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# ANNUAL REPORT

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Part  
**01**

STRATEGY AND  
MANAGEMENT REPORT

**2014**



SWISS PRIME SITE



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# ABOUT THE ANNUAL REPORT 2014

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Swiss Prime Site's Annual Report is now divided into three parts, all of which are available for download at [www.swiss-prime-site.ch/](http://www.swiss-prime-site.ch/). Due to sustainability-relevant factors, only part one is available in print version.



## **PART 1: STRATEGY AND MANAGEMENT REPORT**

- > Reporting on strategy, business model, value-oriented corporate management and sustainability as well as opportunities and risks
- > Management Report with comprehensive information on business performance and the earnings, financial and asset situation
- > Information on the real estate portfolio



## **PART 2: CORPORATE GOVERNANCE AND COMPENSATION REPORT**

- > Corporate Governance Report according to SIX Swiss Exchange guidelines
- > Compensation Report according to the «Ordinance Against Excessive Compensation in Listed Companies»



## **PART 3: FINANCIAL REPORT**

The Financial Report was produced in accordance with International Financial Reporting Standards (IFRS) and corresponds to Article 17 of the Guidelines to Financial Accounting of the SIX Swiss Exchange as well as Swiss law.

- > Information on Swiss Prime Site AG's audited consolidated financial statements, comprising income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes
- > Valuation expert's report
- > Information on Swiss Prime Site AG's audited financial statements, comprising income statement, balance sheet and notes, as well as proposed appropriation of balance sheet profit
- > EPRA key figures
- > Five-year summary of key figures
- > Property details

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# NOTES FOR READERS

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## PREVIOUS YEAR'S FIGURES

Previous year's figures are enclosed in brackets.



## WEBSITE

This symbol leads to additional information on the designated website.

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01

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# GROUP OVERVIEW

“Our focus on investments in real estate and projects with sustainable attractive returns and long-term value-boosting potential has proven to be successful. At the same time, the development of real estate-related business fields is strengthening the earnings power and diversifying the risks.”

**HANS PETER WEHRLI**

Chairman of the Board of Directors

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# OPUS 1 + 2, ZUG


The location is first class and ideally accessible by means of private as well as public transportation. The railway station is situated in close proximity to the property, with trains travelling to the Swiss economic centres in minute intervals.

The property appeals to globally active companies, many of which have set up their Swiss or European headquarters at the Opus property. Zug is regarded by numerous companies as a strategic location.

The contemporary architecture of the building complex exudes a particular charm. With their glass façades and continuous inset strip windows, the blocks look spacious yet at the same time restrained. Less restrained is the almost one hectare large inner quadrangle, which, with its reed-bordered lake, offers space to relax and unwind. As a result, this unique space provides a haven of tranquillity in the midst of the office complex.

## FACTS AND FIGURES

Address	Zählerweg 4, 6/Dammstrasse 9/Landis+Gyr-Strasse 3/Opus 1 Zählerweg 8, 10/Dammstrasse 21, 23/Opus 2
Fair value	CHF 271 million
Construction date	2002/2003
Floor space	35 892 m <sup>2</sup>
Use	Commercial building

 View at:  
[www.opus-zug.ch](http://www.opus-zug.ch)





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# FOREWORD

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Swiss Prime Site looks back on a solid financial year 2014. The real estate portfolio grew by 4.8% to CHF 9.8 billion. Net profit before revaluation effects increased by 5.9% to CHF 236 million. Significant new building projects were completed and generated additional rental income. The expansion of the core business through real estate services and complementary real estate-related segments had a positive impact on the results.

Dear Shareholders,  
Dear Ladies and Gentlemen

The Swiss real estate market in 2014 was impacted by a positive economic trend, with high net migration and rising employment levels. High-quality rental floor space situated in prime locations remained in demand, from which Swiss Prime Site was able to reap rewards. The Company boosted rental income and realised a solid operating result. The successful performance staged by Swiss Prime Site is an expression of the consistent pursuit of its corporate strategy, efficient operational execution of the business model and expansion of the core business of real estate investments, complemented by real estate services and real estate-related segments.

## **Earnings power strengthened**

The effectiveness of setting a strategic course in recent years was visible and quantifiable in the financial year 2014. Operating income climbed by 11.5% to CHF 852.7 million, hitting a record high in the history of the Company. Net profit before revaluation effects rose by 5.9% to CHF 236.0 million, confirming Swiss Prime Site's strong earnings power. The equity ratio increased to 39.6%, in line with the strategic target range. More than 90% of the CHF 300 million convertible bond had been converted by its maturity date of 20 January 2015, thereby strengthening shareholders' equity accordingly.

## **Business segments successfully on track**

The three business segments exhibited promising performances, all reporting positive operating profit (EBIT). The Real Estate segment, comprising the core business of property investments and the real estate services of Wincasa, operated successfully in the respective markets. Tertianum Group, which forms the Assisted Living segment, posted solid earnings in its first year of full consolidation, with operating profit (EBIT) of CHF 9.0 million. The Retail and Gastronomy segment, consisting of Jelmoli AG and Clouds Gastro AG, performed well despite the cautious consumer sentiment, realising operating profit (EBIT) of CHF 0.9 million although the Clouds operating business did not fulfill expectations.





**Hans Peter Wehrli**, Chairman of the Board of Directors | **Markus Graf**, Chief Executive Officer

### **Expanded and diversified real estate portfolio**

The real estate portfolio was expanded and diversified both in qualitative and quantitative terms. The fair value of the portfolio comprising 190 properties grew by 4.8% to CHF 9 785.0 million. The attractive net property yield of 4.1% should be perceived as the result of active and successful portfolio management. All real estate development projects proceeded according to plan. The two services buildings SkyKey in Zurich and Swiss Post headquarters/Majowa in Berne were completed and transferred to the portfolio of existing properties. Brisk demand for the rental apartments and condominiums located in Maaghof North and East at the Maag Site in Zurich was also good news. Sales of the condominiums, as well as leasing of the rental apartments ready for occupancy in spring, will provide a significant contribution to earnings in the financial year 2015.

### **Convincing corporate strategy**

Swiss Prime Site's success story is based on an efficient business model and long-term-oriented growth strategy, which can be summarised as follows:

- > Focus on investments in high-quality, profitable properties situated in prime locations
- > Active portfolio management
- > Development of complementary, real estate-related business fields to strengthen and broaden the earnings base

### **Attractive share performance and cash yield**

The Swiss Prime Site share proved to be a secure and profitable stock in 2014 as well, realising a performance (total return) of +10.9%. In the past five years, the stock has gained value by +63.0%, thus noticeably surpassing the key benchmark indices: i.e. SXI Real Estate Shares Index and SPI Swiss Performance Index. In view of the solid business trend, the Board of Directors is proposing to the Annual General Meeting a distribution of CHF 3.70 per share. The distribution corresponds to an attractive cash yield of 5.1%, based on the closing share price of CHF 73.00 at year-end 2014.

### **Outlook**

Abolition of the minimum Swiss franc exchange rate versus the euro by the Swiss National Bank (SNB) in mid-January 2015, as well as the abrupt appreciation of the Swiss currency, should have an impact on the economic environment in the current year and affect the trend in demand on the real estate market too. Tenants will likely take advantage of the changing market situation, focusing increasingly on an optimal price/performance ratio. Swiss Prime Site is able to counter this trend because its real estate portfolio comprises primarily first-class properties situated in prime locations. As measured by fair value, 70% of Swiss Prime Site's buildings were constructed just since 1990, or totally renovated.

The real estate services provided by Wincasa in addition to the Assisted Living segment as well as Retail and Gastronomy segment complement and broaden the Group's earnings base, diversify the risks and pave the way for additional growth opportunities.

For 2015, Swiss Prime Site forecasts a slight spurt in rental income, the lion's share of which resulting from the completed investment properties. The Company anticipates that the vacancy rate should hover at a comparatively low level of 6.5% to 7.0%. Operating profit (EBIT) and net profit before revaluation effects are expected to surpass the previous year's levels, respectively.

Swiss Prime Site will continue to pursue its proven strategy and sustainably execute its innovative business model.



**Thank you**

In the reporting year, Peter Wullschleger – Chief Financial Officer and Executive Board member – decided to face a new professional career challenge, departing Swiss Prime Site as at the end of 2014. We would like to thank him for his tremendous dedication and valuable contributions to the Group's successful development. The Board of Directors and Executive Board wish him all the best for the future.

We also thank the Board of Directors, Executive Board and all the employees for their constructive collaboration and considerable commitment, as well as the shareholders for the trust they have placed in our Company, in addition to the tenants for the valued partnership.

**HANS PETER WEHRLI**

Chairman of the Board of Directors

**MARKUS GRAF**

Chief Executive Officer

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# PROFILE

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Swiss Prime Site AG is Switzerland's leading real estate investment company and listed on the SIX Swiss Exchange since April 2000. The Group's high-quality real estate portfolio is valued at roughly CHF 9.8 billion, comprising primarily commercial properties situated in prime economic locations in Switzerland. Real estate-related segments round out the business model.

# KEY FIGURES 2014

## REAL ESTATE PORTFOLIO

in CHF m

9785.0

Growth of CHF 445.5 million thanks to farsighted investment strategy and active portfolio management

## PROFIT BEFORE REVALUATION EFFECTS

in CHF m

236.0

Increase by 5.9% year-on-year

## QUALITY OF LOCATION AND PROPERTY

in %

79.4

of the portfolio in top segment distinguished by the highest quality of location and property

## FAIR VALUE BY AGE CATEGORY

in %

70.0

of the real estate portfolio has building structures newer than 1990

## OPERATING PROFIT (EBIT) BEFORE REVALUATIONS

in CHF m

349.6

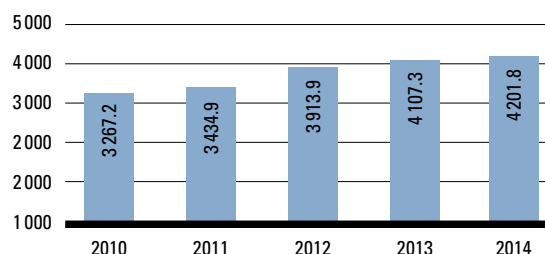


Operating profit at previous year's level

## SHAREHOLDERS' EQUITY

in CHF m

4201.8



Shareholders' equity strengthened

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# FOCUS

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Swiss Prime Site's strategic focus is directed at investments in high-quality Swiss real estate harbouring potential for high returns as well as opportunities for long-term growth and appreciation in value. The risk-optimised investment strategy is based on strict and proven investment criteria. The real estate portfolio is distinguished by first-class quality of location and property. The focal point is on sustainable value creation: performance for shareholders as well as advantages for tenants, their employees and customers. With active management of the real estate and segment portfolios, Swiss Prime Site is focused on ensuring and further expanding its competitive capabilities in the respective segments.



# GROUP KEY FIGURES

Key financial figures	Figures in	2010	2011 <sup>1</sup>	2012 <sup>1</sup>	2013	2014	Change 2014 to 2013 in %
Net rental income	CHF m	417.3	410.8	408.8	420.1	443.1	5.5
Income from real estate services <sup>2</sup>	CHF m	–	–	14.1	98.6	100.1	1.5
Income from retail and gastronomy <sup>3</sup>	CHF m	157.0	155.1	159.0	156.2	151.9	–2.8
Income from assisted living <sup>4</sup>	CHF m	–	–	–	85.7	153.3	78.9
Operating income	CHF m	589.7	569.3	584.6	764.7	852.7	11.5
Revaluation of investment properties	CHF m	86.4	178.1	187.3	186.7	113.2	–39.4
EBITDA	CHF m	440.2	618.2	531.5	565.9	497.9	–12.0
Operating profit (EBIT)	CHF m	413.1	604.1	514.4	539.2	462.8	–14.2
Profit <sup>5</sup>	CHF m	235.8	355.1	311.3	343.9	286.7	–16.6
Comprehensive income <sup>5</sup>	CHF m	240.9	365.1	323.5	378.2	288.2	–23.8
Cash flow from operating activities	CHF m	130.9	200.5	94.8	–191.2	623.5	–426.1
Shareholders' equity	CHF m	3 267.2	3 434.9	3 913.9	4 107.3	4 201.8	2.3
Equity ratio	%	39.3	39.9	42.4	39.1	39.6	1.3
Borrowed capital	CHF m	5 050.2	5 174.3	5 323.1	6 404.8	6 400.3	–0.1
Return on equity (ROE)	%	7.2	10.6	8.9	9.1	7.0	–23.1
Return on invested capital (ROIC)	%	4.3	5.8	4.8	4.6	3.7	–19.6

## Financial figures without revaluation effects<sup>6</sup>

EBITDA	CHF m	353.8	440.1	344.3	379.2	384.7	1.5
Operating profit (EBIT)	CHF m	326.7	426.0	327.1	352.5	349.6	–0.8
Profit	CHF m	171.7	250.8	198.2	222.8	236.0	5.9
Comprehensive income	CHF m	171.7	250.8	202.4	241.3	207.6	–14.0
Return on equity (ROE)	%	5.4	7.7	5.9	6.1	5.9	–3.3
Return on invested capital (ROIC)	%	3.6	4.5	3.5	3.4	3.2	–5.9

## Real estate portfolio<sup>7</sup>

Fair value of real estate portfolio	CHF m	8 020.3	8 165.1	8 600.3	9 339.5	9 785.0	4.8
of which projects/development properties	CHF m	558.1	96.9	210.5	518.4	327.1	–36.9
Number of properties	Number	198	186	188	193	190	–1.6
Rental floor space	m <sup>2</sup>	1 429 661	1 421 472	1 492 442	1 525 493	1 620 131	6.2
Vacancy rate	%	4.2	4.6	5.0	6.4	6.6	3.1
Average discount rate	%	4.60	4.38	4.16	4.01	3.88	–3.2

## Key figures per share

Share price as at balance sheet date	CHF	69.75	70.55	76.35	69.05	73.00	5.7
Shares issued	Number	54 368 714	54 368 714	60 011 611	60 503 081	60 820 602	0.5
Earnings per share (EPS)	CHF	4.34	6.53	5.67	5.70	4.72	–17.2
Market capitalisation	CHF m	3 792.2	3 835.7	4 581.9	4 177.7	4 439.9	6.3
Distribution per share	CHF	3.50	3.60	3.60	3.60	3.70 <sup>8</sup>	2.8
Cash yield <sup>9</sup>	%	5.0	5.1	4.7	5.2	5.1 <sup>9</sup>	–1.9
Performance (total return) p.a.	%	27.1	6.1	14.9	–5.1	10.9	–313.7

## Employees

Number of employees as at balance sheet date	Persons	602	771	1 462	3 105 <sup>10</sup>	3 097	–0.3
Full-time equivalents as at balance sheet date	FTE	468	547	1 239	2 321 <sup>10</sup>	2 370	2.1

<sup>1</sup> restatement due to IAS 19 rev. <sup>2</sup> acquisition of Wincasa AG as at 25.10.2012 <sup>3</sup> sale of operating business of hotel Ramada Encore, Geneva, as at end 2013 <sup>4</sup> acquisition of Tertium AG as at 12.07.2013; sale of Permed AG as at 17.03.2014 <sup>5</sup> including non-controlling interests <sup>6</sup> revaluations and deferred taxes <sup>7</sup> including owner-occupied properties and condominium units designated for sale <sup>8</sup> based on year-end closing price <sup>9</sup> according to proposal to the Annual General Meeting <sup>10</sup> adjusted according to new, standardised employee reporting

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# MILESTONES 2014

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Swiss Prime Site looks back on an eventful year full of fascinating developments. Successful project completions and acquisitions formed the foundation for solid results.

QUARTER

01



Vitadomo, Bellinzona

Expansion of Executive Board with  
Dr. Luca Stäger, CEO of Tertium AG

Sale of Permed AG within the scope of Tertium  
Group's strategic realignment

Swiss Prime Site presents good annual results and  
announces an unchanged distribution

Acquisition of Vitadomo Bellinzona project  
(construction start date 23.06.2014)

Successful placement of bond (CHF 300 million/  
7-year/1.75%)

QUARTER

02



SkyKey, Zurich

Topping-out ceremony for residential building  
complex Maaghof North and East in Zurich-West

Opening of LaPraille multiplex cinema in Geneva

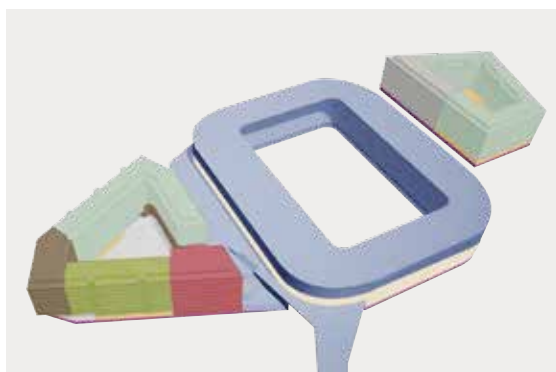
Completion of SkyKey office building in Zurich-  
Oerlikon

Conversion of more than 10 000 m<sup>2</sup> vacant space  
at Brandschenkestrasse 25 in Zurich into a hotel;  
signing of multi-year rental agreement with  
Motel One Group, Munich

Acquisition of 22 745 m<sup>2</sup> Siemens Site with  
development potential in Zurich-Albisrieden

QUARTER

03



«Stadtstück» project study (Hardturm), Zurich

Semi-annual results: EBIT and net profit surpass previous year's levels

Swiss Prime Site presents «Stadtstück» project study (Hardturm) in Zurich

Steinmann & Schmid Architects AG, Basel, wins «Stadtstück» project contest in Berne Murifeld district

QUARTER

04



Swiss Post headquarters/Majowa, Berne

Acquisition of former Swiss Post AG headquarters (Schönburg) with development potential in Berne

Opening of SkyKey office building in Zurich-Oerlikon

Completion of the new Swiss Post AG headquarters at Wankdorffallee in Berne

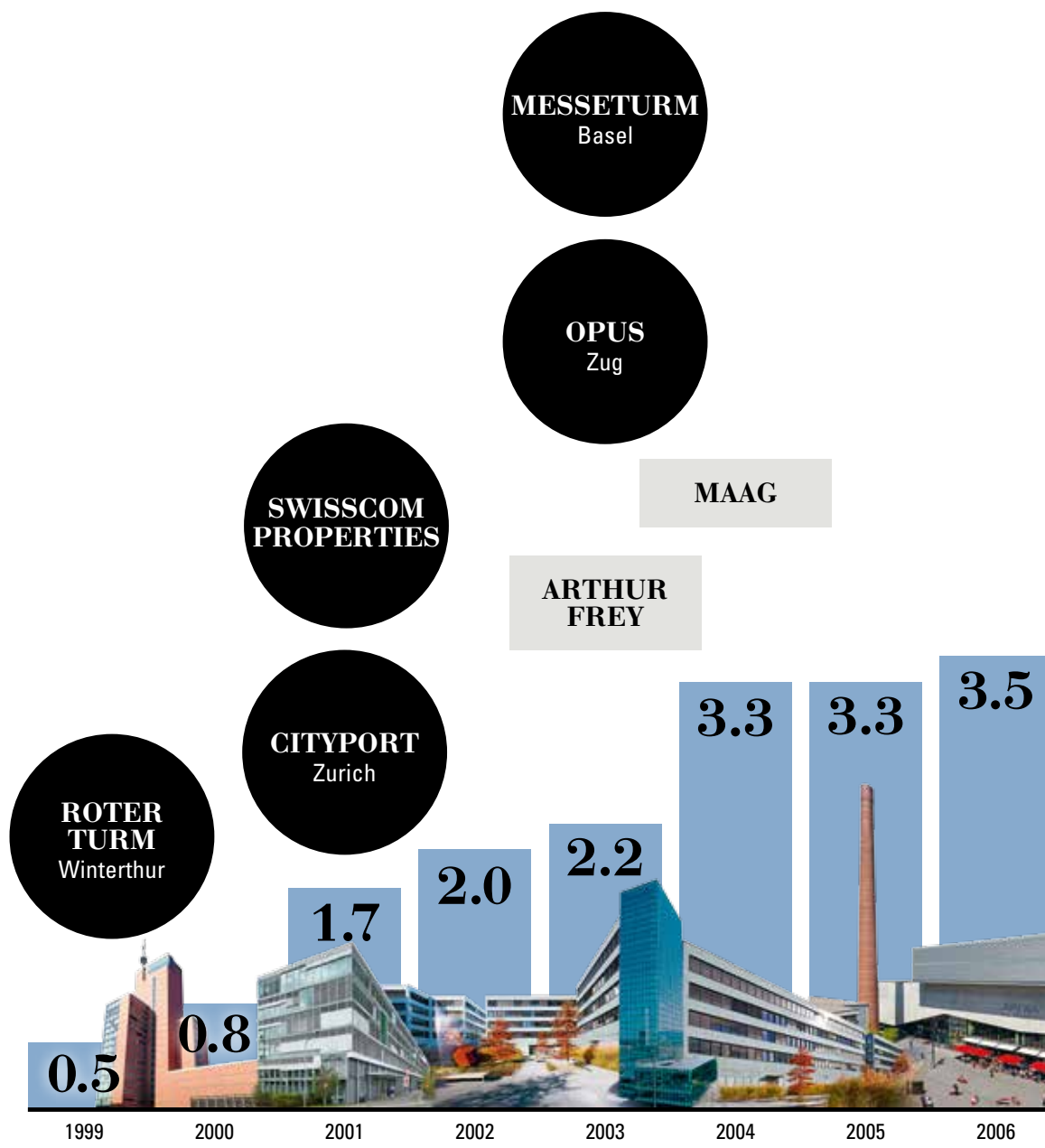
Successful issue of two bonds  
CHF 200 million/5-year/1.0%  
CHF 100 million/10-year/2.0%

# SUCCESS STORY

With its impressive development, Swiss Prime Site demonstrates that success is repeatable, thus continuously creating the basis for future performance.

