfW ERP	40,200,000.00 €	31/03/2021
	HypoVereinsbank KfW	10,000,000.00 €	31/03/2021
	UniCredit (Senior Loan II)	30,000,000.00 €	30/06/2015

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

The book values of the financial liabilities to credit institutions are denominated exclusively in euro.

The changes of the derivative financial instruments between January 1 and September 30, 2013 can be broken down as follows:

		Recognised as income in the income statement	Ineffectiveness, recognised as income in the income statement	Not affecting income in equity	Total
		k€	**k€**	**k€**	**k€**
Derivatives held for trading	30/09/2013	5,718	0	0	5,718
	31/12/2012	*-2,930*	*0*	*0*	*-2,930*
Derivatives held for hedging purposes	30/09/2013	0	0	15,924	15,924
	31/12/2012	*0*	*-5,948*	*-11,400*	*-17,348*
Total	**30/09/2013**	**5,718**	**0**	**15,924**	**21,642**
	31/12/2012	*-2,930*	*-5,948*	*-11,400*	*-20,278*

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

		Level 1	Level 2	Level 3	Total
		k€	**k€**	**k€**	**k€**
Derivatives held for hedging purposes	30/09/2013	0	50,740	0	50,740
	31/12/2012	*0*	*68,113*	*0*	*68,113*

There were no reclassifications between level 1 and level 2 assets recognised at fair value and no reclassifications from or to level 3 assets recognised at fair value during the fiscal year. Please refer to the IFRS-compliant individual financial statement as at December 31, 2012 for an explanation of the valuation levels.

The conditions and terms of the loans have remained unchanged versus the IFRS-compliant individual financial statement as at December 31, 2012 with three exceptions. The repayment schedule of the two tranches of the COREALCREDIT BANK AG loan for Darmstadt, T-Online-Allee 1 was adjusted to the corresponding swap contracts. Furthermore, the fixed-interest period of the Hypovereinsbank financing (senior loan II) was prolonged to September 30, 2013 and the nominal interest rate premium was reduced from 1.80% to 1.20%. Moreover, an unscheduled amount of €5.0 million was repaid on the loan on the property Frankfurt, Ludwig-Erhard-Anlage 2-8, as of September 30, 2013.

The following loans matured or were replaced by new loans during the fiscal year:

In € currency	Credit institution	Nominal value Loan	Expiration of financing
Munich, Hufelandstrasse 13-15	DG Hyp	€15,630,000.00	Repayment upon sale on 4/9/2013

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

8. NOTES TO THE CASH FLOW STATEMENT

The cash fund shown in the cash flow statement contains the cash in hand and at bank, short-term securities and current account liabilities with a term of less than 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)	30/09/2013	31/12/2012
	k€	k€
Cash and cash equivalents	**55,843**	**64,399**
Securities	**1,265**	**1,112**
Cash fund	**57,108**	**65,511**
Of these, not available for use by the Company under IAS 7.48	54,184	58,402

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

The item also includes cash sweep accounts in the amount of k€ 5,218 (previous year: k€ 6,444) that have been agreed with Landesbank Hessen-Thueringen as other collateral for the loans on the properties Stuttgart-Moehringen, Nuremberg and Dusseldorf. All excess rent after the deduction of debt servicing and current operating costs is transferred to these accounts.

Another k€ 1,002 have been pledged to COREALCREDIT BANK AG since fiscal year 2012 for the property Darmstadt, T-Systems; the amount will be used for another early prepayment at the end of the loan term. This amount is being saved in monthly instalments and amounted to k€ 626 as at September 30, 2013.

In addition, a rent deposit of k€ 34 (previous year: k€ 15) has been invested as interest bearing collateral in a fixed-term deposit.

The rent guarantee in the amount of k€ 1,906 (previous year: k€ 0) the Company received for the property Stuttgart, Philipp-Reis-Strasse 2, has also been pledged. This amount is being used for monthly repayments of k€ 88 and will expire on June 30, 2015.

A full cash sweep account (rental income collection account) has been agreed as collateral for the loan on the property in Frankfurt. It held a balance of k€ 1,174 (previous year: k€ 6,466) at the reporting date. The balance may be used to pay for maintenance and repair, planning and letting costs upon written consent by the bank.

9. SEGMENT REPORTING

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

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

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

Three tenancies in the segment account for approximately 66% (December 31, 2012: 50%) or € 28.1 million (December 31, 2012: € 32.1 million) of the total rental income. Two of the three leases generate rental income of approximately € 22.4 million (December 31, 2012: approximately € 22.4 million), are long-term in nature and expire in 2019 and 2023 respectively.

10. SUPPLEMENTARY EXPLANATIONS AND INFORMATION

10.1 RISKS AND OPPORTUNITIES

The risks of Prime Office REIT-AG are described in detail in the annual report 2012 on page 66 et seqq. (risk management). The risk situation has not materially changed over the first three quarters of 2013.

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

10.2 EVENTS AFTER THE BALANCE SHEET DATE

On November 20, 2013 a sales contract for the SZ-Turm was notarised.

10.3 RELATED PARTIES

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

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

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

The Company's expenses for these services in the first three quarters of 2013 amounted to k€ 565.

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 (until June 30, 2013),

2. Mr. Alexander von Cramm, Deputy CEO (until June 30, 2013) and CEO (from July 1, 2013), specialist for business administration,

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

The Supervisory Board consists of:

4. Prof. Dr. h.c. Roland Berger (chairman), business consultant,

5. Prof. Dr. Kurt Faltlhauser (deputy chairman), former minister of finance of the state of Bavaria,

6. Prof. Dr. Franz-Joseph Busse, university professor,

7. Mr. Stefan Giesler, tax adviser,

8. Prof. Dr. Harald Wiedmann, auditor,

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

10. Walter Klug, specialist for business administration (from September 24, 2013).

Munich, December 19, 2013

Alexander von Cramm	Richard Berg
(Executive Board member)	(Executive Board member)

REPRESENTATION OF THE LEGAL REPRESENTATIVES

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

Munich, December 19, 2013

Alexander von Cramm	Richard Berg
(Executive Board member)	(Executive Board member)

Information on Prime Office REIT-AG

Subscription Price	6.20 Euro
XETRA closing price 30 September 2013	3.30 Euro
Low / high over the reporting period	2.74 Euro/ 3.65 Euro
Market capitalisation as at 30 September 2013	171.2 million Euro
Official Market	Prime Standard, Frankfurt and XETRA Index FTSE EPRA/NAREIT Global Real Estate Index Series, RX REIT Index, SDAX Index
Number of shares	51,941,345 shares
Stock Market Symbol	PMO
Security Code (WKN)	PRME01
ISIN	DE000PRME012
Designated Sponsors	Berenberg Bank, Close Brothers Seydler

Corporate calendar 2013

11 – 13/11/2013	Deutsches Eigenkapitalforum, Frankfurt
21–23/11/2013	Führungstreffen Wirtschaft, Berlin
December 2013	Small- & MidCap-Conference CB Seydler, Geneva

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