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MEDIA RELEASE

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Annual Report as at 31 December 2014

Swiss Prime Site achieves strong annual results

- **Profit climbs by 5.9% to CHF 236.0 million**
- **Rental income rises by 5.5% to CHF 443.1 million**
- **Real estate portfolio exhibits attractive net property yield of 4.1%**
- **Real estate-related segments provide positive earnings contributions**
- **Increase in distribution to CHF 3.70 per share proposed**

Swiss Prime Site continued to extend its long-standing success story into the financial year 2014 as well. The strategy aimed at developing real estate-related segments as a supplement to the core business activities has proven effective. All three segments reported positive operating profit (EBIT).

Rental income rose by 5.5% to CHF 443.1 million. Income from retail and gastronomy declined to CHF 151.9 million due to the divestment of the operating business of the Ramada Encore hotel in Geneva at end 2013. Income from assisted living surged by 78.9% to CHF 153.3 million (CHF 85.7 million), including an acquisition-related effect from Tertianum Group consolidated from 12 July 2013.

EBIT before revaluation effects remained practically unchanged at CHF 349.6 million, while profit climbed by 5.9% to CHF 236.0 million. "We aimed to broaden the Group's earnings base and strengthen our core real estate investment business through the real estate-related segments," declares CEO Markus Graf.

Real Estate segment

The fair value of the real estate portfolio grew by CHF 445.5 million to CHF 9.8 billion in the reporting period. The increase was attributable to investments in existing properties (CHF +154.1 million), investments/value changes in projects (CHF +204.1 million) as well as acquisitions (CHF +150.7 million) and sales (CHF -63.4 million) of existing properties/projects. The investments contributed to the further rejuvenation of the real estate portfolio. In fact, measured by fair value, 70% of the buildings held by Swiss Prime Site were constructed in the past 24 years, or totally renovated. Roughly 80% of the properties exhibit the highest ratings for quality of property and location, according to the external valuation expert's quality matrix.

All real estate projects proceeded according to plan in 2014. The two services buildings SkyKey in Zurich and Swiss Post headquarters/Majowa in Berne were completed, handed over to the respective tenants and transferred to the portfolio of existing properties. The brisk demand for rental apartments and condominiums at Maaghof North and East located at the Maag Site in Zurich is also good news. The condominium sales and additional rental income will provide a significant earnings contribution in 2015.

The Wincasa AG real estate services business recorded a 1.8% spurt in income to CHF 100.5 million. In June 2014, Wincasa was entrusted by Swisscom to carry out the commercial facility management for roughly 90 office and 1 000 commercial buildings throughout Switzerland. The mandate paves the way for Wincasa to expand its leading market position.

Retail and Gastronomy segment

Jelmoli – The House of Brands succeeded in boosting retail revenues amid a difficult environment by CHF 4.5 million to CHF 141.4 million. Rental income amounted to CHF 18.6 million. Income from retail and gastronomy edged down by 2.7% to CHF 152.1 million primarily due to the divestment of the Ramada Encore hotel at end 2013. EBIT reached the CHF 0.9 million mark. As announced in January 2015, the Clouds restaurant business is being transferred to Candrian Catering AG in mid-2015.

Assisted Living segment

The Assisted Living segment generated income from assisted living of CHF 153.6 million (CHF 85.7 million since acquisition date of 12 July 2013) in 2014. Rental income amounted to CHF 47.1 million (CHF 25.4 million). EBIT climbed by CHF 4.0 million to CHF 9.0 million. Permed AG, specialised in ambulant care services, was divested at a profit in March 2014. Tertianum Group operates 16 Tertianum Residences in the premium segment and five Perlavita business operations specialised in senior geriatric care. Other senior residences comprising integrated geriatric care facilities will commence operations under the brand Vitadomo starting in spring. The Vitadomo concept is oriented toward the medium-price segment and harbours above-average growth potential based on demographics. The first Vitadomo project in Opfikon will be completed in spring 2015.

Distribution of CHF 3.70 per share

Profit attributable to shareholders before revaluation effects of CHF 236.0 million (CHF 222.8 million) resulted in weighted earnings per share of CHF 3.90 (CHF 3.69). Net asset value (NAV) before deferred taxes amounted to CHF 84.77 on 31 December 2014, thus surpassing the previous year's level of CHF 82.65 by 2.6%. NAV after deferred taxes increased by 1.7% from CHF 67.91 to CHF 69.06.