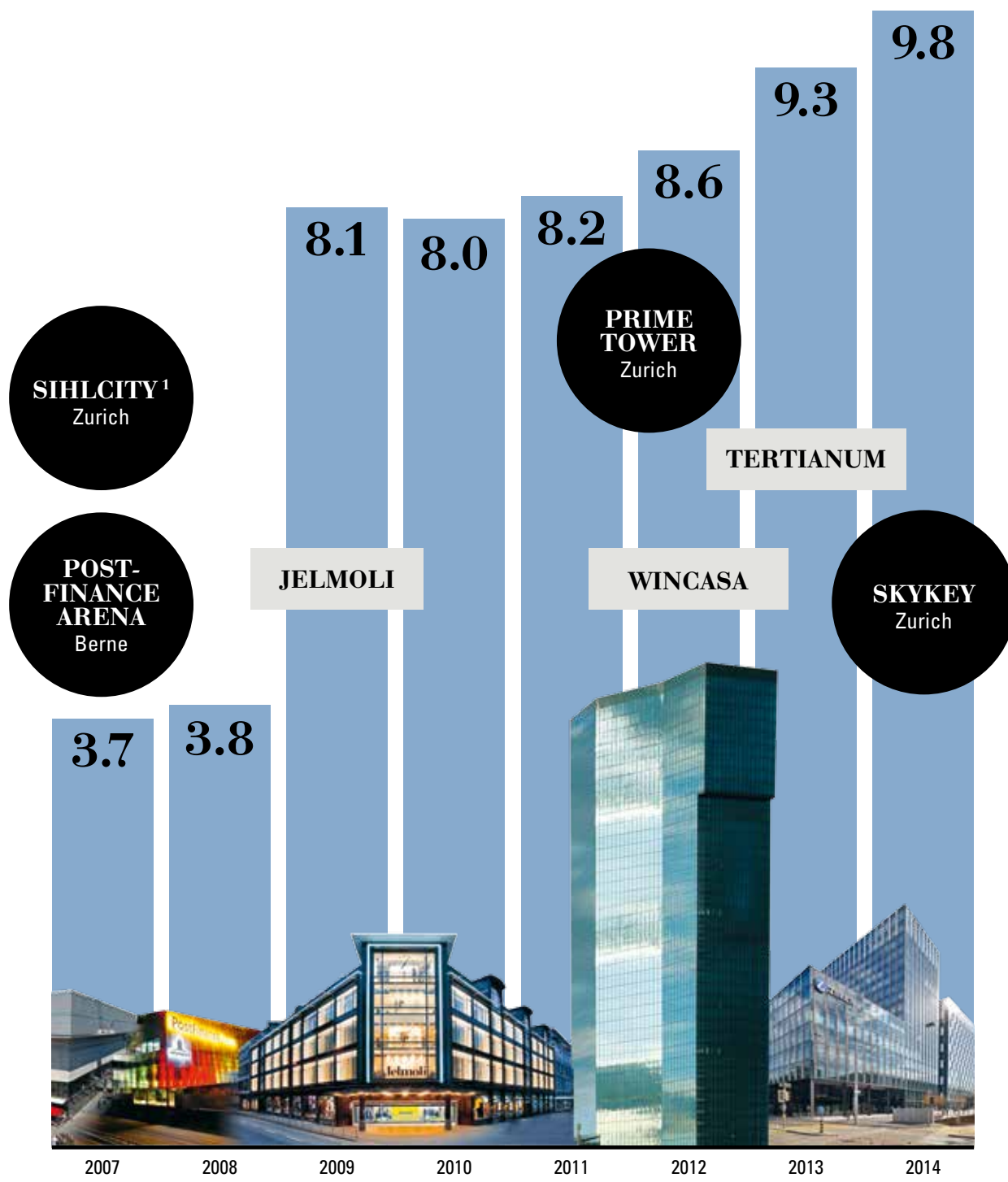
## Fair value of real estate portfolio in CHF bn

■ Acquisitions of companies ● Selected properties



<sup>1</sup> Swiss Prime Site share 24.2%





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# SWISS PRIME SITE AT A GLANCE

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Swiss Prime Site has expanded its core real estate investments business in recent years through the real estate services provided by Wincasa AG as well as the real estate-related Assisted Living and Retail and Gastronomy segments. Setting such a strategic course had a positive impact, paving the way for achieving the highest operating income in the Company's history in 2014. The operating responsibility within the segments is assumed by the CEOs of the respective operating companies, who are also members of the Executive Board.

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## SEGMENTS

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## REAL ESTATE



The segment consists of the core real estate investments business and real estate services provided by Wincasa AG. The investment focus is directed at high-quality properties situated in prime locations, primarily with commercially utilised floor space, as well as project developments. Wincasa is the leading provider of real estate services in Switzerland.

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## BRANDS



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OPERATING INCOME  
IN CHF MILLION

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# 534.0

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## RETAIL AND GASTRONOMY



The segment comprises primarily Switzerland's leading premium department store: Jelmoli – The House of Brands in Zurich. Roughly half of the total floor space of 36800 square metres is leased to third parties according to the shop-in-shop model. The rest of the floor space is self-managed by Jelmoli. The Clouds restaurant business located in Zurich's Prime Tower will be transferred to Candrian Catering AG as at mid 2015.

**Jelmoli**  
THE HOUSE OF BRANDS



# 172.3

## ASSISTED LIVING



The segment comprises Tertianum Group. The Tertianum Residences business operation offers apartments for independent senior living, consisting of services for an individually designed lifestyle (premium segment). Starting from 2015, the Vitadomo business operation will be developing the market for assisted living and geriatric care with à la carte services for the broad middle class.

**tertianum** gruppe

*Tertianum*  
Residenzen

perlavita

vitaDomo

# 201.9

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# BOARD OF DIRECTORS

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**HANS PETER WEHRLI**

Prof. Dr. oec. publ.

Member since: 29.04.2002

**Chairman**

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**THOMAS WETZEL**

Dr. iur., Attorney at Law

Member since: 11.05.1999

**Vice-Chairman**

**Chairman of the Compensation Committee**

**Member of the Investment Committee**

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**CHRISTOPHER M. CHAMBERS**

Member since: 22.10.2009

**Member of the Audit Committee**

**Member of the Compensation Committee**

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**BERNHARD HAMMER**

Dr. iur., Attorney at Law and Notary

Member since: 29.04.2002

**Chairman of the Investment Committee**

**Member of the Audit Committee**

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**RUDOLF HUBER**

Dr. oec. publ.

Member since: 29.04.2002

**Chairman of the Audit Committee**

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**MARIO F. SERIS**

lic. phil. I

Member since: 27.04.2005

**Member of the Investment Committee**

**Member of the Compensation Committee**

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**KLAUS R. WECKEN**

Member since: 22.10.2009

**Member of the Investment Committee**

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All members of the Board of Directors are elected to a one-year term of office until the Annual General Meeting 2015.





Mario F. Seris | Bernhard Hammer | Thomas Wetzel | Rudolf Huber | Christopher M. Chambers | Hans Peter Wehrli | Klaus R. Wecken

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# EXECUTIVE BOARD

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**MARKUS GRAF**

Member since: 01.12.2000

[Chief Executive Officer](#)

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**PETER LEHMANN**

Member since: 01.03.2002

[Chief Investment Officer](#)

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**FRANCO SAVASTANO**

Member since: 01.04.2012

[Chief Executive Officer of Jelmoli AG](#)

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**PETER WULLSCHLEGER**

Departure as at end 2014

[Chief Financial Officer](#)

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**OLIVER HOFMANN**

Member since: 01.06.2013

[Chief Executive Officer of Wincasa AG](#)

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**LUCA STÄGER**

Dr. oec.

Member since: 01.01.2014

[Chief Executive Officer of Tertianum AG](#)

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Luca Stäger | Franco Savastano | Markus Graf | Peter Lehmann | Oliver Hofmann







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# STRATEGY AND BUSINESS MODEL

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“Building up a real estate portfolio of CHF 9.8 billion constitutes a success story in which the quality of earnings constantly plays a central role.”

**MARKUS GRAF**

Chief Executive Officer

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STRATEGY	30
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BUSINESS MODEL	32
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# FRAUMÜNSTER- STRASSE, ZÜRICH

The property is located in Zurich's city centre in district 1, directly bordering the Stadthaus, with a view of the Limmat River, Zurich's Old Town and the Zürichberg. The Bahnhofstrasse, Paradeplatz and Münsterhof are in close proximity and just a few minutes away on foot.

The building, which is protected as a historic landmark, is used as offices by national and international companies. The property also houses a large post office.

The renowned, historic post office building was constructed in 1901 and renovated in 1990. The building boasts beautifully representative interior spaces spread over three office tracts.

## FACTS AND FIGURES

Address	Fraumünsterstrasse 16, Zurich
Fair value	CHF 149 million
Construction date	1901/1990
Floor space	8 585 m <sup>2</sup>
Use	Commercial building

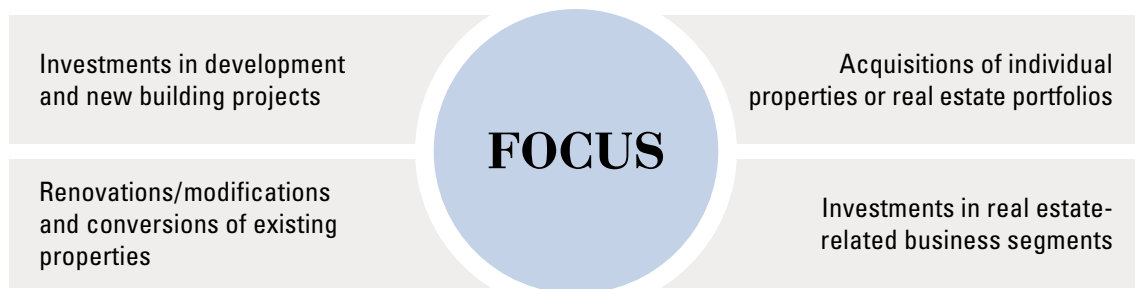




# STRATEGY

The strategic focus is directed at investments in high-quality Swiss properties harbouring a high return potential as well as long-term opportunities for growth and appreciation in value. The acquisitions follow strict investment criteria.

## INVESTMENT FOCUS



FOCUSING ON REAL ESTATE COMPETENCIES	OUTSOURCING OF SUPPORTIVE REAL ESTATE ACTIVITIES
<ul style="list-style-type: none"> <li>&gt; Portfolio management</li> <li>&gt; Asset management</li> <li>&gt; Real estate acquisitions and sales</li> <li>&gt; Real estate development</li> <li>&gt; Construction (management)</li> <li>&gt; Finance and controlling</li> <li>&gt; Segment management</li> <li>&gt; Transaction management</li> <li>&gt; Real estate research</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Construction</li> <li>&gt; Asset/facility management</li> <li>&gt; Property asset management</li> <li>&gt; Construction services</li> <li>&gt; Real estate valuations</li> <li>&gt; Macroeconomic analyses</li> </ul>

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations, primarily with commercially utilised floor space as well as project developments. The investment focal point is aimed at properties and projects with sustainable, attractive returns and long-term potential for added value. The real estate portfolio is actively managed. Swiss Prime Site also operates in complementary real estate-related business segments aimed at strengthening and broadening the earnings base, in addition to diversifying risks.



## CENTRAL STRATEGIC ISSUES

### STRATEGIC ISSUES

#### Profitability

The investment strategy that Swiss Prime Site pursues in the Real Estate and real estate-related segments is focused on realising attractive distributions and long-term added value for the shareholders. The distributions – generally – are carried out in the form of a tax-optimised distribution from capital contribution reserves, or through nominal value reductions.

#### Sustainability

Sustainability constitutes an integral part of the corporate strategy and for Swiss Prime Site means future orientation and responsibility toward stakeholders such as shareholders, tenants, employees and business partners. The Group follows a holistic approach that harmonises financial success with social and ecological objectives.

#### Long-term growth

Organic as well as acquisition-related growth are achieved under the premise of strengthening the Group's earnings power. Swiss Prime Site's success story is based on sustainable growth of its real estate portfolio.

#### Segment management

The business segments are centrally managed and continuously subject to review in terms of their compatibility with the Group's strategy. The chief executive officers of the respective operating companies held by the Group assume the responsibility for operations.

### TARGETS AND MEASURES

- > Appreciation in value of the real estate portfolio through properties with above-average return potential
- > Solid return on equity (ROE)
- > Optimisation of returns through managing loan-to-value (LTV) ratios
- > Optimisation of borrowing costs through capital measures
- > Ensuring attractive cash yields

- > Focus of strategy and operating business on recognised sustainability standards
- > Active exchange with all stakeholders
- > Preservation of impeccable reputation
- > Promotion of innovations in all Group segments

- > Acquisition of properties or real estate portfolios
- > Investments in new building projects, project developments and land reserves (prime sites)
- > Renovation, modification, conversion and repositioning of existing properties or property sites
- > Divestment of strategically non-conforming properties
- > Investments in real estate-related business fields and their integration
- > Exhausting growth potential in Assisted Living segment

- > Boosting profitability
- > Mitigating risks
- > Identifying and realising synergy potential and growth opportunities
- > Strengthening market position and gaining relative market share
- > Continuous further development and optimisation

# BUSINESS MODEL

Swiss Prime Site's innovative business model ensures the long-term corporate development with profitability and growth. The additional revenues from the complementary business segments strengthen the Group's leading market position.

## SCHEMATIC REPRESENTATION





## EXECUTION OF BUSINESS MODEL

With the objective of generating additional revenues, Swiss Prime Site has invested in the following real estate-related business fields in recent years:

2013

**Tertianum acquisition/Assisted Living segment**

The acquisition of Tertianum – the leading group in the assisted living sector in Switzerland – included the ideally located Tertianum properties valued at CHF 436 million as well as the operating business worth CHF 60 million. Swiss Prime Site therefore integrated an additional complementary segment with considerable earnings stability and above-average growth potential into the Group. All the Tertianum properties were incorporated into the Real Estate segment's property portfolio, thereby providing a sustainable supplement. Tertianum Group's operating business comprises Tertianum Residences with apartments for independent senior living and comprehensive services for an individually designed lifestyle (premium segment). Starting from 2015, the Vitadomo business is aimed at developing the market for assisted living and geriatric care, with à la carte services for a broad middle class. Moreover, Perlavita offers stationary services revolving around senior healthcare issues.

2012

**Wincasa acquisition/Real Estate segment**

The objective of the acquisition of Wincasa – the leading provider of real estate services in Switzerland – was the diversification of revenue sources and expansion of Swiss Prime Site's value-creation chain. In addition, the Group succeeded in acquiring even more direct access to the regional real estate markets and thus improving its pole position for carrying out project developments, acquisitions and property scouting.

2011

**Development of Clouds/Retail and Gastronomy segment**

Clouds was originally included in the overall development concept of the Maag Site, enabling the public access to the Prime Tower. Following the opening of its doors in December 2011, Clouds quickly established itself at the pinnacle of Zurich's restaurant scene and has since served as a major attraction and beacon of light for the up-and-coming urban district of Zurich-West. At the outset of 2015, the transfer of the restaurant business to Candrian Catering AG was concluded with effect as at 1 July 2015. Swiss Prime Site has therefore concluded the successful expansion phase of the restaurant business and is focusing on its core business with investments in high-quality properties and real estate-related business fields.



#### **Jelmoli acquisition/Retail and Gastronomy segment**

The Jelmoli acquisition – with a real estate portfolio valued at CHF 4.3 billion (as at 2009) and the operating business Jelmoli – The House of Brands – constituted a significant strategic chapter in Swiss Prime Site's success story toward becoming the quantitatively and qualitatively leading real estate investment company in Switzerland. With the acquisition, the Group has realised a substantial boost in earnings and sustainable enhancement of its attractiveness. Integration of the Jelmoli properties into Swiss Prime Site's real estate holdings paved the way for achieving a balanced first-class portfolio of Swiss properties situated in prime locations. The operating business comprises Jelmoli – The House of Brands, the leading Swiss premium department store ideally located directly on the Bahnhofstrasse, with a high level of name recognition throughout Switzerland.

### **ORGANISATION**

The Group's operating business is basically executed by the subsidiaries. Swiss Prime Site adapted its organisational structure to the Company's robust growth and increasingly more complex challenges as at 1 January 2013. Since the acquisition of Wincasa AG as at 25 October 2012, real estate services have been provided to the Group internally.

The chief executive officers of the major operating companies are members of the Executive Board and actively involved in the Group's operating activities as well as strategic focus. The processes for ensuring internal Group efficiency and harmonisation of the corporate culture have been established and standardised as far as possible.

### **VALUE-ORIENTED CORPORATE MANAGEMENT**

Swiss Prime Site perceives value-oriented corporate management as a holistic control of the business based on an objective-oriented portfolio of key strategic, operating and financial figures. These key figures are supplemented with and systematically linked to a corresponding incentive model for the management as well as employees.

The control system comprises the following key figures:

#### **Key portfolio figures**

- > Portfolio size  
Continuation of active and value-oriented portfolio and asset management through selective acquisitions/sales (portfolio restructuring), acquisitions of property portfolios and investments in new building projects, project developments and acquisition of land reserves
- > Rental income  
Earnings optimisation along the lines of portfolio growth; concluding multi-year rental agreements; recognising market potential
- > Net property yield  
Continuous and systematic review of opportunities for boosting profitability and minimising the risks per property
- > Vacancy rate  
Constant optimisation of vacancy management to reduce vacancy rates and the corresponding risks in order to ensure rental income; promptly identifying potential risks

**Key financial figures**

- > Operating profit (EBIT)  
Ensuring the Company's operating profitability and efficiency as the basis for sustainable operating profit
- > Weighted average interest rate on borrowed capital  
Ensuring that borrowed capital – as part of the overall capital structure and significant value driver – is fixed at low interest rates in the respective interest rate environment in the long term, and that average capital costs are minimised
- > Equity ratio  
Maintaining an equity ratio of +/- 40% as well as ensuring the Company's financial stability, in addition to independence from borrowed capital providers
- > Loan-to-value (LTV) ratio of the real estate portfolio  
Ensuring a balanced leverage ratio and maturity profile for maintaining financial flexibility

**Key figures per share**

- > Earnings per share (weighted)  
Ensuring an attractive dividend policy based on sustainable operating earnings streams
- > Cash yield (ratio of distribution to closing share price at year-end)  
Ensuring an attractive cash yield, preferably in the form of tax-exempt distributions from capital contribution reserves, or through nominal value reductions
- > Performance (total return)  
Ensuring a long-term positive share price performance in combination with attractive dividend payouts
- > Market capitalisation  
Pursuing a sustainable increase in market capitalisation; maintaining high liquidity of the stock

**Development of key figures 2010–2014**

	Figures in	2010	2011	2012	2013	2014
Portfolio size	CHF m	8 020.3	8 165.1	8 600.3	9 339.5	9 785.0
Rental income	CHF m	417.3	410.8	408.8	420.1	443.1
Net property yield	%	4.9	4.8	4.5	4.2	4.1
Vacancy rate	%	4.2	4.6	5.0	6.4	6.6
Operating profit (EBIT)	CHF m	413.1	604.1	514.4	539.2	462.8
Weighted average interest rate on borrowed capital	%	2.8	2.8	2.6	2.2	2.2
Equity ratio	%	39.3	39.9	42.4	39.1	39.6
Loan-to-value (LTV) ratio of the real estate portfolio	%	52.1	51.0	48.0	54.1	50.7
Earnings per share (weighted)	CHF	4.34	6.53	5.67	5.70	4.72
Cash yield (ratio of distribution to closing share price at year-end)	%	5.0	5.1	4.7	5.2	5.1
Performance (total return p.a. in the past five years)	%	8.5	4.6	12.0	12.4	10.3
Market capitalisation	CHF m	3 792.2	3 835.7	4 581.9	4 177.7	4 439.9





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# REAL ESTATE PORTFOLIO

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“The attractive net property yield of 4.1%  
is the result of active and successful portfolio  
management.”

**MARKUS GRAF**

Chief Executive Officer

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**OVERVIEW AND KEY FIGURES**

**40**

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**SELECTED PROPERTIES**

**42**



# AUX ARMOURINS, NEUCHÂTEL

The property is centrally located in the Old Town and ideally accessible via public as well as private transportation. The railway station can be reached by means of bus connection in a few minutes.

Zara, Maxi Bazar and an optician business have leased the retail floor space with multi-year rental agreements. In addition to the commercial and retail floor space, eleven apartments are also integrated into the buildings. The building complex was almost fully leased at the time of completion.

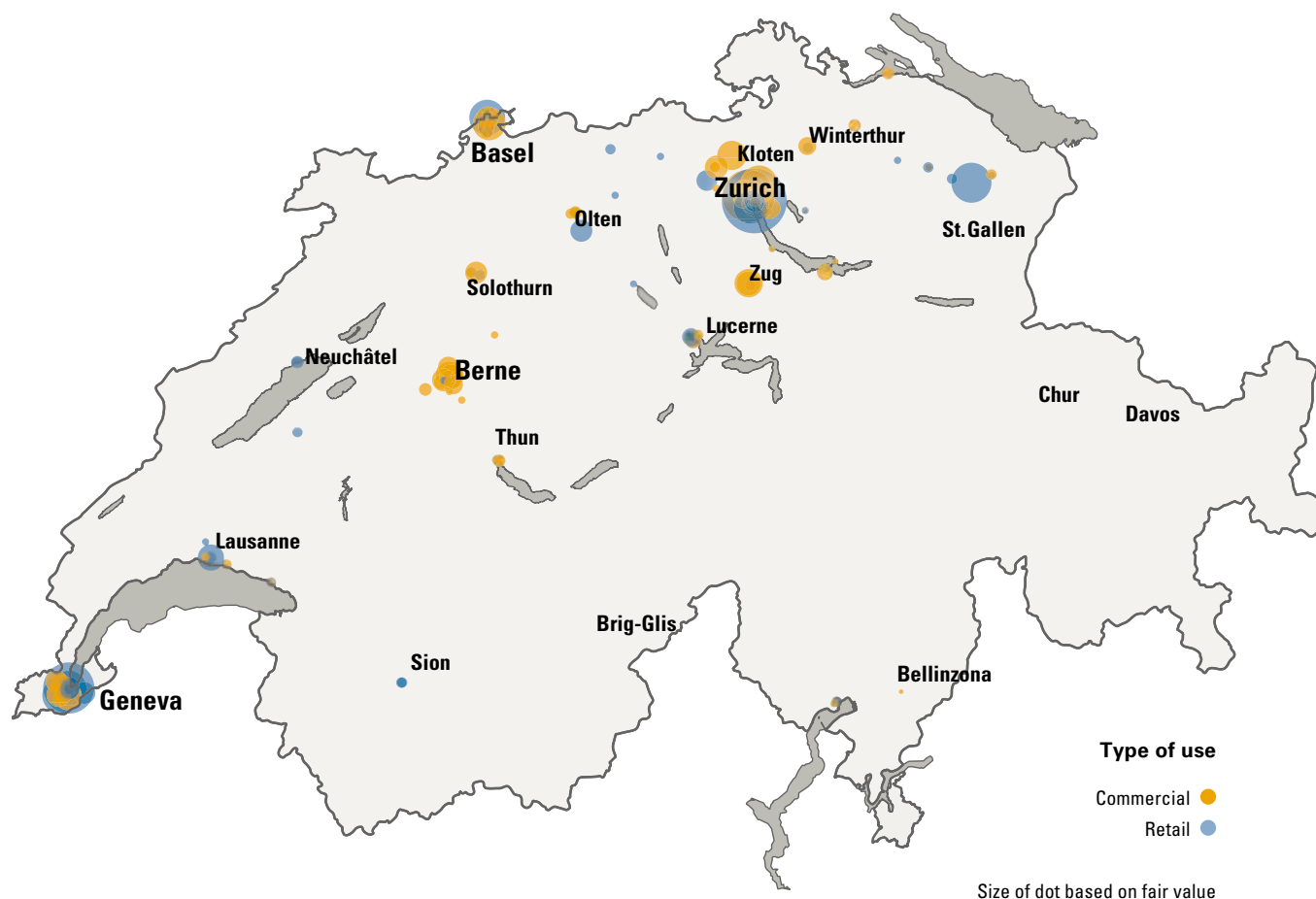
The complex located at Rue du Temple-Neuf comprises two historic building components that are currently renovated and the new building replacing the original main structure «Aux Armourins».

