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## MEDIA RELEASE

21 March 2012  
For immediate release

### Annual report as at 31 December 2011

#### Prominent increase in profit

**Olten, 21 March 2012 – Swiss Prime Site boosted net profit by 51.1% to CHF 355.1 million in the financial year 2011. The pick-up of CHF 120.1 million was attributable primarily to revaluation effects\* amounting to CHF 104.2 million (CHF 63.4 million in the previous year). Prime Tower and the other buildings located at the Maag site in Zurich provided a significant contribution to the result. A distribution of CHF 3.60 (CHF 3.50) per share will be proposed at the Annual General Meeting of 19 April 2012. EBIT surged by 44.0% year-on-year to CHF 592.1 million. Net asset value (NAV) after deferred taxes amounted to CHF 63.34 (+5.3%) on 31 December 2011. In view of the more difficult market environment for 2012, Swiss Prime Site expects a slightly higher loss of earnings rate of 5.0% to 5.5%, as well as EBIT and net profit figures before revaluation effects\* that are at least in line with the levels recorded in 2011.**

Swiss Prime Site has succeeded in presenting results for the financial year 2011 that impressively underscore the high-quality earnings of its dynamically managed real estate portfolio. Earnings before interest and taxes (EBIT) soared by 44.0% to CHF 592.1 million (CHF 411.1 million), including a 106.1% increase in revaluations of existing properties and properties under construction and development sites amounting to CHF 178.1 million (CHF 86.4 million). This figure contained valuation profits of CHF 72.6 million attributable to the development projects Prime Tower and annex buildings in addition to Platform in Zurich West, which were completed in 2011. "The 15-year construction and development phase at the Maag site reached its first highpoint. Now we are directing the next focal point on the residential building complex Maaghof North and East," declares Swiss Prime Site CEO Markus Graf.

Rental income edged down by 1.6% to CHF 410.8 million (CHF 417.3 million) due to divestments, although occupancy rates for existing properties continued to hover at high rates, and initial leasing activities for the new building development projects completed in 2011 (particularly Prime Tower and Platform in Zurich) proceeded very successfully. All completely constructed buildings situated at the Maag site are fully leased. The loss of earnings rate stood at 4.6% (4.2%), once again falling far short of the Swiss average for office and retail properties. The net yield on the real estate portfolio amounted to 4.8% (4.9%).

\* revaluations (IAS 40) and deferred taxes

Operating income increased by 9.0% from CHF 593.3 million to CHF 646.8 million. The retail trade segment accounted for CHF 175.0 million in operating income, of which the lion's share was generated from retail trade turnover that Jelmoli – The House of Brands department store realised from proprietary-managed floor space (CHF 144.9 million). The tradition-rich Zurich-based business expanded its role as trendsetter in the fashion and leisure sector, affirming its position as the leading premium department store in Switzerland as well as beyond the country's borders. Franco Savastano was named as new CEO of Jelmoli and member of the Swiss Prime Site AG Management Board in the reporting year, effective as at 1 April 2012.

Direct operating expenses (real estate costs and cost of goods sold) climbed by 3.6% from CHF 137.7 million to CHF 142.6 million. Operating expenses (personnel costs, other operating expenses, depreciation, amortisation and impairments) declined by CHF 40.7 million from CHF 131.0 million to CHF 90.3 million, resulting from the following factors, among others: the elimination of costs relating to Jelmoli Bonus Card Ltd, which was divested at end-May 2010 (CHF -6.8 million); a one-time impairment charge on an owner-occupied property in the previous year (CHF -10.0 million); the elimination of personnel costs for employees in the retail trade segment that transferred to the related party Wincasa AG in 2010 (CHF -3.0 million); the elimination of administrative costs (CHF -2.0 million) and fees (CHF -2.5 million); change in depreciation period for the owner-occupied property Jelmoli – The House of Brands (CHF -1.2 million); reduced share of ancillary costs at the owner's expense (CHF -1.0 million); as well as lower advertising expenses (CHF -1.5 million). Furthermore, net changes in the recognised defined benefit obligations/plan assets (among others, adjustments to the pension plan of the Jelmoli welfare foundation) in the reporting period resulted in a one-time reduction in personnel costs (CHF -7.1 million).

On 21 June 2011, a new convertible bond amounting to CHF 193.4 million was issued, with an interest rate of 1.875% and a term to maturity of five years. The 4.25% bond from the former Jelmoli Group amounting to CHF 175.9 million was redeemed on 5 July 2011.