The Board of Directors is proposing a dividend of CHF 3.70 (CHF 3.60) per share to the Annual General Meeting of 14 April 2015, through a withholding tax-exempt distribution from capital contribution reserves. The proposed distribution corresponds to an attractive cash yield of 5.1% (5.2%), based on the closing share price of 73.00 (CHF 69.05) at year-end 2014.

Events after the balance sheet date

The CHF 300 million convertible bond with maturity date of 20 January 2015 was converted at more than 90%, consequently increasing the equity ratio to over 40%. Swiss Prime Site intends to establish an investment foundation in 2015 called “Swiss Prime Investment Foundation”, thus developing a new business field. In this context, Swiss Prime Site Group AG was issued an asset management license from the Occupational Pension Supervisory Commission (OPSC) on 11 March 2015 for the real estate asset management for Swiss pension funds. The process for obtaining approval of the Swiss Prime Investment Foundation by the (OPSC) is likely to be successfully concluded in the second quarter of 2015.

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 accommodate this trend because its real estate portfolio comprises primarily first-class properties situated in very 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 increase in rental income, the lion’s share of which resulting from the completed investment properties. Earnings contributions after taxes amounting to roughly CHF 25-30 million are expected to flow into the financial year 2015 from sales of condominiums in Maaghof North and East, Zurich. Swiss Prime Site 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.

SELECTED GROUP KEY FIGURES

	Figures in	31.12.2013	31.12.2014	Change in %
Investment properties at fair value	CHF m	9 339.5	9 785.0	4.8
Rental income from properties	CHF m	420.1	443.1	5.5
Vacancy rate	%	6.4	6.6	3.1
Income from real estate services	CHF m	98.6	100.1	1.5
Income from retail and gastronomy	CHF m	156.2	151.9	- 2.8
Income from assisted living ¹	CHF m	85.7	153.3	78.9
Total operating income	CHF m	764.7	852.7	11.5
Revaluation of investment properties, properties under construction and development sites	CHF m	186.7	113.2	- 39.4
Result from investments in associates	CHF m	8.6	12.9	50.0
Result from property sales, net	CHF m	15.3	2.1	- 86.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	CHF m	565.9	497.9	- 12.0
Earnings before interest and taxes (EBIT)	CHF m	539.2	462.8	- 14.2
Profit	CHF m	343.9	286.7	- 16.6
of which attributable to non-controlling interests	CHF m	-	0.9	n/a
Comprehensive income	CHF m	378.2	288.2	- 23.8
of which attributable to non-controlling interests	CHF m	-	0.9	n/a
Shareholders' equity	CHF m	4 107.3	4 201.8	2.3
of which non-controlling interests	CHF m	-	1.6	n/a
Equity ratio	%	39.1	39.6	1.3
Borrowed capital	CHF m	6 404.8	6 400.3	- 0.1
Total capital	CHF m	10 512.2	10 602.1	0.9
ROE, weighted	%	9.1	7.0	- 23.1
ROIC, weighted	%	4.6	3.7	- 19.6
Earnings per share, weighted	CHF	5.70	4.72	- 17.2
NAV before deferred taxes per share	CHF	82.65	84.77	2.6
NAV after deferred taxes per share	CHF	67.91	69.06	1.7
Figures without revaluation effects ²				
Earnings before interest and taxes (EBIT)	CHF m	352.5	349.6	- 0.8
Profit	CHF m	222.8	236.0	5.9
of which attributable to non-controlling interests	CHF m	-	- 0.0	n/a
Comprehensive income	CHF m	241.3	207.6	- 14.0
Earnings per share, weighted	CHF	3.69	3.90	5.7
ROE, weighted	%	6.1	5.9	- 3.3

¹ acquisition of Tertianum AG as at 12.07.2013; sale of Permed AG as at 17.03.2014

² revaluations and deferred taxes



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Swiss Prime Site AG is Switzerland's largest listed real estate investment company. The Group's portfolio is valued at CHF 9.8 billion and comprises first-class, value-retaining and high-quality properties with primarily office and retail floor space situated in prime locations. The real estate investments, coupled with the real estate services provided by subsidiary Wincasa AG, make up the Real Estate segment. The Retail and Gastronomy segment consists of primarily Jelmoli – The House of Brands department store and Clouds Restaurant in Prime Tower, Zurich (until mid-2015). The Assisted Living segment comprises the senior residences and geriatric care facilities provided by Tertianum Group.

Swiss Prime Site is distinguished by its experienced management team, considerable earnings continuity and excellent risk/return profile. The Company has been listed on the SIX Swiss Exchange since 2000 and reports market capitalisation of CHF 4.4 billion as at the balance sheet date.

SIX Swiss Exchange / symbol SPSN / securities number 803 838

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