## FACTS AND FIGURES

Address	Rue du Temple-Neuf 14, Neuchâtel
Fair value	CHF 37 million
Construction date	1902/2014 total renovation
Floor space	6 896 m <sup>2</sup>
Use	Commercial building



# OVERVIEW AND KEY FIGURES



## ZURICH REGION

Fair value	CHF 3 754 million
Rental income	CHF 152 million
Yield	3.9%
Floor space	485 885 m <sup>2</sup>
Vacancy rate	7.6%

## BERNE REGION

Fair value	CHF 873 million
Rental income	CHF 38 million
Yield	4.5%
Floor space	255 528 m <sup>2</sup>
Vacancy rate	3.7%

## GENEVA REGION

Fair value	CHF 2 100 million
Rental income	CHF 96 million
Yield	3.8%
Floor space	253 479 m <sup>2</sup>
Vacancy rate	4.4%

## NORTHWESTERN SWITZERLAND

Fair value	CHF 1 467 million
Rental income	CHF 78 million
Yield	4.3%
Floor space	384 483 m <sup>2</sup>
Vacancy rate	12.1%

from Real Estate segment perspective, excluding third-party rents from own and additionally leased owner-occupied properties



## Key data

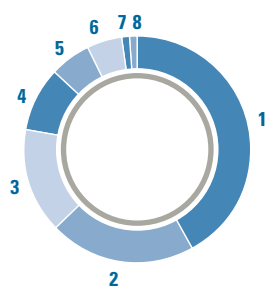
	Figures in	2010	2011	2012	2013	2014	Change 2014 to 2013 in %
Fair value of real estate	CHF m	8 020.3	8 165.1	8 600.3	9 339.5	9 785.0	4.8
of which under construction	CHF m	558.1	96.9	210.5	518.4	327.1	-36.9
Number of properties	Number	198	186	188	193	190	-1.6
of which new building projects	Number	4	3	5	7	6	-14.3
Rental floor space <sup>1</sup>	m <sup>2</sup>	1 429 661	1 421 472	1 492 442	1 525 493	1 620 131	6.2
Rental income (Group)	CHF m	417.3	410.8	408.8	420.1	443.1	5.5
Vacancy rate	%	4.2	4.6	5.0	6.4	6.6	3.1
Net property yield	%	4.9	4.8	4.5	4.2	4.1	-2.4

<sup>1</sup> excluding parking places/car parks

## Portfolio split by region

Basis: fair value as at 31.12.2014

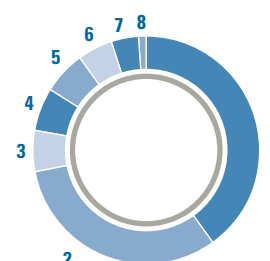
1 Zurich	42%	[40%]
2 Geneva	21%	[22%]
3 Northwestern Switzerland	15%	[16%]
4 Berne	9%	[8%]
5 Eastern Switzerland	6%	[6%]
6 Central Switzerland	5%	[6%]
7 Southern Switzerland	1%	[1%]
8 Western Switzerland	1%	[1%]



## Portfolio split by type of use

Basis: net rental income as at 31.12.2014 | Real Estate segment

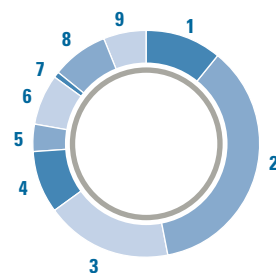
1 Office	40%	[36%]
2 Retail	32%	[36%]
3 Cinema/restaurant	6%	[5%]
4 Storage	6%	[6%]
5 Parking	6%	[6%]
6 Assisted living	5%	[6%]
7 Other	4%	[4%]
8 Residential	1%	[1%]



## Rental floor space by age category <sup>1</sup>

(year of construction/renovation)

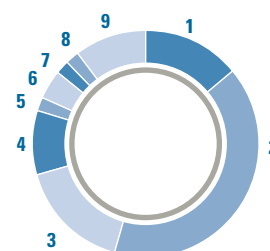
1 Newer than 2010	11%
2 2000–2010	36%
3 1990–2000	18%
4 1980–1990	9%
5 1970–1980	4%
6 1960–1970	7%
7 1950–1960	1%
8 1940–1980	8%
9 Older than 1940	6%



## Fair value by age category <sup>1</sup>

(year of construction/renovation)

1 Newer than 2010	14%
2 2000–2010	40%
3 1990–2000	16%
4 1980–1990	9%
5 1970–1980	2%
6 1960–1970	4%
7 1950–1960	2%
8 1940–1980	2%
9 Older than 1940	10%



<sup>1</sup> excluding development properties, properties under construction and building land

# SELECTED PROPERTIES



01

## PRIME TOWER, ZURICH

Fair value	CHF 528 million
Rental income	CHF 21 million
Yield	3.8%
Floor space	48 142 m <sup>2</sup>
Vacancy rate	0.0%

02

## MESSETURM, BASEL

Fair value	CHF 204 million
Rental income	CHF 9 million
Yield	4.1%
Floor space	24 093 m <sup>2</sup>
Vacancy rate	0.0%

03

## POSTFINANCE ARENA, BERNE

Fair value	CHF 114 million
Rental income	CHF 7 million
Yield	4.5%
Floor space	46 388 m <sup>2</sup>
Vacancy rate	0.0%

04

## PLATFORM, ZURICH

Fair value	CHF 169 million
Rental income	CHF 7 million
Yield	3.9%
Floor space	20 319 m <sup>2</sup>
Vacancy rate	0.0%

05

## STÜCKLI BUSINESS PARK, BASEL

Fair value	CHF 99 million
Rental income	CHF 4 million
Yield	3.6%
Floor space	37 441 m <sup>2</sup>
Vacancy rate	34.0%

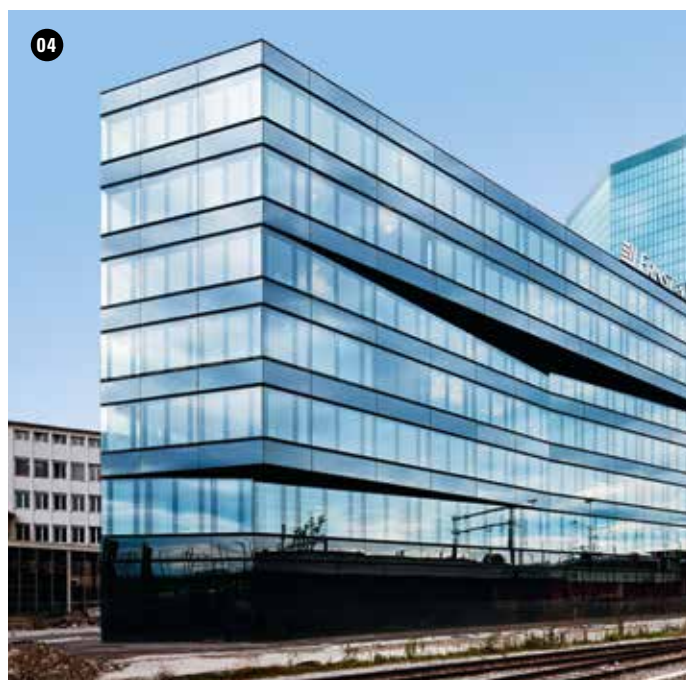
06

## OPUS, ZUG

Fair value	CHF 271 million
Rental income	CHF 13 million
Yield	4.5%
Floor space	35 892 m <sup>2</sup>
Vacancy rate	0.0%

from Real Estate segment perspective, excluding third-party rents from own properties and additionally leased properties









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# SKYKEY, ZURICH

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The property is very centrally located in Zurich-North, with excellent accessibility via private as well as public means of transportation. The Oerlikon railway station is just a few minutes away on foot.

The building was transferred to Zurich Insurance Company Ltd. in October 2014 as sole tenant. The services building offers cafeteria, restaurant, kiosk, auditorium, conference rooms, IT service centre, retail space and 230 parking places. The high quality and flexibility of use of the floor space and sustainable construction standards create an attractive working environment.

With a height extending 63 metres, SkyKey is the new landmark in Zurich-North. The contemporary services building creates a noble and powerful impact through its glass façade. The building's eight-storey base structure forms the foundation for the additional ten-storey tower. SkyKey is the first building with a LEED (Leadership in Energy & Environmental Design) platinum certification. Electricity and drinking water consumption are up to 50% and 45%, respectively, below the level of conventionally designed buildings. More than 75% of the waste materials were recycled already with the construction of SkyKey.

## FACTS AND FIGURES

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<b>Address</b>	<b>Hagenholzstrasse 60, Zurich</b>
<b>Costs as at 31.12.2014</b>	<b>CHF 249 million</b>
<b>Floor space</b>	<b>41 253 m<sup>2</sup></b>
<b>Number of storeys</b>	<b>18 with 2 subterranean levels</b>
<b>Workplaces</b>	<b>approx. 2 400</b>
<b>Land area</b>	<b>9 573 m<sup>2</sup></b>









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# SWISS POST HEADQUARTERS/ MAJOWA, BERNE

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This property is distinguished by its excellent accessibility via public and private means of transportation. The Berne Wankdorf railway station is just a short distance away on foot, with trains travelling to Swiss economic centres in minute intervals.

The Majowa development project has been realised together with the Swiss Post in Berne's Wankdorf City district. Following a construction period of roughly three years, the property was transferred to the tenant for interior design improvements in November 2014. Employees of the Swiss Post will take up residence in the new services building in mid 2015. Distinguished by exemplary sustainable standards, this project is certified with quality seals of approval from the German Sustainable Building Council (GSBC) as well as Swiss Sustainable Building Council (SSBC).

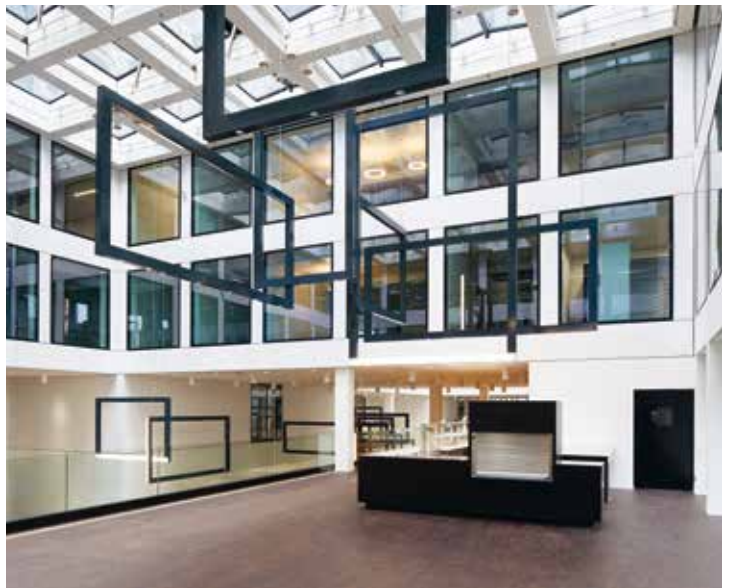
This property stands out with its very efficient floor space. The entrance is connected to three atriums that provide an abundance of daylight. The personnel restaurant situated on the ground floor has capacity for 450 persons. A conference centre is located on the first floor. The first and second subterranean levels house 170 parking places as well as 450 spaces for bicycles.

## FACTS AND FIGURES

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<b>Address</b>	<b>Wankdorfallee 4, Berne</b>
<b>Costs as at 31.12.2014</b>	<b>CHF 144 million</b>
<b>Floor space</b>	<b>33 650 m<sup>2</sup></b>
<b>Number of storeys</b>	<b>8 with 2 subterranean levels</b>
<b>Workplaces</b>	<b>approx. 1 800</b>
<b>Land area</b>	<b>5 244 m<sup>2</sup></b>











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# MAAGHOF NORTH AND EAST, ZURICH

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The centrally located building complex near the Hardbrücke railway station is impressive thanks to its very good accessibility from all over Switzerland, as well as its proximity to the Zurich city centre and main railway station.

The U-shape-structured residential building complex comprises two wings and offers tenants a green park-like oasis. The first tenants took up occupancy in December 2014 and the next wave follows in spring 2015. The Maag Site thus continues to be enlivened. Demand for the centrally situated apartments is brisk.

The apartment layouts feature spacious dimensions, with a high-quality, modern and timelessly elegant interior design. The offer for tenants includes additional services such as washing and cleaning, or watering plants and emptying the mailbox.

## FACTS AND FIGURES

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Address	Hardstrasse 219 Naphtastrasse 10 Turbinenstrasse 21, Zurich
Costs as at 31.12.2014	CHF 110 million
Rental apartments	137
Condominiums	83
Garage parking places	143



View at:

[www.maaghome.ch/www.maagich.ch](http://www.maaghome.ch/www.maagich.ch)













# MANAGEMENT REPORT

“Swiss Prime Site looks back at a solid financial year 2014, with a boost in rental income of 5.5% to CHF 443.1 million and increase in profit before revaluation effects of 5.9% to CHF 236.0 million.”

**MARKUS GRAF**

Chief Executive Officer

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# JELMOLI – THE HOUSE OF BRANDS, ZURICH

Jelmoli – The House of Brands is the Group's highest-valued single property, accounting for an 8% share of total portfolio value. The House of Brands is centrally located in Zurich's district 1, next to the Bahnhofstrasse and just a few minutes away from Paradeplatz and the main railway station.

«A department store with fixed prices for which there is no more bargaining.» With this revolutionary concept at the time, Peter Jelmoli-Ciolina opened the doors in 1833 to the Jelmoli department store and paved the way for a new shopping era. The property has been part of Swiss Prime Site's real estate portfolio since the Jelmoli acquisition in 2009 and was further developed into Switzerland's leading premium department store following extensive modernisation and repositioning. The spectacular Food Market opened at the end of 2014.

The building was constructed in 1896 and today is ideally integrated in Zurich's cityscape. Jelmoli features a magnificent façade with spacious large windows, inviting all to shop and linger around at any time of the year.

## FACTS AND FIGURES

Address	Jelmoli – The House of Brands, Seidengasse 1, 8001 Zurich
Fair value	CHF 799 million
Construction date	1898/2010 partial renovation
Floor space	36 771 m <sup>2</sup>
Use	Premium department store



View at:  
[www.jelmoli.ch](http://www.jelmoli.ch)





# ENVIRONMENT AND INFLUENCING FACTORS

The Swiss economy painted a picture of a sound state of health in 2014. The real estate market also benefited from the continuation of the «soft landing» that emerged already in the previous year. Swiss Prime Site was able to evade the effects of the negative influencing factors thanks to its focus on high-quality properties and broadened earnings base.

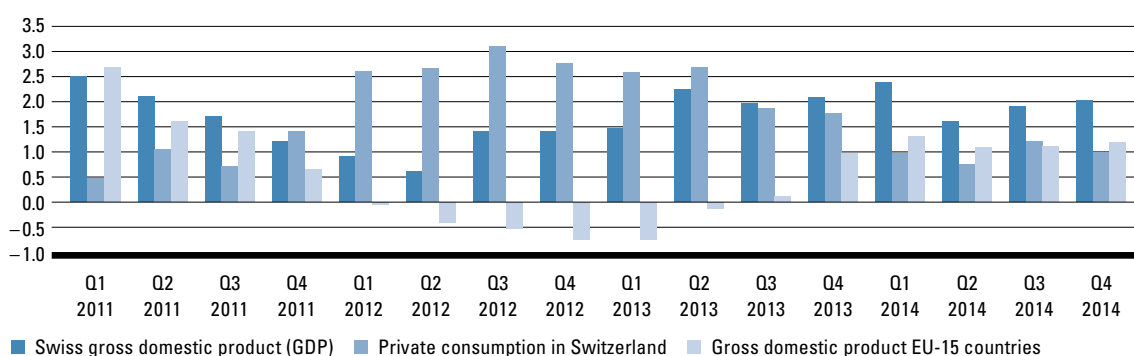
## ECONOMIC ENVIRONMENT

Economic output in Switzerland was solid overall in 2014. The labour market exhibited a positive trend and the unemployment rate remained low. However, growth in consumption lost momentum despite the persistently high level of migration. On the other hand, investment in the construction industry continued to grow at an already high level.

In light of the close economic interrelationship and intensive trading activities with the EU, the European economy had an impact on the Swiss real estate market – albeit just indirectly and with a lagging effect. Driven by a strong recovery in the United Kingdom, the European economy grew at a somewhat stronger pace again in 2014, after being marked by the euro crisis in the years 2012 and 2013. Nevertheless, the sharp drop in inflation rates in the Eurozone sparked concerns, leading to a further decline in interest rates.

### Year-on-year growth rates

in %



## FACTORS AFFECTING THE SEGMENTS

REAL ESTATE		
OFFICE PROPERTIES	RETAIL PROPERTIES	RESIDENTIAL PROPERTIES
<ul style="list-style-type: none"> <li>&gt; Growing supply of floor space is squeezing rent price levels</li> <li>&gt; Crowding-out competition is intensifying</li> <li>&gt; Prospective tenants are more sophisticated and focusing on an optimal price/performance ratio</li> <li>&gt; Rents are trending downward, especially in B and C locations</li> <li>&gt; Plans for new office floor space are declining</li> <li>&gt; Location, architecture, flexibility of use and sustainability remain the central requisite criteria</li> </ul>	<ul style="list-style-type: none"> <li>&gt; The retail trade remains under pressure due to the weak euro, shopping tourism and online trading</li> <li>&gt; Demand for retail space in modern, well-situated shopping centres and first-class urban locations remains high</li> <li>&gt; B and C locations are facing an increasingly more difficult situation</li> <li>&gt; Revitalisation and repositioning of shopping centres are growing</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Owner-occupied residential properties remain attractive amid the low interest rate environment</li> <li>&gt; Migration is underpinning demand</li> <li>&gt; Rents for existing lease agreements are decreasing due to the reference interest rates</li> <li>&gt; Residential properties offered in economic centres are still favoured</li> <li>&gt; Vacancy risks are heightened for residential properties situated in peripheral locations as well as for luxury apartments</li> </ul>
REAL ESTATE SERVICES (Wincasa AG)		
<ul style="list-style-type: none"> <li>&gt; The trend toward outsourcing building management is progressing</li> <li>&gt; Demand is growing for property management, facility management and other advisory services from a single source</li> <li>&gt; The real estate services sector is undergoing stepped-up digitalisation</li> <li>&gt; The labour market is drying up despite a broader range of educational opportunities and further initiatives aimed at professionalising the sector</li> <li>&gt; Larger service providers are carrying out functional and regional acquisitions</li> </ul>		
ASSISTED LIVING		
<ul style="list-style-type: none"> <li>&gt; The aging of society continues to progress and underpins demand</li> <li>&gt; Preferences for centrally situated, well-developed locations are growing</li> <li>&gt; Demand for residences with added services at affordable prices is increasing</li> <li>&gt; The trend toward spacious, senior-oriented 2½-room residences for singles and 3½-room residences for couples is picking up</li> <li>&gt; Cantons are increasingly tightening regulatory requirements and imposing relative restrictions on approval practices for new long-term geriatric care facilities</li> <li>&gt; The trend toward consolidation of service providers is evident</li> </ul>		
RETAIL AND GASTRONOMY		
<ul style="list-style-type: none"> <li>&gt; Pressure on margins is mounting in the retail trade</li> <li>&gt; The trend in consumer prices is declining</li> <li>&gt; Online trading is gaining significance</li> <li>&gt; Shopping tourism in border regions is picking up</li> <li>&gt; Competitive pressure on multi-brand strategies is increasing</li> <li>&gt; The significance of event hospitality is growing</li> </ul>		

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# CAPITAL MARKET

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Swiss Prime Site has been listed on the SIX Swiss Exchange since April 2000 and reports as at balance sheet date market capitalisation of roughly CHF 4.4 billion, as well as an average annual share price performance of 7.2% since its initial public offering (IPO).