The weighted average interest rate on all financial liabilities amounted to 2.8% (2.8%), with an average residual term to maturity of 4.5 (3.9) years.

### **Record profit and distribution of CHF 3.60 per share**

Profit attributable to shareholders surged by 51.1% year-on-year from CHF 235.0 million to CHF 355.1 million, resulting in earnings per share of CHF 6.53 (CHF 4.34). Net asset value (NAV) before deferred taxes amounted to CHF 76.72 on 31 December 2011, exceeding the previous year's figure of CHF 72.11 by 6.4%. NAV after deferred taxes edged up by 5.3% to CHF 63.34 (CHF 60.14).

The Board of Directors will propose to the Annual General Meeting of 19 April 2012 a slightly increased distribution of CHF 3.60 (CHF 3.50) per share. The payout should be carried out through a withholding tax-exempt distribution from capital contribution reserves. The proposed distribution corresponds to an attractive cash yield of 5.1% (5.0%), based on the year-end 2011 closing share price of CHF 70.55 (CHF 69.75).

Swiss Prime Site stock reaped benefits once again in 2011 from the boost in demand for Swiss real estate investments. The share's average daily trading volume of CHF 9.0 million slightly surpassed the previous year's level (CHF 8.8 million). The company's stock holds

weightings of 38.4% and 40.3% in the overall SXI Real Estate Shares and SXI Swiss Real Estate Shares indices, respectively.

### **Real estate portfolio**

Swiss Prime Site's real estate portfolio comprised 186 (198) properties as at end-2011. The completed development projects – Prime Tower with its annex buildings Cubus and Diagonal as well as Platform located at the Maag site in Zurich, in addition to Business Park 60 A-E located at the Stücki site in Basel – were reclassified as existing properties as at 31 December 2011. Overall, 14 properties were divested at a total price tag of CHF 333.1 million. The sales proceeds exceeded the fair value of CHF 238.9 million reported at end-2010 by 39.4%. The divested properties included the Volkiland shopping centre in Volketswil as well as nearby retail and commercial property located at Grabenwis-Strasse 1, 3, 5. The sales price for this transaction amounted to CHF 280.0 million, resulting in gross sales proceeds of CHF 92.3 million.

The real estate portfolio was valued at CHF 8 165.1 million as at 31 December 2011, corresponding to an increase of 1.8% or CHF 144.8 million versus the previous year's portfolio value of CHF 8 020.3 million. The pick-up comprises higher valuations for Prime Tower with annex buildings and Platform in Zurich as well as Stücki Business Park in Basel following completion of construction (CHF +139.0 million), changes in value (including renovations/investments) for existing properties (CHF +163.6 million) and building land plots (CHF +4.8 million), divestments (CHF -238.9 million), changes in value and investments for the Maaghof North and East project in Zurich (CHF +7.9 million), the SkyKey acquisition project in Zurich (CHF +61.8 million) and the MFO building construction project in Zurich (CHF +6.6 million).

The weighted average real discount rate of 4.38% declined by 0.22 percentage points year-on-year (4.60%). Assuming an inflation rate of 1.0% (1.0%), this corresponded to a nominal discount rate of 5.42% (5.65%).

The portfolio split by region and type of use showed only slight shifts. Zurich 39% (38%), Geneva 23% (23%) and Northwest Switzerland 19% (20%) were the strongest investment regions. Office properties with a proportion of 41% (36%) once again contributed more to total rental income than retail properties with a proportion of 35% (40%), due to the divestment of the Volkiland shopping centre and predominant utilisation of office floor space in the new building projects completed in 2011.

### **Prime Tower and Clouds opened their doors**

Prime Tower – renowned beyond Switzerland's borders for its elegant architecture and height of 126 metres – opened its doors on 6 December 2011 in the wake of a roughly 15-year development and construction phase. Clouds restaurant also commenced operations on a fulminating note just a few days thereafter, together with other facilities situated on the 35<sup>th</sup> floor of Prime Tower. The fine-dining restaurant, bistro and bar have evolved into a highlight on Zurich's culinary and nightlife scene from the very outset. The 34<sup>th</sup> floor also features a conference zone with five to seven rooms available since January 2012.