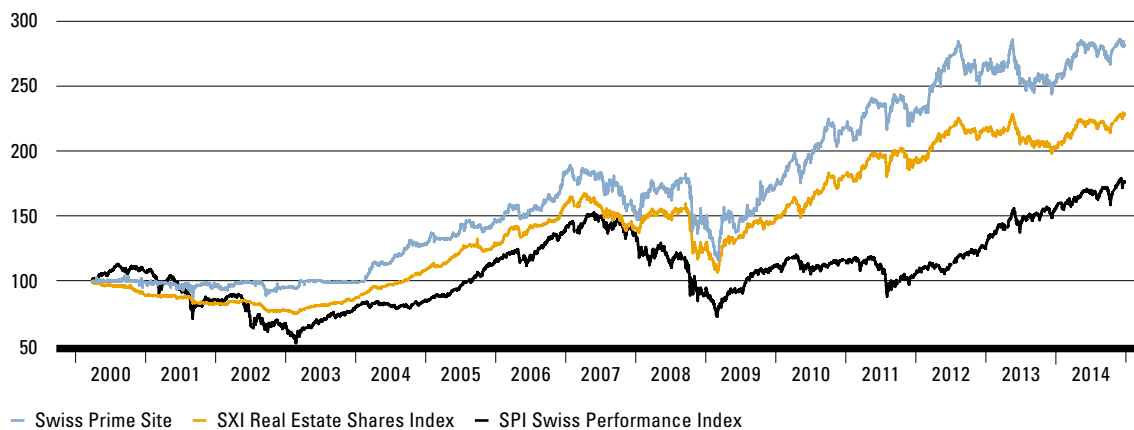
## SHARE

The Swiss Prime Site share's closing price on 31 December 2014 was CHF 73.00 [the closing share price as at 31 December 2013 was CHF 69.05 and the distribution on 25 April 2014 was CHF 3.60 per share]. The resulting performance (total return) of the share amounted to +10.9% in 2014 [−5.1%]. The stock's relative performance fell just slightly short of the benchmark indices SXI Real Estate Shares Index (+13.6%) and SPI Swiss Performance Index (+13.0%).

The share price reached its peak of CHF 76.00 on 17 April 2014 and hit its lowest point of CHF 68.95 on 7 January 2014. The average daily trading volume amounted to CHF 8.6 million [CHF 8.3 million] in 2014.

### Performance of Swiss Prime Site share since IPO

from 05.04.2000 to 31.12.2014 (indexed)



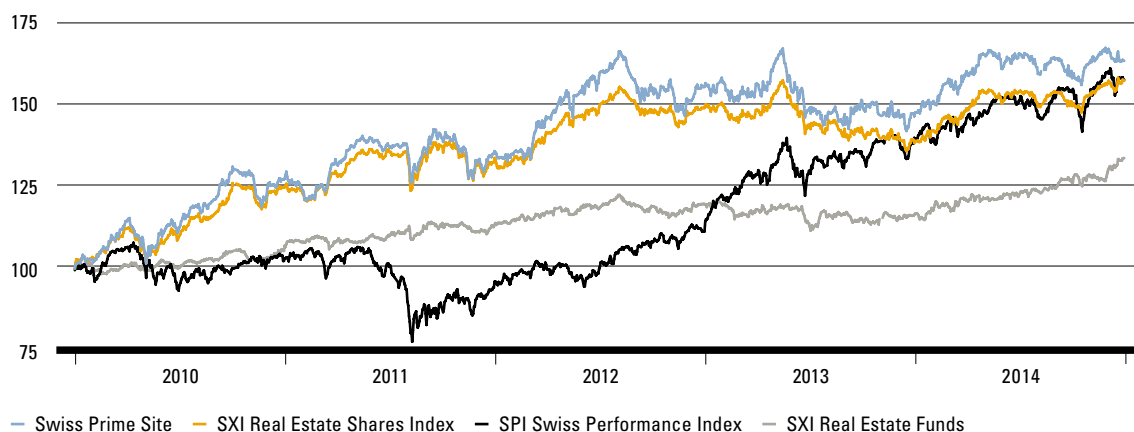
Source: Datastream

The average annual performances of the benchmark indices SXI Real Estate Shares Index and SPI Swiss Performance Index since the Swiss Prime Site IPO were +5.7% and +3.9%, respectively. Hence, the performance of the Swiss Prime Site share of +7.2% in the same period noticeably beat the two benchmark indices.



### Performance of Swiss Prime Site share, last five years

from 01.01.2010 to 31.12.2014 (indexed)

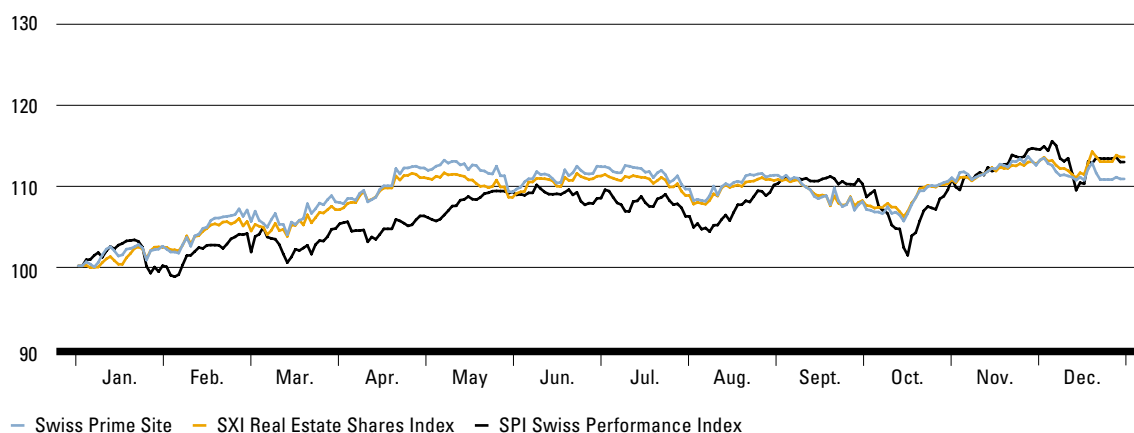


Source: Datastream

In a five-year annual comparison, the Swiss Prime Site share turned in a performance of +63.0%, thus outperforming the benchmark indices SXI Real Estate Shares Index (+57.3%), SPI Swiss Performance Index (+57.4%) and SXI Real Estate Funds Index (+34.2%).

### Performance of Swiss Prime Site share in 2014<sup>1</sup>

from 01.01.2014 to 31.12.2014 (indexed)



Source: Datastream

<sup>1</sup> closing price 31.12.2014: CHF 73.00/maximum: CHF 76.00 (17.04.2014)/minimum: CHF 68.95 (07.01.2014)

In the course of the ordinary adjustments by the SIX Swiss Exchange, the Swiss Prime Site share was delisted from the Swiss Leader Index (SLI) with effect as at 22 September 2014.

## Key figures per share

Data per share	Figures in	2010	2011 <sup>1</sup>	2012 <sup>1</sup>	2013	2014	Change
							2014 to 2013 in %
Share capital	CHF m	831.8	831.8	918.2	925.7	930.6	0.5
Nominal value per share	CHF	15.30	15.30	15.30	15.30	15.30	–
Issued shares	Number	54 368 714	54 368 714	60 011 611	60 503 081	60 820 602	0.5
Treasury shares	Number	– 44 037	– 4 244	– 4 828	– 18 916	– 2 682	– 85.8
Average treasury shares held	Number	– 173 262	– 36 117	– 4 369	– 5 847	– 6 458	10.4
Average outstanding shares	Number	54 195 452	54 332 597	54 873 552	60 368 821	60 512 651	0.2
Outstanding shares	Number	54 324 677	54 364 470	60 006 783	60 484 165	60 817 920	0.6

## Key figures of the share

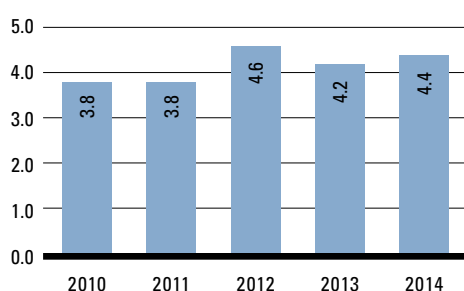
Earnings per share	CHF	4.34	6.53	5.67	5.70	4.72	– 17.2
Earnings per share without revaluation effects	CHF	3.17	4.62	3.61	3.69	3.90	5.7
NAV per share after deferred taxes	CHF	60.14	63.34	65.22	67.91	69.06	1.7
NAV per share before deferred taxes	CHF	72.11	76.72	78.62	82.65	84.77	2.6
Distribution per share	CHF	3.50	3.60	3.60	3.60	3.70 <sup>2</sup>	2.8
Cash yield	%	5.0	5.1	4.7	5.2	5.1 <sup>2</sup>	– 1.9
Share price as at balance sheet date	CHF	69.75	70.55	76.35	69.05	73.00	5.7
Share price, highest	CHF	72.25	74.60	82.95	78.45	76.00	– 3.1
Share price, lowest	CHF	58.00	65.85	69.30	66.35	68.95	3.9
Premium	%	16.0	11.4	17.1	1.7	5.7	235.3
Average trading volume per day	CHF m	9.2	9.3	11.5	8.3	8.6	3.6
Market capitalisation as at balance sheet date	CHF m	3 792.2	3 835.7	4 581.9	4 177.7	4 439.9	6.3

<sup>1</sup> adjusted due to IAS 19 rev., 2011 only shareholders' equity

<sup>2</sup> according to proposal to Annual General Meeting

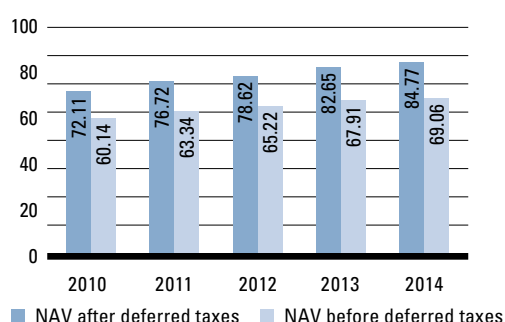
## Market capitalisation

in CHF bn



## NAV per share

in CHF



## Market capitalisation

Market capitalisation amounted to roughly CHF 4.4 billion [CHF 4.2 billion] on 31 December 2014, corresponding to an increase of 6.3%. Market capitalisation is calculated based on the number of shares issued at year-end of 60 820 602 [60 503 081] and the closing share price of CHF 73.00 [CHF 69.05]. The number of shares increased since 2010 from 54 368 814 to 60 820 602 as at the balance sheet date. In the reporting year, share capital grew by 317 521 shares or by CHF 4.9 million through conversions of the CHF 300 million convertible bond.

### NAV per share

Net asset value (NAV) per share before deferred taxes edged up by 2.6% from CHF 82.65 to CHF 84.77. NAV after deferred taxes rose by 1.7% from CHF 67.91 to CHF 69.06. Based on the closing share price, this resulted in a premium of 5.7% [1.7%].

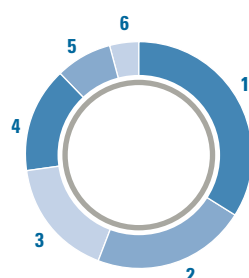
### Shareholder structure

As at the balance sheet date, around 68% [73%] of the issued 60 820 602 [60 503 081] shares were registered. Shares pending registration of transfer increased to 32% [27%]. Roughly 94% [94%] of the registered shareholders held less than 5 000 shares, 5% [4%] held between 5 000 and 50 000 shares, and 1% [2%] held a stake of more than 50 001 shares. About 72% [72%] of the registered shares were held in Switzerland. Swiss Prime Site AG acknowledges that there were three [three] shareholders with a stake of more than 3% as at the balance sheet date.

#### Shareholder categories

(registered shares)

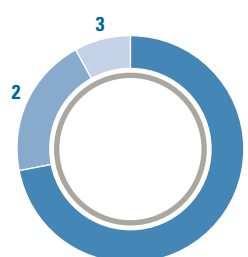
1 Legal entities	34%	[33%]
2 Pension funds	22%	[21%]
3 Funds	17%	[17%]
4 Natural persons	15%	[17%]
5 Other	8%	[8%]
6 Insurance companies	4%	[4%]



#### Shareholder structure by country

(registered shares)

1 Switzerland	72%	[72%]
2 Europe (excluding Switzerland)	20%	[20%]
3 Other countries	8%	[8%]



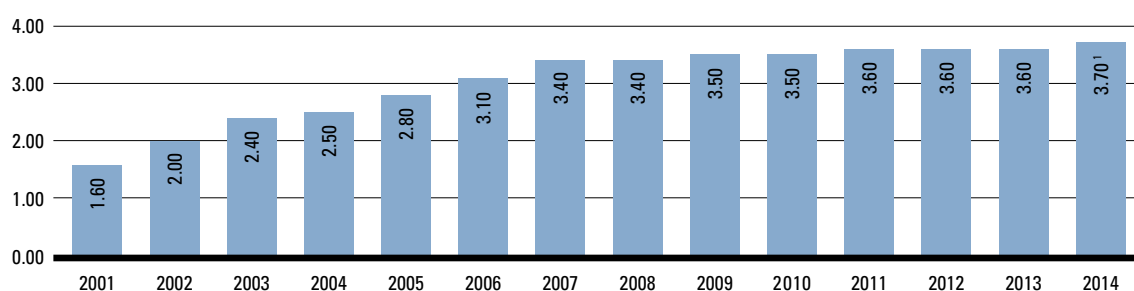


### Dividend policy and distribution

Swiss Prime Site enables its shareholders to participate in the corporate profits with a shareholder-friendly dividend in the form of a distribution from capital contribution reserves, or nominal value reduction. These distributions are not subject to Swiss withholding tax and are basically exempt from income tax for private individuals with tax domicile in Switzerland. The Company generally intends to pay out 80% of earnings per share before revaluation effects.

The Board of Directors proposes to the Annual General Meeting of 14 April 2015 a dividend of CHF 3.70 per share, in the form of a shareholder-friendly, withholding tax-exempt distribution from capital contribution reserves. The distribution corresponds to an attractive cash yield of 5.1%, based on the closing share price of CHF 73.00 at year-end.

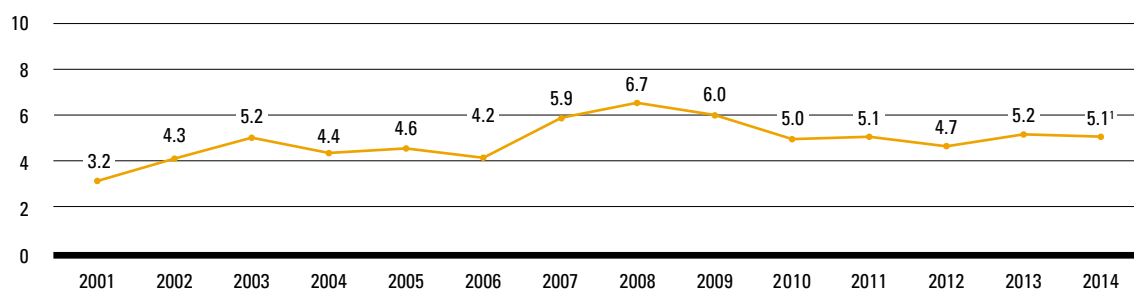
### Distribution per share in CHF



<sup>1</sup> according to proposal to Annual General Meeting

Since the Company's IPO in 2000, the distribution per share has increased from CHF 1.60 (paid out in financial year 2001, adjusted for stock split 1:5) to CHF 3.70 for the financial year 2014. The cash yield has hovered between 3.2% and 6.7% in the same period.

### Cash yield in %



<sup>1</sup> according to proposal to Annual General Meeting

## BONDS

As at the balance sheet date, Swiss Prime Site held two outstanding convertible bonds with issue volumes of CHF 300.0 million and CHF 190.35 million. Each bond with nominal value of CHF 0.005 million can be converted into Swiss Prime Site registered shares at any time. Through various conversions, the outstanding nominal value of the CHF 300 million convertible bond amounted to CHF 229.1 million as at the balance sheet date. This bond's date of maturity was 20 January 2015, and the residual nominal value was redeemed following conversion. More than 90% of the bond was converted to shareholders' equity up to the maturity date, thereby further strengthening the capital base. No conversions of the CHF 190.35 million convertible bond took place in the previous years or reporting year.

Furthermore, Swiss Prime Site holds five outstanding bonds with issue volumes of CHF 100.0 million, CHF 115.0 million, CHF 200.0 million, CHF 230.0 million and CHF 300.0 million. Three of these bonds with a total volume of CHF 600.0 million were successfully placed on the capital market in the reporting year. The terms to maturity amount to between five and ten years, and the interest rates vary between 1.0% and 2.0%. The current low interest rate environment was successfully exploited for refinancing at attractive medium- to long-term conditions.

## Key figures

Convertible bonds	Figures in	CHF 300 m 2015	CHF 190.35 m 2016
Issuing volume	CHF m	300.0	190.35
Nominal value as at balance sheet date	CHF m	229.12	190.35
Conversion price as at balance sheet date	CHF	70.97	82.89
Conversions during reporting period	CHF m	22.535	–
Number of converted shares during reporting period	Number	317 521	–
Interest rate	%	1.875	1.875
Term to maturity	Years	5	5
Maturity	Date	20.01.2015	21.06.2016
Securities number		10 877 415 (SPS10)	13 119 623 (SPS11)
ISIN number		CH0108774156	CH0131196237
Stock exchange price as at 31.12.2014	%	100.80	102.20

Bonds	Figures in	CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 100 m 2024
Issuing volume	CHF m	115.0	200.0	230.0	300.0	100.0
Interest rate	%	1.125	1.0	2.0	1.75	2.0
Term to maturity	Years	5	5	7	7	10
Maturity	Date	11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)
ISIN number		CH0215645661	CH0257042165	CH0215650737	CH0234274493	CH0257042173
Stock exchange price as at 31.12.2014	%	101.55	101.85	105.40	103.20	102.75

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# GROUP BUSINESS PERFORMANCE

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Swiss Prime Site continued to pursue active portfolio management as well as optimisation of the real estate holdings, focusing on prime properties and project developments in the financial year 2014. The Company once again looks back at a successful year of business.

## GENERAL GROUP PERFORMANCE

The results for the financial year 2014 were in line with the guidance issued. The successful financial year was attributable to the consistent execution of strategy, on the one hand, as well as to the ongoing optimisation of the business model, on the other. The strategy initiated in 2012, aimed at generating positive earnings contributions to the Group's results from additional real estate-related segments, has proven to be successful. In addition to the continuous realisation of Group-wide synergy potential, collaboration among the subsidiaries was intensified as well.

The real estate portfolio was further developed in qualitative as well as quantitative terms, exhibiting an attractive net property yield of 4.1% as at year-end 2014. The two development projects SkyKey in Zurich and Swiss Post/Majowa in Berne were completed and transferred to the existing portfolio. Total rental income increased by 5.5% to CHF 443.1 million.

Prudent financing activities with bonds and convertible bonds also contributed to the Group's favourable results. Conversion of the convertible bond with maturity date of 20 January 2015 resulted in a total inflow of CHF 274 million in shareholders' equity for Swiss Prime Site. The solid state of financing ensures operating flexibility and creates ideal preconditions for future moves toward strategic development.

With its innovative business model, Swiss Prime Site is ideally positioned to develop additional sources of earnings in real estate-related segments as a supplement to its core business activities. The key advantages emanate from broader diversification of risks and lower susceptibility to economic effects on the core business.

## FOCUS IN FINANCIAL YEAR 2014

### Real estate portfolio

#### > Strategic portfolio optimisation

In 2014, four properties were acquired at a total price tag of CHF 144.5 million. The acquired properties generate an attractive cash flow and offer profitable development opportunities. Sales volumes amounted to CHF 67.3 million for seven properties.

#### > Conversions

In the reporting year, long-term rental agreements were concluded for various properties as a basis for conversions of entire buildings. Examples here include the properties located at Freie Strasse 68 in Basel and Brandschenkestrasse 25 in Zurich, both of which will be utilised as hotels by Motel One Group following modifications. Consequently, vacancies were reduced by roughly 17 000 square metres.

#### > New building/modification development projects

In May 2014, the topping-out ceremony for the Maaghof North and East new building project (two building complexes) was celebrated in Zurich. Completion of the project is scheduled for spring 2015.



The SkyKey new building project in Zurich-Oerlikon was completed according to deadline in June 2014 and transferred to Zurich Insurance Company Ltd as sole tenant in July (costs as at 31.12.2014: CHF 248.9 million). The new Swiss Post headquarters/Majowa in Berne was completed in November 2014 (costs as at 31.12.2014: CHF 143.6 million). And the opening of the LaPraille multiplex cinema (modification project) took place according to plan in June 2014.

#### > Acquisition of prime sites

With the acquisition of the Siemens Site in Zurich-Albisrieden and Schönbürg Site in Berne, Swiss Prime Site acquired excellent development sites situated in prime locations.

#### Expansion of the Assisted Living segment

In light of the future demographic trend and resulting emerging earnings potential, the expansion of the Assisted Living segment was accelerated in 2014. The project pipeline was supplemented in geographically relevant development regions. In spring 2015, the first Vitadomo senior centre Bubenholz in Opfikon starts up operations. Under the Vitadomo brand, residential facilities are being constructed that feature an integrated geriatric care station and situated in the medium-price segment. The second Vitadomo senior centre is currently under construction in Bellinzona.

#### Financing

Financing amid the low interest rate environment was fixed at long-term rates where possible, thus reducing future financial expense.

#### Intensified dialogue with stakeholders

Swiss Prime Site intensified its relations in 2014 with capital market participants and other stakeholders. At the same time, presentations and individual meetings with existing and potential investors played a significant role too.

## TREND IN EARNINGS

### Key financial figures

	Figures in	2010	2011	2012 <sup>1</sup>	2013	2014	Change 2014 to 2013 in %
Operating income	CHF m	589.7	569.3	584.6	764.7	852.7	11.5
Revaluation of investment properties, net	CHF m	86.4	178.1	187.3	186.7	113.2	-39.4
Result from property sales, net	CHF m	-0.8	77.5	8.5	15.3	2.1	-86.3
Operating expenses	CHF m	-268.6	-232.9	-267.8	-436.0	-518.9	19.0
Operating profit (EBIT)	CHF m	413.1	604.1	514.4	539.2	462.8	-14.2
Financial expenses	CHF m	-128.6	-131.4	-117.0	-109.4	-100.0	-8.6
Income tax expenses	CHF m	-55.6	-119.9	-93.6	-96.6	-79.0	-18.2
Profit <sup>2</sup>	CHF m	235.8	355.1	311.3	343.9	286.7	-16.6
Comprehensive income <sup>2</sup>	CHF m	240.9	365.1	323.5	378.2	288.2	-23.8
Earnings per share (EPS)	CHF	4.34	6.53	5.67	5.70	4.72	-17.2

<sup>1</sup> restatement due to IAS 19 rev.

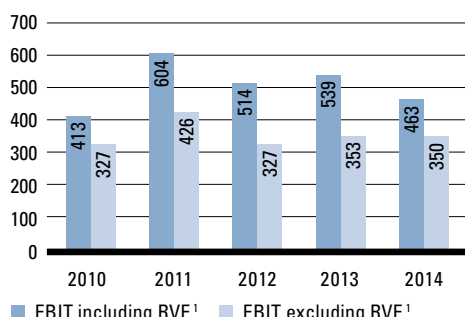
<sup>2</sup> including non-controlling interests

Noteworthy in the comparison of results with the previous year is that Tertium Group was not consolidated until the acquisition date as at 12 July 2013, and that its subsidiary Permed AG was divested in the reporting year. In addition, the operating business of the Ramada Encore hotel in Geneva was divested as at end 2013. Moreover, new IFRS regulations had an impact on the previous year's comparison. IFRS 13 «Fair Value Measurement» with the new highest-and-best-use concept, resulted in a positive revaluation for two properties totalling CHF 7.7 million [CHF 22.5 million]. IAS 19 revised «Employee Benefits» resulted in booking volatility in personnel costs affecting net income as well as the remeasurement of net defined benefit obligations in other comprehensive income.

Operating profit (EBIT) excluding revaluations edged down slightly by 0.8% from CHF 352.5 million to CHF 349.6 million. EBIT including revaluations decreased by 14.2% from CHF 539.2 million to CHF 462.8 million.

### Operating profit (EBIT)

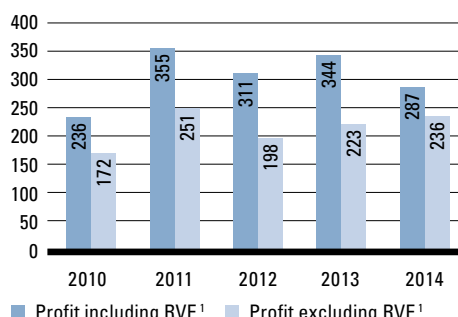
in CHF m



<sup>1</sup> revaluation effects: revaluations and deferred taxes

### Profit

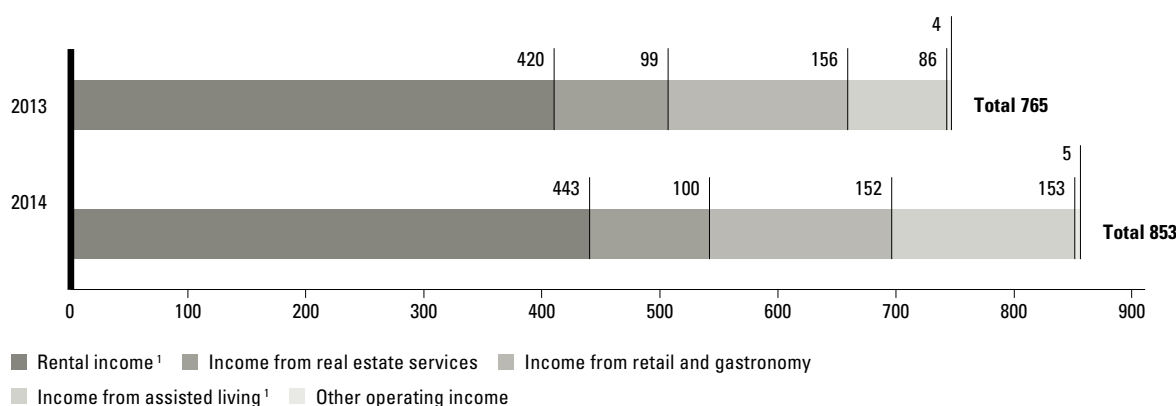
in CHF m



Profit including revaluation effects amounted to CHF 286.7 million [CHF 343.9 million]. The decrease of CHF 57.2 million was attributable primarily to lower revaluation gains, as expected. Profit excluding revaluation effects climbed by 5.9% to CHF 236.0 million [CHF 222.8 million]. Comprehensive income including revaluation effects of CHF 288.2 million fell short of the relevant previous year's mark by 23.8% [CHF 378.2 million], while comprehensive income excluding revaluation effects of CHF 207.6 million was 14.0% below the comparable previous year's figure [CHF 241.3 million]. CHF -36.8 million [CHF 24.1 million] related to remeasurement of net defined benefit obligations was booked in other comprehensive income in the reporting year.

### Operating income

in CHF m

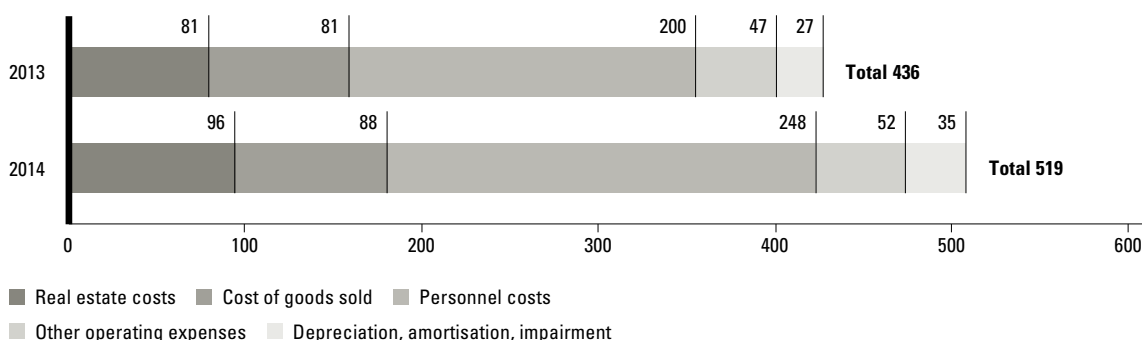


<sup>1</sup> acquisition of Tertianum AG as at 12.07.2013; sale of Permed AG as at 17.03.2014

Swiss Prime Site continued to unabatedly exhibit a robust performance in the financial year 2014, realising an 11.5% spurt in operating income from CHF 764.7 million to CHF 852.7 million. Income from rental properties at the Group level climbed by 5.5% to CHF 443.1 million [CHF 420.1 million]. The increase was attributable primarily to the results of the projects completed in the current year as well as to the effects of the acquisition of Tertianum Group and property divestments in the previous year. Income from real estate services exhibited a pickup of 1.5% year-on-year to CHF 100.1 million [CHF 98.6 million]. The 78.9% surge in income from assisted living to CHF 153.3 million [CHF 85.7 million] was the result of the first-time consolidation of Tertianum AG for a full financial year as well as the elimination of income due to the divestment of Permed AG. The decline in income from retail and gastronomy by 2.8% to CHF 151.9 million [CHF 156.2 million] was traced to divestment of the operating business of the Ramada Encore hotel in Geneva. Other operating income of CHF 4.3 million was nearly in line with the previous year's figure [CHF 4.1 million].

## Operating expenses

in CHF m



Operating expenses climbed by 19.0% from CHF 436.0 million to CHF 518.9 million primarily due to acquisitions, of which real estate costs accounted for CHF 96.3 million [CHF 81.5 million] and cost of goods sold made up CHF 87.9 million [CHF 81.0 million]. The increase in real estate costs was attributable mainly to the CHF 11.9 million rise in third-party rental expenses particularly for the additionally rented properties in the Assisted Living segment. In addition, higher costs were incurred by the owner (ancillary costs/operating expenses) resulting from growth in the real estate portfolio. The increase in cost of goods sold by CHF 6.9 million resulted primarily from Tertianum's business activities.

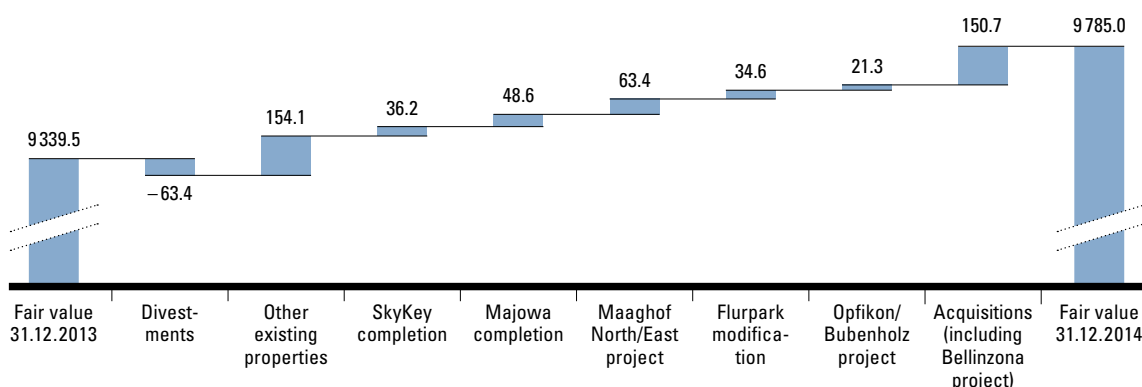
Personnel costs amounted to CHF 248.0 million [CHF 199.7 million], other operating expenses totalled CHF 51.6 million [CHF 47.2 million] and depreciation, amortisation and impairment were CHF 35.1 million [CHF 26.6 million]. The pickup in personnel costs was attributable mainly to staff expenses related to the acquisition of Tertianum. The CHF 8.5 million increase in depreciation was based predominantly on owner-occupied properties.

## DEVELOPMENT OF REAL ESTATE PORTFOLIO

Within the scope of portfolio optimisation and through taking advantage of divestment opportunities, seven properties were divested and four acquired in the reporting period. The fair value of the divested properties amounted to a total of CHF 63.4 million at end 2013. The net result of sale after transaction costs amounted to CHF 2.1 million [CHF 15.3 million]. The portfolio therefore comprised 190 properties [193].

### Development of the real estate portfolio (fair value)

in CHF m

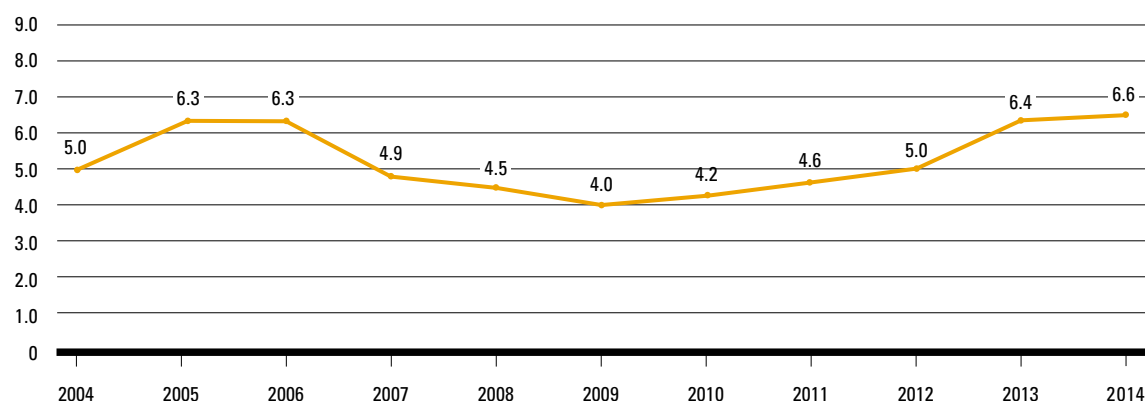


The increase in portfolio value by CHF 445.5 million or +4.8% consisted of seven divestments (CHF -63.4 million), value changes (including renovations/investments) related to other existing properties (CHF +154.1 million), the completed new buildings SkyKey (CHF +36.2 million) and Swiss Post headquarters/Majowa (CHF +48.6 million), value changes and investments related to the Maaghof North and East project (CHF +63.4 million), modification of Flurpark in Zurich (CHF +34.6 million), the Mülackerstrasse/Bubenhof project in Opfikon (CHF +21.3 million), the acquired project in Bellinzona (CHF +19.3 million) and the two acquired existing properties and building land (CHF +131.4 million).

The vacancy rate increased versus the previous year from 6.4% to 6.6%, as expected. The rate was in line with the forecast range of 6.0% to 7.0%.

### Development of vacancy rate

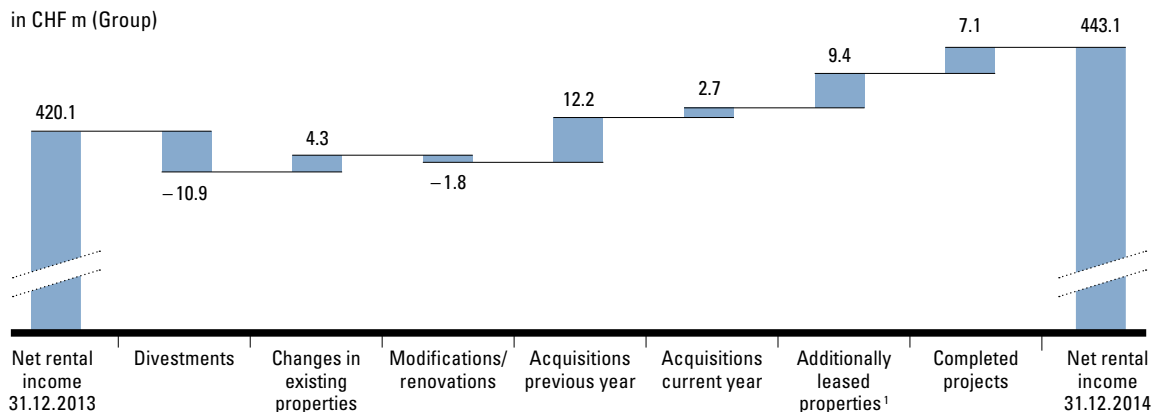
in % (Group)



The quality of earnings was underscored by the good credit ratings of the tenants. The five largest external tenants are renowned companies, contributing 21.9% [20.8%] to total rental income. Around 58% [59%] of all rental agreements have a residual term of four or more years.

### Development of net rental income

in CHF m (Group)



<sup>1</sup> in Assisted Living segment

Net rental income rose by 5.5% from CHF 420.1 million to CHF 443.1 million. The increase of CHF 23.0 million resulted from divestments in the previous and current year (CHF -10.9 million), changes in existing properties (CHF +4.3 million), vacancies related to building modifications and renovations (CHF -1.8 million), acquisitions in the previous year (CHF +12.2 million) and current year (CHF +2.7 million), as well as from additionally leased properties in the Assisted Living segment (CHF +9.4 million) and from the completion of SkyKey (CHF +5.6 million) and Swiss Post headquarters/Majowa (CHF +1.4 million).

## VALUATION OF THE REAL ESTATE PORTFOLIO

Wüest & Partner AG valued the real estate portfolio at CHF 9785.0 million as at 31 December 2014 [CHF 9339.5 million]. This revaluation led to a net valuation gain affecting net income of CHF 113.2 million at the Group level [CHF 186.7 million] (excluding revaluation of owner-occupied properties), or 1.2% of the portfolio's value as at 31 December 2013. Of these revaluations, CHF 7.7 million [CHF 22.5 million] was attributable to the first-time application of IFRS 13 «Fair Value Measurement» with the highest-and-best-use concept.

Revaluation of owner-occupied properties (primarily properties used in the Assisted Living segment as well as Jelmoli – The House of Brands) resulted in a remeasurement in other comprehensive income of CHF 39.0 million [CHF 20.6 million].



Of the total 170 existing properties (excluding acquisitions (four), plots of building land (eleven) and properties under construction (five) – total 20 properties) 110 were valued higher, one was valued the same and 59 were valued lower than as at 1 January 2014.

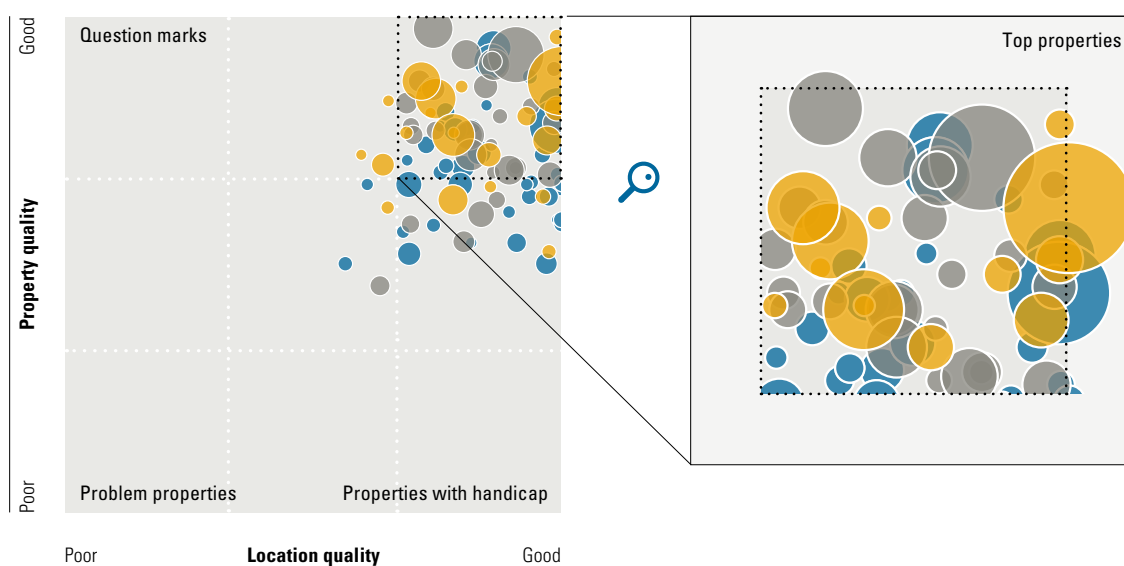
The weighted average real discount rate of 3.88% decreased by 0.13 percentage points versus 31 December 2013 [4.01%]. Assuming an inflation rate of 1.0% [1.0%], this corresponded to a nominal discount rate of 4.92% [5.05%].

## Portfolio quality

Market matrix

31.12.2014

Enlargement



- Properties with office use > 60%: fair value > CHF 20 m
- Properties with retail use > 60%: fair value > CHF 20 m
- Properties with mixed use > 60%: fair value > CHF 20 m

Source: Wüest & Partner AG

The market matrix provides a visualisation of the portfolio's high quality of property and location. Nearly 80% of the properties in the portfolio are in the top segment, which is distinguished by the highest quality of property and location.

## CURRENT PROJECTS



### Flurstrasse 55/Flurpark, Zurich

Flurpark is undergoing total renovation. With the extensive renovation, a new façade and Minergie certification, the property will be repositioned and conceptualised with flexibly designed office floor space, so the rooms can also be leased to several tenants. The property comprising more than 18 000 square metres of floor space and 330 parking places can be transferred to future tenants for interior improvements starting from summer 2015.



#### **Maaghof North and East, Zurich**

With Maaghof North and East – the urban residential building project in Zurich-West – Swiss Prime Site is constructing 220 apartments comprising floor space of 21 800 square metres as well as 2 200 square metres for social and commercial utilisation. Occupancy of the first phase (52 units) of rental apartments took place in December 2014. Completion of the remaining rental apartments and condominiums is scheduled for spring 2015. As at end 2014, sales agreements had been concluded for 59 of the 83 apartments and four commercial units. Of the 137 1½- to 5½-room apartments, 90 had been rented, and five of the ten services units leased.



#### **Bubenholz Vitadomo, Opfikon**

The Bubenholz new building project in Opfikon – where 59 1½- to 3½-room apartments featuring à la carte services, a geriatric care wing with 43 beds and a bistro, multi-purpose rooms and commercial floor space will be constructed – is proceeding according to plan. The shell construction activities are concluded, and the interior design has begun. The property will be completed in spring 2015 and managed as a Vitadomo senior centre in the Assisted Living segment.



#### **Motel One, Zurich**

Swiss Prime Site is transforming the existing commercial property situated in a prime location at Brandschenkestrasse 25 just five minutes away from the Bahnhofstrasse into a hotel, consisting of 400 rooms distinguished by their first-class design and attractive price. The new hotel near Paradeplatz will be operated by Motel One Group, Munich, starting from summer 2017.



#### **Motel One, Basel**

Swiss Prime Site is transforming the commercial building located at Freie Strasse 68 into a hotel by the beginning of 2016, comprising 147 rooms distinguished by their first-class design and attractive price. The new hotel situated in the heart of Basel will be operated by the successfully and rapidly expanding Motel One Group, Munich.

### **REAL ESTATE ACQUISITIONS**

Four properties were acquired in the reporting period: 1) the existing property located at Albisriederstrasse 203 (Siemens Site), Zurich, with substantial building land reserves and development potential; 2) the Schönbürg property at Viktoriastrasse 21 in Berne, with development potential as well; 3) building land with a new construction project situated at Via San Gottardo 99–99b in Bellinzona, where a Vitadomo senior centre is being erected; and 4) a plot of building land located at Chemin de Riantbosson in Meyrin. The latter property was acquired within the scope of the increase in the stake in Ensemble artisanal et commercial de Riantbosson S.A. (EACR) to 57.4%.



#### **EACR, Chemin de Riantbosson, Meyrin**

In 2014, Swiss Prime Site increased its equity interest in the company EACR, thus acquiring a majority stake. There are plans for building a retail and commercial centre on a plot of land situated in the heart of the industrial zone in Meyrin and close to Geneva Airport, which should be constructed by 2017. Renowned companies have already conveyed their interest in writing.



#### **Vitadomo, Bellinzona**

A Vitadomo senior centre is being constructed in Bellinzona for the Assisted Living segment, comprising three buildings with 71 1½- to 3½-room apartments, a geriatric care facility with 30 beds, a bistro, a multi-purpose room and three doctor offices. The construction start date was in June 2014, and completion is planned for spring 2016.



#### **Albisriederstrasse 203 (Siemens Site), Zurich**

The 22 745-square-metre property is currently being utilised by various tenants from different sectors. The property was acquired on 27 June 2014 and harbours interesting development potential.



#### **Viktoriastrasse 21, 21a, 21b/Schönburg, Berne**

The 14 036-square-metre property comprising 30 510 square metres of floor space, is currently being utilised by Swiss Post as sole tenant. The property was acquired as at 1 October 2014 and harbours significant development potential.

With the acquisition of these properties, Swiss Prime Site has supplemented its development pipeline with attractive projects.