### **Project developments proceeding according to plan**

Projects that are currently under construction or development are progressing in line with targets. For instance, Swiss Prime Site is constructing the 63-metre-high SkyKey commercial building located in Zurich North. The 18-storey tower is situated at Hagenholzstrasse 60 and upon completion in 2014 will comprise rental floor space of 40 000 square metres, which is being leased to Zurich Insurance Company Ltd under a long-term contract. In addition, the 123-year-old MFO building, also located in Zurich North near the Oerlikon railway station, will be relocated in May 2012.

The Maaghof North and East residential building project with 219 apartments is being constructed to the west of Prime Tower. The complex is situated in a sub-zone of the Maag site, for which a residential share of minimum 80% is stipulated. 82 units in buildings A and G are conceptualised as condominiums. Hence, Swiss Prime Site is blazing new trails in this regard. The L-shaped development complex comprises three buildings and should be ready for occupancy in winter 2014/2015.

### **Outlook**

Although the more adverse economic environment has led to a slight increase in the property-specific vacancy risks for office and retail real estate, Swiss Prime Site expects a still low loss of earnings rate of 5.0% to 5.5% for the current financial year. This optimistic assessment is based on the above-average high-quality property portfolio, significant proportion of long-term rental agreements and the high historical rate of lease renewals prior to expiry. Swiss Prime Site also assumes that it can succeed in holding steady, or slightly boosting, EBIT and net profit (before revaluation\* and one-time effects) relative to the levels recorded in the financial year 2011.

\* revaluations (IAS 40) and deferred taxes

## Selected key figures

	Figures in	31.12.2011	31.12.2010	Change in %
Investment properties	CHF m	8 165.1	8 020.3	1.8
Net rental income	CHF m	410.8	417.3	-1.6
Loss of earnings rate	%	4.6	4.2	9.5
Net retail trade turnover	CHF m	155.1	157.0	-1.2
Earnings before interest, taxes depreciation and amortisation (EBITDA)	CHF m	606.2	438.2	38.3
Earnings before interest and taxes (EBIT)	CHF m	592.1	411.1	44.0
Revaluation of investment properties (IAS 40)	CHF m	178.1	86.4	106.1
Profit attributable to shareholders of Swiss Prime Site AG	CHF m	355.1	235.0	51.1
Comprehensive income attributable to shareholders of Swiss Prime Site AG	CHF m	365.1	240.9	51.6
Shareholders' equity attributable to shareholders of Swiss Prime Site AG	CHF m	3 443.7	3 267.2	5.4
Equity ratio	%	40.0	39.3	1.8
Borrowed capital	CHF m	5 168.6	5 050.2	2.3
Borrowed capital ratio	%	60.0	60.7	-1.2
ROE (weighted)	%	10.6	7.2	47.2
ROIC (weighted)	%	5.8	4.3	34.9
Earnings per share (weighted)	CHF	6.53	4.34	50.5
NAV before deferred taxes per share	CHF	76.72	72.11	6.4
NAV after deferred taxes per share	CHF	63.34	60.14	5.3
<b>Figures without revaluation effects*</b>				
Earnings before interest and taxes (EBIT)	CHF m	413.9	324.7	27.5
Profit attributable to shareholders of Swiss Prime Site AG	CHF m	250.8	171.7	46.1
Earnings per share (weighted)	CHF	4.62	3.17	45.7
ROE (weighted)	%	7.7	5.4	42.6

\* revaluations (IAS 40) and deferred taxes



### **Contact persons at Swiss Prime Site AG**

- Markus Graf, CEO  
Tel. +41 (0)62 213 06 06, [markus.graf@swiss-prime-site.ch](mailto:markus.graf@swiss-prime-site.ch)
- Peter Wullschleger, CFO  
Tel. +41 (0)62 213 06 06, [peter.wullschleger@swiss-prime-site.ch](mailto:peter.wullschleger@swiss-prime-site.ch)

### **Webcast on the Internet**

You can find the live webcast of the financial results press conference on the Internet in German and English at: [www.swiss-prime-site.ch/pressconference/e](http://www.swiss-prime-site.ch/pressconference/e)

### **Swiss Prime Site**

Swiss Prime Site AG is Switzerland's leading real estate investment company. The company's portfolio is valued at CHF 8.2 billion and comprises first-class, value-retaining retail and commercial properties situated in prime locations. Swiss Prime Site is distinguished by its experienced management team, with stream-lined structures and low costs, high earnings and capital potential as well as an excellent risk/return profile. The company has been listed on the SIX Swiss Exchange since April 2000 and reports market capitalisation of CHF 3.8 billion.

SIX Swiss Exchange / symbol SPSN / securities number 803 838

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