### **DEVELOPMENT SITES**



#### **Weltpost Park, Berne**

Since 2000, Swiss Prime Site has held the land lease for the 31 074-square-metre plot of land, which harbours considerable utilisation potential. In light of the persistently robust demand for apartments, a preliminary study was conducted by means of a project contest with renowned urban-planning architect offices. The assessment of the projects submitted took place on 8 September 2014. Steinmann & Schmid Architects from Basel emerged as the winner of the contest. The contest process is concluded. The pre-project is being developed, and in parallel the urban planner has submitted the draft of the building ordinance to the collaborative process.





#### **Chemin des Aulx, Plan-les-Ouates**

In contrast to most of the industrial terrain in Geneva, this industrial building land comprising 28 429 square metres is not land lease area, but rather owned by Swiss Prime Site. The building land is subject to the regulations of an industrial zone, so primary commercial use is a requirement. A modular concept for a six-storey highly flexible commercial building was developed. The first phase with three units totalling 33 000 square metres of floor space has been submitted by means of building application. High-performance subterranean logistics, with numerous parking places and storage possibilities, ensure utilisation by commercial companies (7 000 square metres). Preliminary marketing activities are currently underway.

### **REAL ESTATE DIVESTMENTS**

The following seven properties were divested with proceeds from sale totalling CHF 67.3 million:



Avenue de Chailly 1,  
Lausanne



Grünfeldstrasse 25,  
Rapperswil-Jona



Kantonsstrasse 8,  
Visp



Schneckelerstrasse 1,  
Füllinsdorf



Hofwisenstrasse 50,  
Rümlang



Rue de la Mercerie 14,  
Lausanne



Rue de la Mercerie  
16–20, Lausanne

# BUSINESS PERFORMANCE BY SEGMENT

The core business with real estate investments and real estate services as well as the Retail and Gastronomy segment and Assisted Living segment turned in favourable performances.

## REAL ESTATE SEGMENT

The Real Estate segment registered an increase in rental income as well as growth in the pipeline of development projects in the reporting year. The quality of the real estate holdings improved further through innovative portfolio management, including through converting and repositioning properties.

### Key financial figures

	Figures in	2010	2011	2012 <sup>1</sup>	2013	2014	Change 2014 to 2013 in %
Operating income	CHF m	440.3	431.0	443.0	525.3	534.0	1.7
Revaluation of investment properties, net	CHF m	77.1	186.7	191.9	198.1	137.1	–30.8
Result from property sales, net	CHF m	–0.8	77.5	8.5	15.3	2.1	–86.3
Operating expenses	CHF m	–106.7	–99.5	–119.4	–186.0	–194.2	4.4
Operating profit (EBIT)	CHF m	411.9	607.8	525.8	561.3	491.9	–12.4

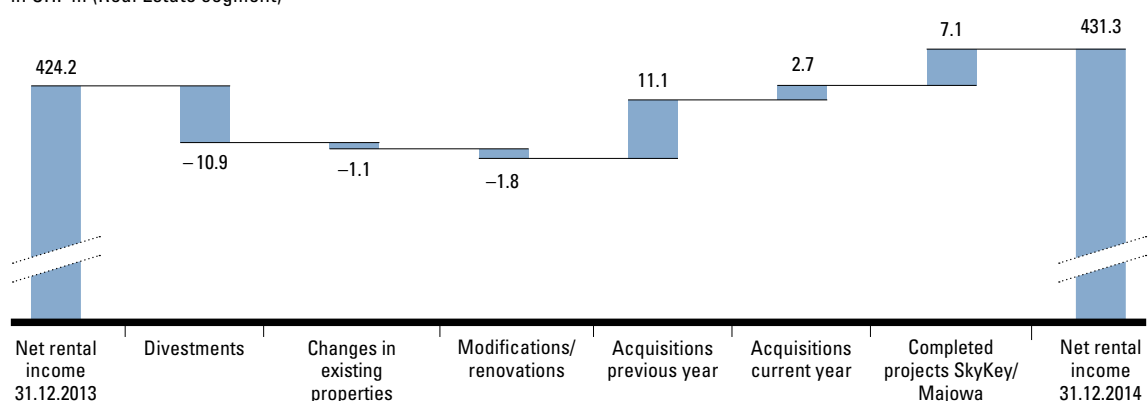
<sup>1</sup> restatement due to IAS 19 rev.

Income from rental properties increased by CHF 7.1 million to CHF 431.3 million [CHF 424.2 million]. The vacancy rate edged up slightly by 0.3 percentage points to 6.4% [6.1%]. The net yield of the real estate portfolio amounted to an unchanged 4.1%. Operating income rose from CHF 525.3 million to CHF 534.0 million.

Revaluations affecting net income amounted to CHF 137.1 million [CHF 198.1 million]. In addition to the income from the core business, this segment also included income from the real estate services provided by Wincasa AG. Operating profit (EBIT) declined from CHF 561.3 million to CHF 491.9 million (–12.4%), primarily due to lower revaluation gains versus the previous year.

### Development of net rental income

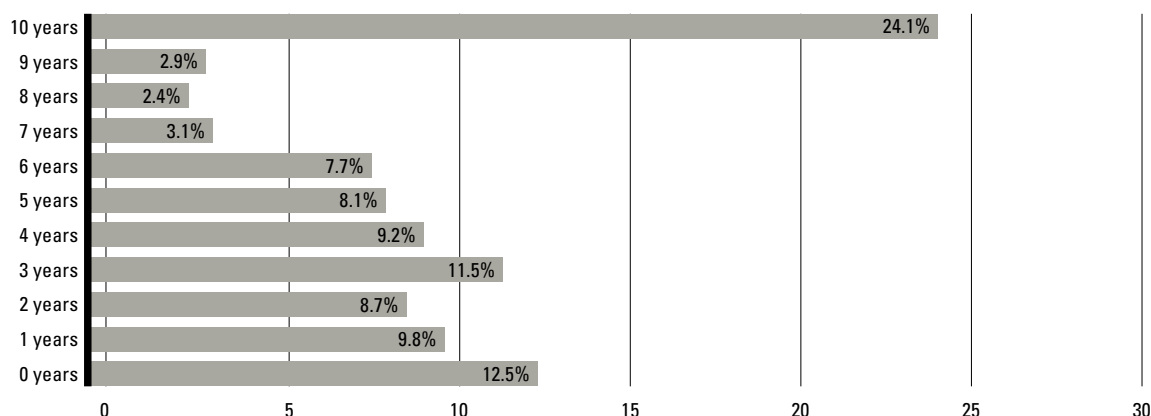
in CHF m (Real Estate segment)



The increase in rental income from properties by CHF +7.1 million or by 1.7% was attributable to the elimination of rental income from divestments in the previous year (CHF –9.7 million) and current year (CHF –1.2 million), changes in existing properties (CHF –1.1 million), building modifications/total renovations (CHF –1.8 million), acquisitions in the previous year (CHF +11.1 million) and the reporting year (CHF +2.7 million) as well as the completion of the two new building projects SkyKey (CHF +5.6 million) and Swiss Post headquarters/Majowa (CHF +1.4 million).

#### Contractual end of rental relationship

in % of net rental income as at 31.12.2014 (Real Estate segment)



#### Wincasa AG

Income from real estate services generated by Wincasa AG (acquired in 2012) amounted to CHF 100.5 million in the financial year 2014, corresponding to growth of 1.8% versus 2013 [CHF 98.7 million] and an 18.8 % share of total segment income.

In the period 2010 to 2014, growth in assets under management resulted in a 14% boost in earnings, equalling an average annual increase in income of nearly 3%.

Wincasa AG managed roughly 183000 rental units as at end 2014, corresponding to a pickup of 24000 units over the past five years. In the same period, the workforce grew by 66 FTEs (full-time equivalents) to an average 630 FTEs in the reporting year.

#### Key figures from real estate services

	Figures in	2010	2011	2012	2013	2014	Change 2014 to 2013 in %
Annual target rent	CHF bn	2.31	2.37	2.57	2.63	2.75	4.6
Rental properties <sup>1</sup>	Number	159 000	160 000	175 000	178 000	183 000	2.8

<sup>1</sup> rounded to thousands

The revamped presence as well as new strategic partnership with a leading software firm specialised in real estate portfolio management underscore the intention of meeting the highest professional demands of investors. The changeover to state-of-the-art process management software, introduction of a new CRM tool and stepped-up intensity in the area of management and employee training this year all constitute an additional commitment toward improving qualitative process management.

Wincasa AG succeeded in further solidifying its leading market position in Switzerland in the reporting year. For instance, the company acquired and implemented a major contract for commercial building management from a telecommunications company. As a result, Wincasa AG will be additionally responsible for the management of more than 3000 properties/units starting from 2015. The company also acquired further centre management contracts for four shopping centres that should lead to a positive impact on earnings in 2015.

## RETAIL AND GASTRONOMY SEGMENT

Jelmoli AG, with Jelmoli – The House of Brands on the Bahnhofstrasse in Zurich, is the leading premium department store in Switzerland and an essential part of the Retail and Gastronomy segment. In addition, the segment also comprises Clouds Gastro AG, which manages the restaurant business in Prime Tower.

### Key financial figures

	Figures in	2010	2011	2012 <sup>1</sup>	2013 <sup>2</sup>	2014	Change 2014 to 2013 in %
Operating income	CHF m	188.8	175.0	178.2	175.9	172.3	– 2.0
Operating expenses	CHF m	– 180.0	– 165.7	– 179.3	– 182.4	– 171.4	– 6.0
Operating profit (EBIT)	CHF m	8.8	9.3	– 1.1	– 6.5	0.9	– 113.8

<sup>1</sup> restatement due to IAS 19 rev.

<sup>2</sup> divestment of operating business of Ramada Encore hotel, Geneva, end-November 2013

The largest position in operating income is income from the retail and gastronomy, which declined by 2.7% from CHF 156.4 million to CHF 152.1 million primarily due to the divestment of the Ramada Encore hotel operating business in Geneva. Moreover, Jelmoli – The House of Brands and Conference Clouds realised rental income from third-party leasing of CHF 18.6 million [CHF 18.0 million]. Operating expenses also decreased as a result of the divested hotel business, by 6.0% from CHF 182.4 million to CHF 171.4 million, while operating profit (EBIT) increased from CHF –6.5 million to CHF 0.9 million.

### Jelmoli AG

Jelmoli AG succeeded in turning in a good performance amid a comparatively difficult market environment, exhibiting a positive trend in revenues as well as operating profit (EBIT). At the same time, the measures initiated in the past two years in particular (e.g. adjusting the assortment, optimising processes, enhancing the communications mix, improving presentation in the retail space, increasing the extent of services, investing in sales training) had a positive impact. In the reporting year, the Food Market (formerly Gourmet Factory) underwent modifications and Home & Living (homeware department) saw an expansion and a re-opening.

### Clouds Gastro AG

Swiss Prime Site is transferring the Clouds restaurant business to Candrian Catering AG as at 1 July 2015, thus concluding a successful development phase.



## ASSISTED LIVING SEGMENT

With the acquisition of Tertianum Group in July 2013, Swiss Prime Site expanded its business model with the new Assisted Living operating segment. The acquired properties were integrated in the Real Estate segment. The remaining operating business of various senior residences forms the Assisted Living segment.

### Key figures

	Figures in	2013 <sup>1</sup>	2014 <sup>2</sup>	Change 2014 to 2013 in %
Operating income	CHF m	111.6	201.9	80.9
Operating expenses	CHF m	–106.6	–193.7	81.7
Operating profit (EBIT)	CHF m	5.0	9.0	80.0
Guests in apartments (average) <sup>3</sup>	Number	1 202	1 199	–0.2
Guests in geriatric care facilities (average) <sup>3</sup>	Number	642	649	1.1

<sup>1</sup> acquisition as at 12.07.2013

<sup>2</sup> sale of Permed AG as at 17.03.2014

<sup>3</sup> 2013 annual average

Tertianum Group has been an integral part of Swiss Prime Site Group since its acquisition in 2013, generating operating income of CHF 201.9 million in the financial year 2014 [CHF 111.6 million since the acquisition as at 12 July 2013]. The Assisted Living segment comprises 16 Tertianum residences in the premium-price market segment and five Perlavita businesses specialised in geriatric healthcare. Two Vitadomo senior centres in Opfikon and Bellinzona are under construction (completion in spring 2015 and 2016, respectively). Tertianum Group provided accommodations to an average 1 848 guests in 2014, of which 649 in geriatric care facilities.

A previous year's comparison is possible only to a limited extent due to the consolidation of Tertianum Group from 12 July 2013 and the divestment of Permed AG as at 17 March 2014. Income from assisted living amounted to CHF 153.6 million [CHF 85.7 million] in the reporting year. In addition, Tertianum Group generated rental income from leased owner-occupied properties amounting to CHF 23.6 million [CHF 11.4 million]. The eleven leased properties realised rental income of CHF 23.5 million [CHF 14.1 million].

Operating profit (EBIT) amounted to a favourable CHF 9.0 million [CHF 5.0 million], despite the lack of contribution from Permed AG and reduction of residual financing in Canton Zurich. Permed AG, which specialises in ambulant geriatric care services, was divested as at 17 March 2014 within the scope of Swiss Prime Site's strategic focus for the coming years. Tertianum Group is expanding its stationary care offering under the new Vitadomo brand, thus meeting the increasing future demand for services in the medium-price segment.

# FINANCIAL AND ASSET SITUATION

Swiss Prime Site monitors and assesses its financial situation and asset structure on a permanent basis. The objective is to ensure an ideal capital and financing structure, while taking into consideration the opportunities and risks as well.

## Key figures relating to the financial and asset situation

	Figures in	2010	2011 <sup>1</sup>	2012 <sup>1</sup>	2013	2014	Change 2014 to 2013 in %
Shareholders' equity	CHF m	3 267.2	3 434.9	3 913.9	4 107.3	4 201.8	2.3
Equity ratio	%	39.3	39.9	42.4	39.1	39.6	1.3
Borrowed capital	CHF m	5 050.2	5 174.3	5 323.1	6 404.8	6 400.3	-0.1
Loan-to-value (LTV) ratio of real estate portfolio	%	52.1	51.0	48.0	54.1	50.7	-6.3
Cash flow from operating activities	CHF m	130.9	200.5	94.8	-191.2	623.5	-426.1
Cash flow from investing activities	CHF m	109.7	113.2	-138.7	-350.9	-281.4	-19.8
Cash flow from financing activities	CHF m	-321.2	-196.9	119.1	544.0	-288.6	-153.1
Financial expenses	CHF m	-128.6	-131.4	-117.0	-109.4	-100.0	-8.6
Financial income	CHF m	7.0	2.3	7.6	10.6	2.8	-73.6
Return on equity (ROE weighted)	%	7.2	10.6	8.9	9.1	7.0	-23.1
Return on equity (ROE weighted) excluding revaluation effects <sup>2</sup>	%	5.4	7.7	5.9	6.1	5.9	-3.3
Return on invested capital (ROIC weighted)	%	4.3	5.8	4.8	4.6	3.7	-19.6
Return on invested capital (ROIC weighted) excluding revaluation effects <sup>2</sup>	%	3.6	4.5	3.5	3.4	3.2	-5.9

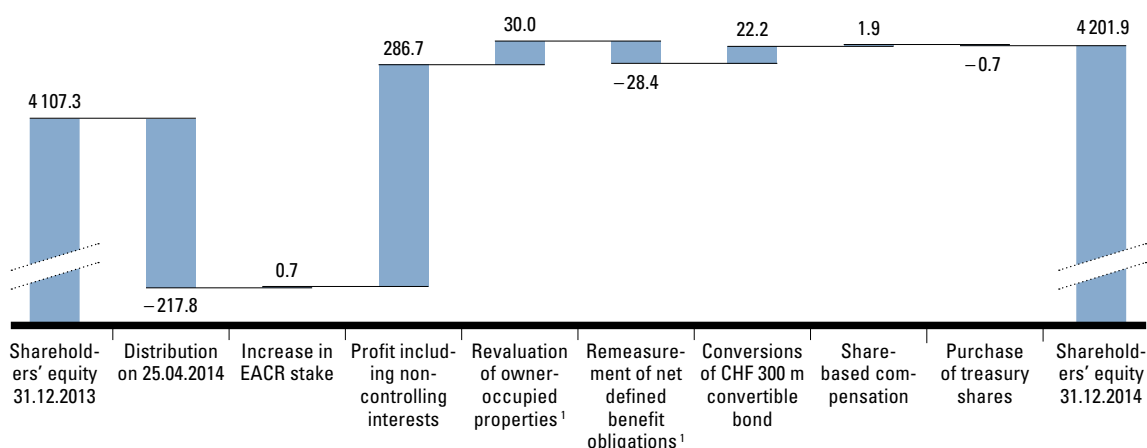
<sup>1</sup> restatement due to IAS 19 rev., 2011 shareholders' equity only

<sup>2</sup> revaluations and deferred taxes

The increase in shareholders' equity by 2.3% from CHF 4 107.3 million to CHF 4 201.8 million was attributable primarily to the following factors: profit including revaluation effects of CHF 286.7 million; revaluations after deferred taxes of owner-occupied properties of CHF +30.0 million; conversion of the CHF 300 million convertible bond of CHF +22.2 million; non-controlling interests of CHF +0.7 million; and share-based compensation of CHF +1.9 million. These factors were able to more than offset the counter-effects from the distribution of 25 April 2014 of CHF -217.8 million, remeasurement of net defined benefit obligations of CHF -28.4 million, and acquisition of treasury shares of CHF -0.7 million.

## Development of shareholders' equity

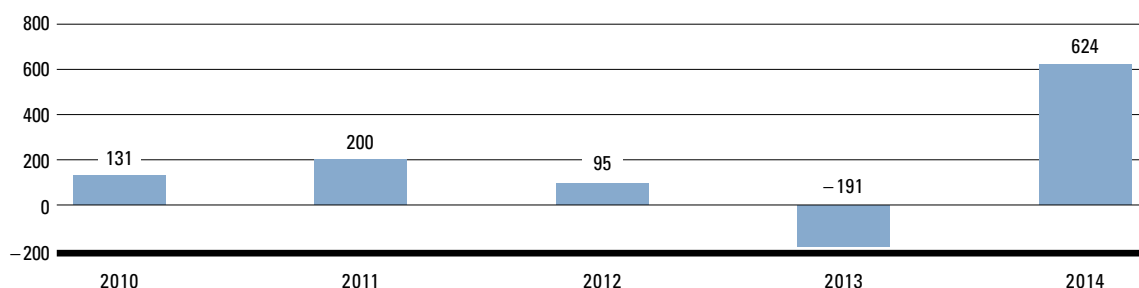
in CHF m



<sup>1</sup> after deferred taxes

## Cash flow from operating activities

in CHF m



Cash flow of the previous year amounting to CHF –191.2 million included a withholding tax payment to the Swiss Federal Tax Administration totalling CHF 419.7 million. This money was reimbursed on 10 January 2014 and explains the strong surge in cash flow from operating activities of CHF 623.5 million in the reporting year, among other factors.

Thanks to its long-term financing strategy, Swiss Prime Site maintained the maturity matching between investments and financing thereof. The financing is based on mortgage-backed financing activities of real estate portfolios or individual properties. Focus is directed at moderate loan-to-value (LTV) ratios as well as sufficient diversification of mortgage creditors, in order to avoid cluster risks. Additionally and complementarily, financing requirements are covered by means of placing bonds or convertible bonds on the capital market, for example. Utilising derivative financial instruments for interest rate hedging is avoided for the most part.

## Structure of assets

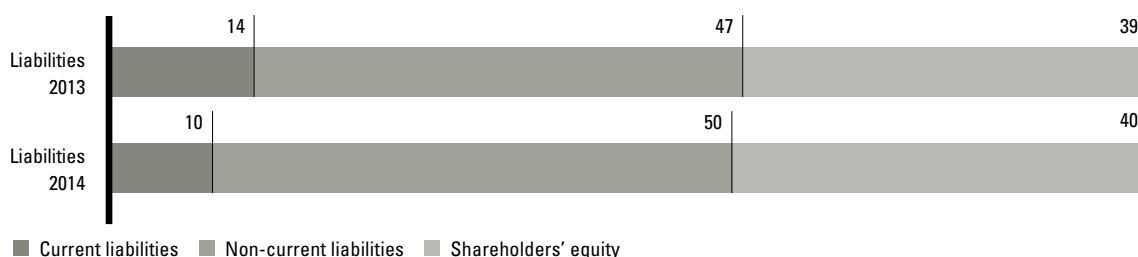
in %



■ Current assets ■ Non-current assets

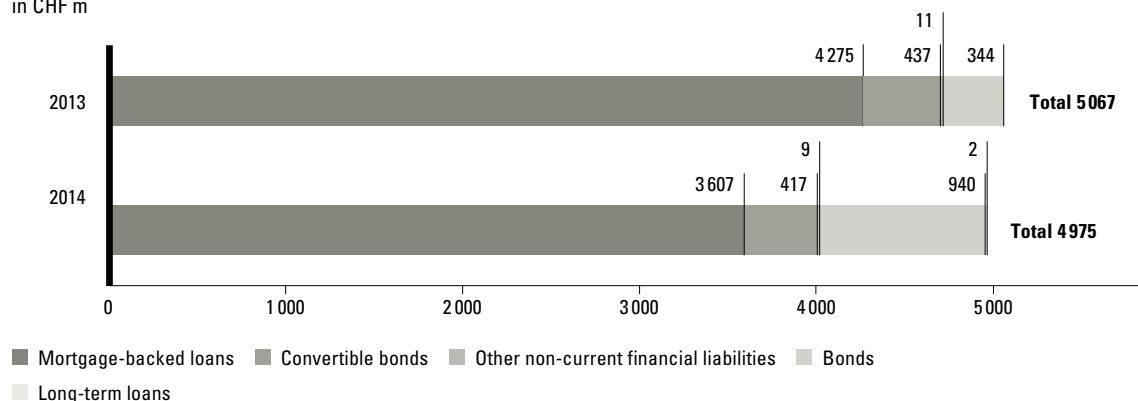
## Structure of liabilities

in %



## Financing structure

in CHF m

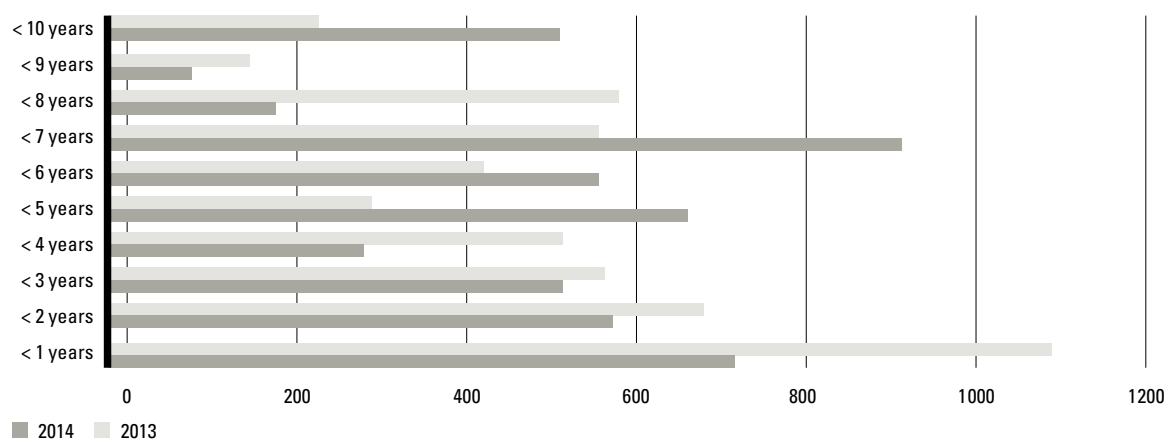


Current financial liabilities decreased from CHF 1089.6 million to CHF 714.3 million. The previous year included a short-term loan amounting to CHF 419.7 million for financing a disputed withholding tax claim, which was reimbursed by the Swiss Federal Tax Administration on 10 January 2014. In the reporting period, two bonds were issued each with a volume of CHF 300.0 million, one of which with a double tranche of CHF 200.0 million and CHF 100.0 million.

CHF 22.5 million of the CHF 300 million convertible bond was converted in the reporting year, so the outstanding nominal value amounted to CHF 229.1 million as at the balance sheet date. The convertible bond was redeemable on 20 January 2015. More than 90% was converted up until the maturity date.

## Maturity of financial liabilities

in CHF m





Financial liabilities comprised mainly CHF 3 607.3 million [CHF 4 274.6 million] in mortgage-backed loans, CHF 416.6 million [CHF 437.2 million] in convertible bonds and CHF 939.8 million [CHF 343.6 million] in bonds. The weighted average interest rate of all interest-bearing financial liabilities amounted to 2.2% [2.2%], and the weighted average residual term to maturity increased from 4.0 years to 4.7 years. The loan-to-value (LTV) ratio amounted to 50.7% [54.1%].

#### Key financial liabilities figures

	Figures in	2010	2011	2012	2013	2014	Change 2014 to 2013 in %
Weighted average interest rate	%	2.8	2.8	2.6	2.2	2.2	—
Weighted average residual term to maturity	years	3.9	4.5	4.5	4.0	4.7	17.5
Current financial liabilities <sup>1</sup>	CHF m	918.4	537.4	615.0	1 089.6	714.3	–34.4
Non-current financial liabilities <sup>1</sup>	CHF m	3 256.4	3 625.3	3 510.1	3 965.9	4 251.5	7.2
<b>Total financial liabilities<sup>1</sup></b>	<b>CHF m</b>	<b>4 174.8</b>	<b>4 162.7</b>	<b>4 125.1</b>	<b>5 055.5</b>	<b>4 965.8</b>	<b>–1.8</b>

<sup>1</sup> excluding derivatives

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# CORPORATE RESPONSIBILITY

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Swiss Prime Site exercises its corporate responsibility through focusing its strategic objectives and operating business on the principles of sustainability. These principles affect all the Group's operating segments and are conditional upon regular dialogue with various stakeholders.

Swiss Prime Site's sustainability-relevant corporate strategy is aimed at achieving long-term financial success in accordance with social and environmental goals. Sustainability as a business principle is therefore an integral part of corporate governance and affects day-to-day business operations in many respects. This is manifested particularly in the execution of a forward-looking investment strategy, focusing on sustainable properties that are easily leased on a long-term basis. A high level of tenant and user friendliness of the properties, implementation of leading environmental standards in construction and operations, high qualifications of employees and close collaboration with numerous players in the planning and execution processes are all significant aspects of sustainability-relevant corporate governance. Examples such as the successful development of the Maag Site in Zurich demonstrate the social added value of responsibly and foresightedly conducting business.

With the objective of creating value in the long term and realising attractive returns, the Group utilises its resources to promptly recognise and purposefully exhaust potential. This can only be accomplished in dialogue with the various partners and stakeholders.

## SWISS PRIME SITE AND SUSTAINABILITY

The most significant objectives achieved in Swiss Prime Site's sustainability timetable in the year 2014 were as follows:

- > First-time participation in the GRESB (Global Real Estate Sustainability Benchmark) benchmarking study: expansion of fundamental data and enhancement of transparency of the sustainability-relevant performance of the properties
- > Consolidation of Group-wide uniformly assessed key figures, particularly relating to employees
- > Expansion of social commitments at the Group level and with the operating subsidiaries

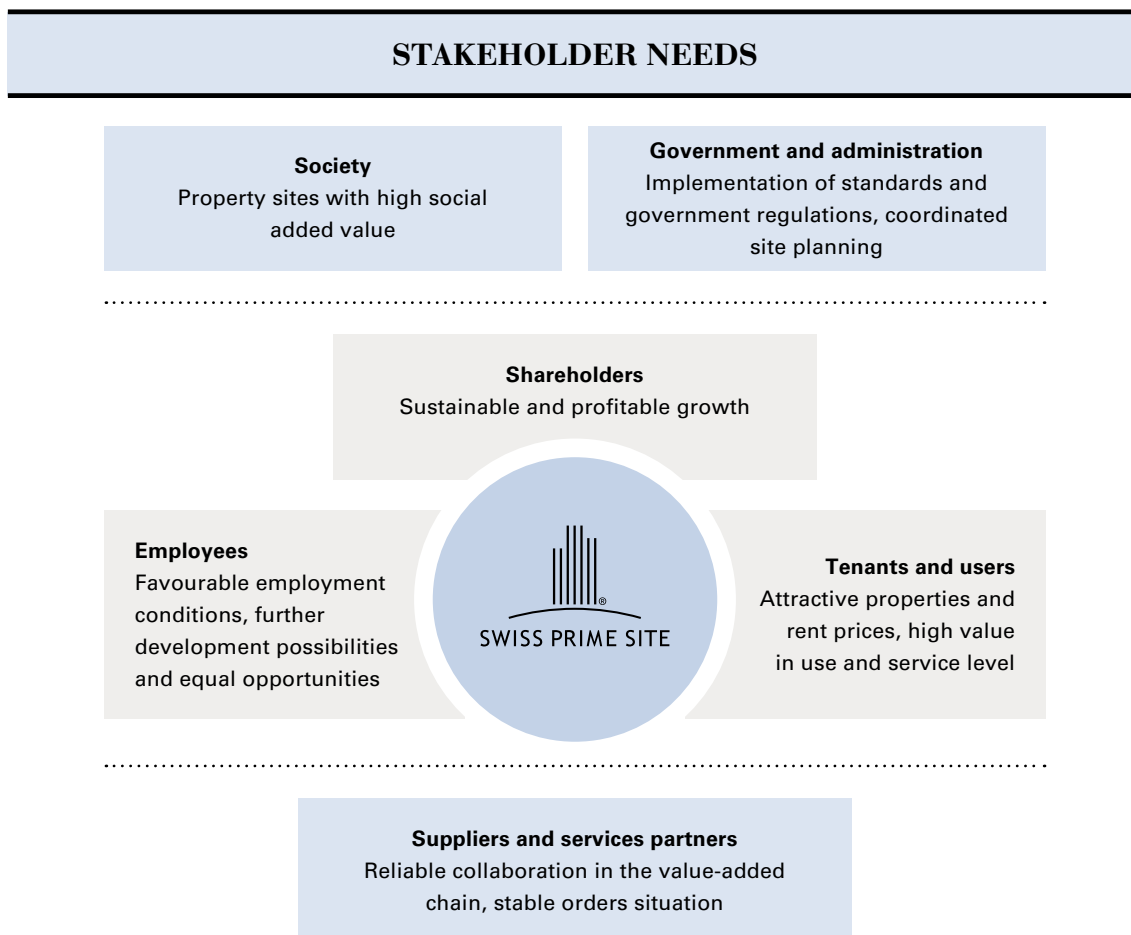
The progress realised in these areas has strengthened the systematic incorporation of sustainability in the Group and expanded the principles for standardised reporting. These financial reports are oriented toward G4 guidelines of the Global Reporting Initiative (GRI) – the worldwide leading standard for sustainability-relevant reporting.

Further development of sustainability management calls for exploiting – when meaningful – synergies between the subsidiaries. Sustainability-relevant reporting presents the results for the financial year 2014 from the Group's perspective and utilises specific examples from the segments.

## STAKEHOLDER NEEDS AND TOPICS IN FOCUS

Adherence to sustainability principles is strongly influenced by overall internal and external conditions, including social trends such as the aging population, new technological developments in the IT or energy sectors, construction standards regarding energy efficiency and utilisation of renewable energy, or taking into account the needs of tenants and users in the site planning process or building projects.

The most significant stakeholders for Swiss Prime Site are shareholders, tenants and users, as well as employees. In addition, suppliers and service providers, government officials and the general public also count among those stakeholders with which Swiss Prime Site regularly fosters dialogue.



The demands that Swiss Prime Site strives to meet are complex and subject to change over time due to scientific advances, general political and economic conditions, or social trends. Well-defined demands include, for example, reduced energy consumption and low CO<sub>2</sub> emissions, attractive further education and development possibilities for employees and equal opportunities, in addition to compliance-relevant aspects such as corruption safeguards, customer data protection or adhering to human rights in the supply chain. These and other aspects form the basis for a proposed more in-depth materiality analysis, according to the GRI G4 guidelines. The spheres of activity in which Swiss Prime Site was involved in the reporting year are presented in the following section.

## Spheres of activity for sustainable corporate governance

Environmental responsibility	Social responsibility (employees)	Corporate responsibility
<ul style="list-style-type: none"> <li>&gt; Energy-efficient buildings</li> <li>&gt; Holistic portfolio management</li> <li>&gt; Sustainable development sites</li> <li>&gt; Environmentally specific reporting (GRESB)</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Promoting employees</li> <li>&gt; Developing Group-wide human resources processes</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Supporting old and new sponsoring projects with focus on sports, culture and aid projects</li> <li>&gt; Reviewing the Group-wide Code of Conduct</li> </ul>
<ul style="list-style-type: none"> <li>&gt; Expanding standardised sustainability reporting</li> </ul>		

## ENVIRONMENTAL RESPONSIBILITY

Real estate has a significant influence on the achievement of far-reaching sustainability targets. Roughly half of Switzerland's primary energy consumption (PEC) is attributable to buildings (as at 2013) – around 30% for heating, ventilation, air conditioning and hot water, another 14% for electricity as well as about 6% for the construction and maintenance of properties. Roughly one-third of total CO<sub>2</sub> emissions in Switzerland stems from the real estate sector. The related savings potential plays a significantly essential role for the environment and economy. With the revised CO<sub>2</sub> law in effect since 2013 and Energy Strategy 2050, the requirements with regard to regulatory framework conditions have been tightened. The CO<sub>2</sub> law stipulates for Switzerland an overall reduction of the annual domestic greenhouse gas emissions by 20% by the year 2020 (versus 1990). For the real estate sector, the law stipulates a further reduction target of 40% in the same period. The federal government's Energy Strategy 2050 envisages an exit from nuclear energy in the long term. Accompanying measures for developing renewable energy and boosting energy efficiency as well as fostering new, intelligent technologies are contributing to a massive sea of change in the energy system, which is also having a significant impact on the real estate sector.

Swiss Prime Site therefore relies on forward-looking investment decisions and systematic compilation of energy-related data. In addition to considering the environmental factors, the investment decisions and project developments also take into account social responsibility. Indeed, real estate has a sustainable impact on the townscape, affecting urban zones and entire regions as well.

Tens of thousands of people use Swiss Prime Site's properties for working, shopping or living on a daily basis. In this regard, good proximity to the public transportation network and short commuting distances enhance the attractiveness and benefit the environment. Swiss Prime Site therefore concentrates on locations in cities and economic agglomerations that are well connected to the existing transportation network.

Active portfolio management is decisive for achieving environmental sustainability targets. In addition to the economic efficiency and capacity utilisation of the properties, Swiss Prime Site's approach to portfolio management also integrates particularly criteria such as spatial development, zone planning, sustainable energy sources, energy controlling and sustainable utilisation opportunities.





### Key environmental figures

In the context of transparent analysis of the sustainability-relevant performance of its own real estate portfolio, Swiss Prime Site participated in the international benchmarking study GRESB for the first time in 2014. The organisation GRESB annually compiles a global ranking of real estate funds and real estate companies that are the most strongly committed to the environmental sector. In 2014, 637 companies worldwide participated in the study. In addition to data on environmental factors such as water, waste, energy and greenhouse gas emissions, the study also highlights management concepts in the area of sustainability and the involvement of stakeholders. The data ascertained within the scope of GRESB contribute to enhancing the transparency of the properties.

View at:  
[www.gresb.com](http://www.gresb.com)

### Key environmental figures (largest properties)

	Figures in	2013	2014
Properties with energy data (digital)	Number	23	22
Total area (leased)	m <sup>2</sup>	563 523	542 861
Thermal energy consumption	kWh	57 895 118	50 728 249
Total end-energy consumption <sup>1</sup>	kWh	91 314 085	85 080 976
Total greenhouse gas emissions <sup>2</sup>	t	15 711	14 926

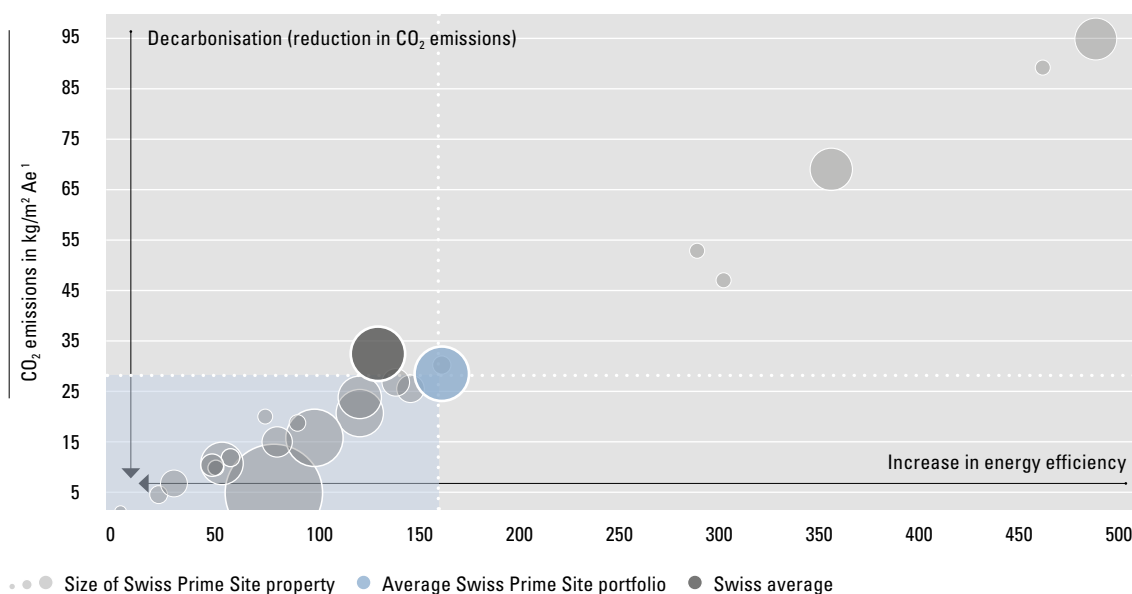
<sup>1</sup> total end-energy consumption based on thermal energy and electricity consumption of general systems in the properties

<sup>2</sup> greenhouse gas emissions based on total end-energy consumption

The analysis of Swiss Prime Site's 22 largest properties reveals a respectable environmental track record. The average annual greenhouse gas emissions of 27.5 kg/m<sup>2</sup> and average annual total end-energy consumption of 156 kWh/m<sup>2</sup> – based on heating and electricity consumption of general systems – are considerably lower than the respective average levels in Switzerland. The energy emissions chart shows a comparison of the performance of the individual properties. The size of the circles depicted corresponds to the respective size of the property (energy consumption space in square metres). The lower the total energy consumption and greenhouse gas emissions, the more resource-efficient the property.

### Energy emissions chart

Swiss Prime Site's 22 largest properties



<sup>1</sup> CO<sub>2</sub> emissions based on imputed equivalent figures

### **Energy controlling and operational optimisation**

Swiss Prime Site's portfolio management also includes analyses of all the properties held in the portfolio. In close cooperation with Wincasa AG, property-specific individual strategies are developed based on these analyses. The basis for such a systematically constructed energy and management controlling is the Energy Controlling and Operational Optimisation (EC/OO) project, in which Swiss Prime Site has participated since 2013. This paves the way for systematic monitoring and optimising of the overall property portfolio through extrapolation. The 22 largest properties are thus connected to an automatic data transmission system, which enables monitoring of the energy consumption of these properties around the clock, so any deviations can be directly rectified. Energy data for the medium-sized properties are manually derived through the ancillary cost accounts on an annual basis. Swiss Prime Site is also in the process of further enhancing the operational optimisation of these properties, through performing quick-checks on the 49 medium-sized properties. A quick-check entails an on-site inspection of the property by an experienced energy engineer. At the same time, optimisation measures are proposed or implemented directly with the operator.

New properties are incorporated into the project as soon as one year of energy bills have been accumulated. With Wincasa AG, Swiss Prime Site has the means for implementing the requisite know-how as well as the experience already in-house. The advantage of such a systematically constructed energy controlling process is the comparability within the portfolio. Especially energy-efficient properties can serve as a benchmark while, on the other hand, optimisation potential and required action are easier to derive.

### **Building certifications**

Swiss Prime Site is very well-positioned already at the present time, with its project developments meeting the qualifications for the Swiss Minergie label, as well as for LEED-Gold, LEED-Platinum (Leadership in Energy and Environmental Design) and German Sustainable Building Council (GSBC) Gold certificates, thus achieving the highest international standards. These standards are targeted at energy- and raw-material-optimised buildings (for example Minergie), or fulfill social criteria such as location, technical quality or functionality, in addition to environmentally friendly construction (for example GSBC, LEED).

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# MAAG SITE

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## AN «URBAN LAB» FOR SUSTAINABILITY

At the Maag Site in Zurich-West, Swiss Prime Site constructed in a very compact place Prime Tower – the tallest building in Switzerland – as well as Platform, which is home to Ernst & Young AG. In addition, the Maag Site also features the annex buildings Cubus and Diagonal, and the popular Maag MusicHall. The current utilisation of the former industrial site exemplifies how Swiss Prime Site creates economic added value while taking into account the needs of society and environmental objectives, too.



The Maag Site today paints a picture of a lively, well-intermixed district neighbourhood, expanded by residential use with the Maaghof building complex. All users and tenants benefit from the excellent connections to public transportation links. The Hardbrücke railway station located just at the doorstep of the Maag Site is one of the most heavily frequented train stations in Switzerland.

Prime Tower – the 126-metre high office high-rise building with services floor space – houses tenants primarily from the upscale services sector. The building currently holds the US LEED (Leadership in Energy and Environmental Design) Gold label for sustainable real estate. Hence, Prime Tower is demonstrably regarded internationally as a «green building». The other new buildings located at the Maag Site also boast an energy-efficient state of construction, drawing a large share of energy from groundwater. Thanks to the favourable proximity to transportation, the number of automobile parking spaces is reduced: In fact, the number of workplaces of more than 3 000 stands in contrast to the total parking places of just 250, including for visitors and restaurant.



Creative, lively, successful and rich in diversity: The Maag Site is an «urban lab» that represents a good social mix, surprising diversity and conscious contrasts. For instance, the site is home to purely commercial buildings such as Prime Tower or Platform, in addition to small studios and the Maag MusicHall, which outperforms in the fiercely competitive entertainment market. Moreover, the three-year guest performance of the Tonhalle Orchestra at the Maag MusicHall will expand and strengthen the Maag Site's cultural focal point, too.

The urban architecture emerging on the site of the former Maag cog-wheel factory is the result of cooperative development planning executed in the 1990s, as well as systematic repositioning with the help of interim utilisation.



## SOCIAL AND CORPORATE RESPONSIBILITY

### Employees

Swiss Prime Site invests in its employees in order to ensure high-quality services. Fostering human resources development and structuring attractive workplaces as well as providing balanced social benefits, equal opportunities and equal wages form the prerequisites for a qualified and motivated workforce.

The job profiles in the various subsidiaries are multifaceted. In order to meet the needs of the workforce as well as attract and retain dedicated employees, Swiss Prime Site relies on the autonomy, experience and requirements of the individual Group companies in the area of human resources development.

#### Employees by segment <sup>1</sup>



<sup>1</sup> number of employees at year-end, including temporary and other

In the Real Estate segment, Wincasa AG – the Group's real estate services company – relies on annual performance reviews and employee evaluations. Internal training courses such as WinTraining are important elements for strengthening the specific technical requirements. Since the recruitment of qualified workers on the labour market is difficult, succession planning and promoting junior staff are key features of human resources development. At the same time, the significance of the social aspects of sustainability is manifested in the partnership with «DieSozialfirma» – a jobs provider for people with limited performance capabilities. As measured by the number of employees, Swiss Prime Site Group AG employs the smallest workforce of the Group, with very well-qualified specialists. The focus on development here can be directed very individually and according to need.

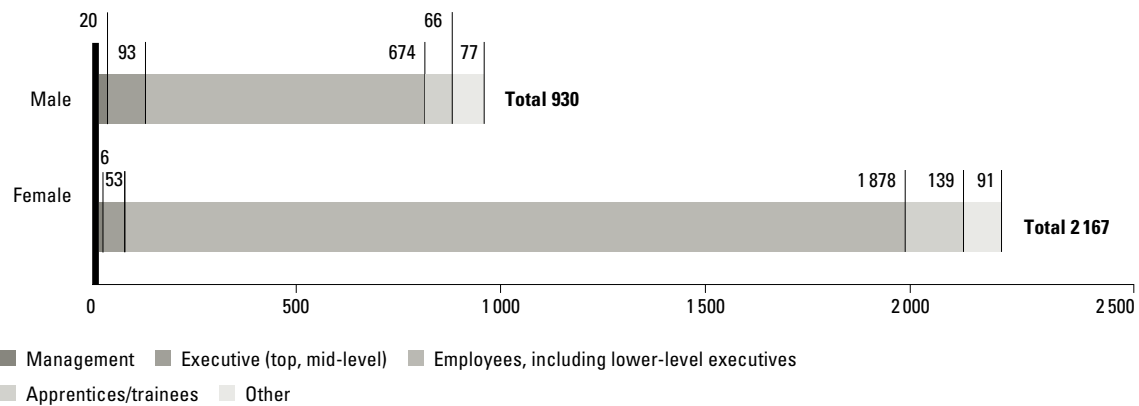
In the Retail and Gastronomy segment, specific sector-relevant circumstances are taken into account. Jelmoli AG – with a diverse workforce comprising employees primarily from the procurement, sales, restaurant, marketing, financial and administrative sectors – directs its focal point on promoting young up-and-coming talent. Basically, all staff members have the opportunity to define personal goals in the course of the annual employee performance reviews. In addition, Jelmoli AG offers regular internal training courses to strengthen technical, management and sales expertise. In the restaurant business, employee turnover is high as is customary in the sector. Focus in the area of development and promotion therefore tends to concentrate more on executive-level employees.

The Assisted Living segment covers primarily the healthcare, hotel trade and business administration professions. At Tertianum AG, for example, decisions regarding promotion measures are decided by means of annual employee evaluations. Further education/training can be pursued internally and externally.

The Group companies are also active in healthcare management, offering a vast array of benefits from flu vaccinations to discounts on fitness centre memberships. Many employees in the Retail and Gastronomy segment are subject to collective employment agreements. The Assisted Living segment offers equivalent employment conditions. The Group companies are engaged in constant constructive dialogue with employee labour organisations.

## Employees by function and gender 2014<sup>1</sup>

Number

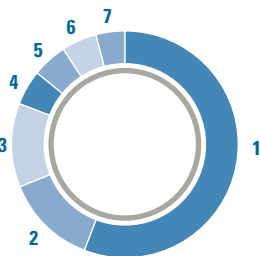


<sup>1</sup> number of employees at year-end, including temporary and other

## Employees by region

in %

1 Zurich	56%
2 Midlands	13%
3 Eastern Switzerland	12%
4 Northwestern Switzerland	5%
5 Ticino	5%
6 Central Switzerland	5%
7 Lake Geneva	4%



## Key figures of employees<sup>1</sup>

	2013	2014
<b>Employees</b>	<b>2 734</b>	<b>2 724</b>
<b>Students</b>		
Trainees	173	188
Apprentices	16	17
<b>Total</b>	<b>2 923</b>	<b>2 929</b>
<b>Full time/part time</b>	<b>2013</b>	<b>2014</b>
Full time	1 634	1 662
Part time < 50%	428	425
Part time 50%–79%	354	358
Part time 80%–99%	507	484
<b>Total</b>	<b>2 923</b>	<b>2 929</b>
<b>Breakdown by age</b>	<b>2013</b>	<b>2014</b>
Employees < 30 years	820	723
Employees 30–40 years	653	668
Employees 41–50 years	686	615
Employees > 50 years	764	923
<b>Total</b>	<b>2 923</b>	<b>2 929</b>

<sup>1</sup> number of employees at year-end, excluding temporary and other

Swiss Prime Site directed focus on further development of the Group-wide human resources process in 2014. Another goal is exploiting synergies between the subsidiaries in selected areas as well as ensuring social standards such as equal wages and equal opportunities. Regarding substitution and succession processes, the Company aims to rely primarily on in-house junior staff resources.

## **SOCIAL COMMITMENT**

For Swiss Prime Site, social commitment is part of its actively practiced corporate responsibility. The Company aims to help others create added value and achieve goals. With its headquarters in Olten, Swiss Prime Site is well-established in the Solothurn region. The strong solidarity is expressed through focusing on specific promotion of projects in this region. Moreover, the Company additionally provides support to two institutions with contributions for Avenir Suisse and the partnership with Greater Zurich Area, which are committed to underpinning Switzerland as an economic centre.

Overall, Group-wide spending in 2014 amounted to a total of CHF 0.8 million for social projects as well as commitments for sports and culture. The social projects consist of sponsoring children and adolescents, in addition to providing specific support to disadvantaged people. The commitments for sports focus on promoting regional up-and-coming young talent in ice hockey and football as well as on athletes in top-level sports such as mountain biking and cross-country skiing. Within the scope of promoting culture, Swiss Prime Site also collaborates with a theatre and youth music ensembles.

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# OPPORTUNITIES AND RISKS

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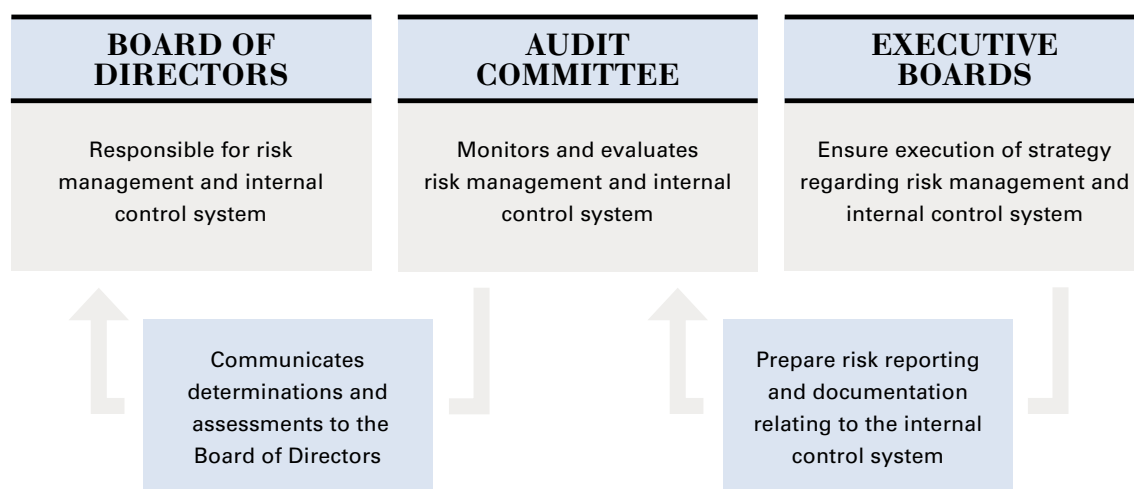
Swiss Prime Site's opportunity and risk profile is marked by the balanced and market development-adapted diversification of real estate investments, in terms of regional allocation as well as type of use and tenant structure. Additional opportunities emanate from real estate-related business fields.

Swiss Prime Site pursues long-term optimisation of its opportunity and risk profile through identification of opportunities and through systematic risk management in the three segments Real Estate, Retail and Gastronomy and Assisted Living. The real estate portfolio comprises properties primarily located in the most significant Swiss economic centres of Zurich, Geneva and Basel, providing the Company with an ideal market position based on portfolio size as well as regional allocation of the properties throughout Switzerland.

It is the responsibility of the board of directors' members of Swiss Prime Site AG and of its subsidiaries to ensure a balance between opportunities and risks. The responsible parties carry out regular risk/opportunity assessments in order to periodically re-evaluate – and, if necessary, adapt to – the changing general conditions and market developments. Furthermore, Swiss Prime Site AG's Board of Directors is committed to upholding the utmost integrity, which includes complying with government regulations and the internal Code of Conduct, among other things. All employees are expected to consistently comply with the Code of Conduct, which is subject to review of its effectiveness on a regular basis.

Opportunity/risk management should ensure that opportunities are recognised and undesirable risks promptly mitigated through comprehensive and systematic identification and assessment. The risk/return ratio should always be adequately balanced, which is also a permanent process.

A transparent and efficient corporate structure ensures that the duties and responsibilities regarding risk management and internal control system are fulfilled on a Group-wide basis.







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# OUTLOOK

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The first-class properties, most of which are leased for the long term, held in Swiss Prime Site's portfolio ensure that the cooldown of the trends in the economy and employment will have merely a marginal impact thereon. Furthermore, the real estate-related business fields broaden the Group's earnings base and create growth opportunities.

## ECONOMIC OUTLOOK FOR SWITZERLAND

The prospects for the Swiss economy in 2015 were still optimistic at the end of 2014. Meanwhile, however, the economic climate has changed noticeably through the abolition of the minimum Swiss franc/euro exchange rate by the Swiss National Bank (SNB) in mid-January and the resulting shocking appreciation of the Swiss currency. For 2015, Credit Suisse economists forecast real growth in Swiss gross domestic product (GDP) of merely 0.8%, particularly due to the expected decline in export momentum. Consumption and investment activities should continue to remain robust. Investments in the construction industry have indeed traversed their peak in the current cycle, but should continue to benefit from the low interest rate levels and grow by 1.5%. The unemployment rate is likely to edge up just slightly. Inflation is expected to trend noticeably on the negative side in 2015 due to significantly declining import prices. Negative LIBOR rates should continue to persist, thereby maintaining the attractive financing conditions.

### Economic forecasts for Switzerland<sup>1</sup>

Growth rates	2013	2014	2015E
Gross domestic product (GDP)	1.9%	2.0%	0.8%
Consumption spending (private households)	2.2%	1.0%	1.5%
Consumption spending (public sector)	1.4%	1.1%	2.3%
Construction investment	1.3%	0.9%	1.5%
Capital investment	2.1%	2.3%	1.0%
Exports	1.1%	3.5%	0.0%
Imports	1.5%	1.6%	2.0%
Unemployment rate	3.2%	3.2%	3.4%
Inflation (CPI)	0.0%	-0.3%	-1.3%

<sup>1</sup> source: Credit Suisse, forecast date: end-February 2015

## OUTLOOK FOR THE REAL ESTATE MARKET

From the present perspective, the Swiss real estate market in 2015 should be indiscernibly affected by the slowdown in economic growth. The low interest rate levels and robust migration should provide support for regulated and stable prices. Expectations indicate that the «soft landing» that began in 2013 will continue to prevail.

Demand for floor space in the office property market should diminish somewhat in view of the expected economic slowdown, which will tend to further push vacancies higher in B and C locations. The noticeable expansion in the supply of floor space in recent years is having a dampening effect on

the trend in rent prices in many places. Nevertheless, negative interest rates should underpin the high demand on the part of investors and step up the downward pressure on discount rates. The trends in prices between properties that are easy and hard to rent will likely see more pronounced differentiation.

The outlook for retail properties is rather subdued. With the renewed appreciation of the Swiss franc, purchasing goods in the Eurozone has become even more attractive again. Furthermore, the trend in disposable incomes – which is decisive for consumption – is also uncertain due to the precarious economic constellation. The market for retail properties generally remains divided: So-called A locations will continue to be underpinned by stable consumption and demographic growth. By contrast, floor space situated in decentralised locations and in rather outdated properties should be confronted with higher vacancy rates and lower rent prices due to the resurgence of margin pressure in the retail trade sector.

The increase in regulations and legislation pose additional challenges for the real estate market. Pressure on commercial and retail rents will grow. Expectations indicate that base vacancy rates will climb in these segments. However, vacancies also offer investors opportunities that can be exploited depending on investment strategy, financial strength and risk tolerance.

## OUTLOOK FOR SWISS PRIME SITE

For 2015, Swiss Prime Site forecasts a slight spurt in rental income, the lion's share of which resulting from the completed investment properties. The Company anticipates that the vacancy rate should hover at a comparatively low level of 6.5% to 7.0%. Operating profit (EBIT) and net profit before revaluation effects are expected to surpass the previous year's levels, respectively.

In the real estate services business, Wincasa AG will intensify the acquisition of new customers and accelerate the expansion of services offered with higher value creation. Operating efficiency will be improved through achieving process optimisation and unleashing cross-segment synergies.

The Retail and Gastronomy segment in the current year will have to surmount significant challenges relating to the abolition of the minimum Swiss franc/euro exchange rate in mid-January 2015 and the resulting substantial appreciation of the Swiss currency. Jelmoli – The House of Brands will face these challenges with continuing consistent focus on premium brands and premium service. Accordingly, Jelmoli is using its position as Switzerland's leading premium department store to actively create a constantly inspiring and varying shopping atmosphere for its customers.

In the Assisted Living segment, the envisaged growth path in 2015 will be underpinned by the demographic trend. In addition to current property developments, additional locations are being secured and project planning is forging ahead. The market position as the leading provider in the senior assisted living sector will be solidified with the expansion of Vitadomo in the middle-class segment.

Swiss Prime Site is striving to realise fundamental value creation with direct real estate investments in the future as well. In this context, the Group boasts a well-filled pipeline of development sites and building land reserves. The current secured properties suitable for new building complexes comprise an area of more than 100 000 square metres. The resulting relevant investment volumes amount to over CHF 1.0 billion for the coming years, according to current estimates.

Additional potential for boosting value results from exhausting synergies and seizing growth opportunities that emerge from the expanded business model.

In the current year 2015, Swiss Prime Site aims to continue focusing on high-quality real estate, systematically applying its core competencies and strengthening segment management to generate additional earnings from real estate-related business activities.

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# ADDENDUM

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## GLOSSARY

### **AuM (assets under management)**

Market value of assets managed by a service provider

### **Cash yield**

Distribution in percent of market price at the end of the reporting year

### **Convertible bond**

Bond that can be converted into shares or participation certificates of the relevant company under certain prerequisites and conditions

### **Cost**

Sum of all costs incurred relating to the acquisition of properties (e.g. acquisition price, notary and ownership transfer costs, sales commissions, value-added investments as well as borrowed capital costs for properties under construction and development sites and trading properties, etc.)

### **CRM (customer relationship management)**

Systematic structuring of the customer relationship process; a company's consistent orientation toward its clients

### **DCF (discounted cash flow)**

Method of calculation for determining fair values of real estate, under which the fair value of a property is derived by means of the total future expected net earnings discounted to the valuation date (before interest, taxes, depreciation and amortisation), taking into account investment costs

### **Diluted earnings per share**

Earnings adjusted for the effect of convertible bonds, divided by the weighted average number of shares

### **EBIT**

Earnings before interest and taxes

### **EBITDA**

Earnings before interest, taxes, depreciation and amortisation

### **EC/OO (energy controlling/operational optimisation)**

Energy data are measured and digitally reproduced for all existing buildings in the portfolio, which are optimally configured by means of reporting, enabling sustainable reduction of energy consumption

### **Equity ratio**

The ratio of shareholders' equity to total shareholders' equity and borrowed capital

### **Energy Strategy 2050**

Strategy developed by the Swiss Federal Council envisaging a gradual modification of Switzerland's energy system by the year 2050, based on revised energy prospects (including fundamental decision to exit nuclear energy step-by-step)

### **EPRA**

European Public Real Estate Association



### **EPS (earnings per share)**

Earnings per share is defined as the mathematical proportion of the realised annual profit or group profit relative to one share, calculated from the profit attributable to shareholders divided by the weighted number of outstanding shares

### **Fair value**

Corresponds to the particular price that an independent market participant would likely receive for the sale of an asset under normal market conditions at the relevant valuation date (i.e. exit price). Fair value measurement is generally determined by means of the discounted cash flow method (DCF), without factoring in transaction costs

### **FTE (full-time equivalent)**

Number of employees in full-time positions

### **GRESB (Global Real Estate Sustainability Benchmark)**

A joint initiative from some of the world's largest institutional investors, renowned scientists and major real estate companies; GRESB annually compiles a global ranking of real estate funds and real estate companies that are the most strongly committed to sustainability and the environment

### **GRI (Global Reporting Initiative)**

Develops guidelines through a participatory process for compiling sustainability-relevant reports from major corporations, small- and medium-sized enterprises (SMEs), governments and NGOs

### **Gross return**

Calculated from rental income (excluding ancillary costs) in percent of a property's fair value

### **GSBC (DGNB)**

German Sustainable Building Council

### **HC (headcount)**

Number of employees in absolute figures (part- and full-time positions)

### **IFRS (International Financial Reporting Standards)**

### **Investment volume**

Total property and construction costs at acquisition values (for new buildings, including borrowing costs)

### **LEED**

Leadership in Energy and Environmental Design

### **Like-for-like rental income growth**

Change in income from rental properties based on a constant real estate portfolio compared with the beginning of the period

### **LTV (loan-to-value)**

Ratio of interest-bearing real estate liabilities to real estate assets; loan-to-value ratio of the property portfolio

### **Maintenance and repair expenses**

Sum of all costs necessary for the restoration or preservation of a property's target condition that are borne by the owner, including repair and service costs

### **Market capitalisation**

Calculated by means of the number of issued shares and market price as at the balance sheet date

**Minergie**

Construction standard for new and modernised buildings; the label is jointly supported by the economy, cantons and federal government

**NAV (net asset value)**

Net asset value or value of shareholders' equity

**NAV per share (net asset value per share)**

Shareholders' equity per share attributable to shareholders (number of issued shares after deducting treasury shares)

**NAV after deferred taxes**

Shareholders' equity attributable to shareholders excluding deferred tax liabilities, divided by the number of issued shares (excluding treasury shares)

**NAV before deferred taxes**

Shareholders' equity attributable to shareholders adjusted for deferred taxes (excluding deferred tax assets from loss offsetting), divided by the number of issued shares (excluding treasury shares)

**Net rental income**

Defined as the sum of all realised income (target rental income) including land lease income, less vacancy losses in the reporting period

**Net yield**

Calculated from the property income in percent of fair value as at the balance sheet date

**OCI (other comprehensive income)**

Includes primarily revaluation of owner-occupied properties and remeasurement of net defined benefit obligations and the relevant deferred taxes

**Other operating expense**

Expenses relating to repairs and replacement of tangible assets, property insurance and fees, capital taxes, administrative expenses, audit and advisory expenses, advertising expenses, accounts receivable, losses and debt collection expenses

**Ordinance**

Ordinance Against Excessive Compensation in Listed Companies

**PEC (primary energy consumption)**

Consumption of primary energy that requires a process. PEV is derived from the end-energy consumption and losses that incur from the production of end-energy from primary energy

**Premium**

Difference between share price on the balance sheet date and net asset value (NAV) after deferred taxes

**Portfolio size**

Indicates volume (size) of an asset class as well as allocation of assets

**Property gains**

Rental income less all expenses incurred to the owner such as administrative, operating, maintenance and repair, as well as for value-retaining renovations. Defined as net property income before deducting borrowing costs and taxes (EBIT)

**Result from property sales**

Difference between the sales price paid (sales proceeds) and fair value as at the last balance sheet date, taking into account transaction costs from the sale

**Revaluation effect**

Corresponds to a higher or lower valuation of the real estate portfolio resulting from revaluation compared with the value at the balance sheet date of the previous year, carried out by an external, independent valuation expert, taking into account changes in deferred taxes

**ROE (return on equity)**

Calculated based on profit attributable to shareholders divided by average shareholders' equity attributable to shareholders

**ROIC (return on invested capital)**

Calculated based on profit attributable to shareholders before financial expenses, divided by average total shareholders' equity and borrowed capital

**Share performance (total return = TR)**

Share price performance in the reporting period compared with the closing price of the previous year's period, taking into account the distribution

**SSBC (SGNI) (Swiss Sustainable Building Council)**

Non-profit association with the objective of promoting – as well as enabling the transparency and quantification of – the sustainability of real estate and the constructed environment across the entire life cycle, including planning, construction and utilisation

**Target rental income**

Defined as the sum of all potential rental income and land lease income given full occupancy before deducting vacancy losses in the reporting period

**Vacancy**

Sum of all losses from target rents of vacant floor space resulting from lack of effective rental agreement and during building modification activities. With total renovations, the property is recognised on the balance sheet as a construction project during the modification phase, and neither target rents nor vacancies are booked

**Vacancy rate**

Sum of all cumulated rental income losses resulting from lack of effective rental agreement and vacancies in percent of target rental income

**WACC**

Weighted average cost of capital

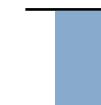
## FINANCIAL CALENDAR

	Date	Place
Annual General Meeting financial year 2014	14 April 2015	Olten
Media release: first-quarter results	May 2015	n/a
Semi-Annual Report as at 30.06.2015 with financial results press conference	27 August 2015	Zurich
Media release: first- to third-quarter results	November 2015	n/a
Annual Report as at 31.12.2015 with financial results press conference	15 March 2016	Zurich
Annual General Meeting financial year 2015	12 April 2016	Olten

## SHARE FACTS

ISIN	CH 000 803 838 9
Securities number	803 838
Securities symbol	SPSN
Trading currency	CHF
Stock exchange	SIX Swiss Exchange
Listed on the following indexes (selected)	Swiss All Share Index Swiss SMI Mid Swiss SMI Expanded Swiss SPI Swiss SXI Real Estate Bloomberg European 500 Index Bloomberg EMEA – World Index Bloomberg World Financial Index Bloomberg World Real Estate Index FTSE Euro Mid Index UBS 100 Index S&P Global BMI





## **IMPRINT**

The original of this Annual Report is written in German.  
The German original is therefore the effective official version.

### **Overall responsibility | editorial**

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### **Consultation for sustainability chapter**

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### **Graphics | realisation | execution**

ibl und partner ag, Solothurn

### **Translation**

RZG Anderson Language Services, Adliswil

### **Image material**

ralphbensberg fotografie, Kerns

## **DISCLAIMER**

As part of the Annual Report, this Strategy and Management Report contains statements regarding future financial and operational developments and results as well as other projections that are forward-looking or contain subjective assessments that are not historical facts. In some cases, these forward-looking statements can be identified by the use of words such as «believe», «estimate», «anticipate», «expect», «target», «intend» and similar expressions as well as their negative equivalent. Such forward-looking statements or subjective assessments (hereafter referred to as «forward-looking statements») are based on expectations, estimates and assumptions that seem to be appropriate to the Company at the time of the preparation of the Annual Report. However, the actual results may differ from forward-looking statements. A number of factors, such as the ability of the management to implement the business strategies of Swiss Prime Site AG, the future conditions and developments in the market in which Swiss Prime Site AG operates, or the market behaviour of other market players, may differ materially from the anticipated results including the business situation, results of operations, financial condition of the Company. In addition, past trends are not indicative of any future trends.

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