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1 SUMMARY

1.1 Mobimo in Brief
Mobimo Holding AG (Mobimo’ or ‘the Company’) is an independent real estate company based in Switzerland. The Company was founded in 1997 by Dr. Alfred Meili together with private banker Karl Reichmuth and other investors. Mobimo was listed on the SIX Swiss Stock Exchange in 2005. Mobimo develops, constructs and markets real estate properties as well as buys and holds residential, commercial, retail and specialty properties for rental purposes. The Company is mainly active in urban areas in the cantons of Zürich, Lucerne, Aargau, Basel, Lausanne/Geneva and St. Gallen. The Board of Directors led by Urs Ledermann and the Management Team led by the CEO, Dr. Christoph Caviezel, has extensive experience in the real estate sector. The company achieved a leading position in the German and French speaking parts of Switzerland, following its merger with LO Holding Lausanne-Ouchy SA in November 2009. Mobimo holds a market leading position in the Swiss real estate market. Mobimo is ranked the fourth largest company in the Swiss market with a property portfolio of CHF 2.27 billion. The portfolio contains development properties with an investment volume of more than CHF 1 billion up to 2015 (as at June 30, 2012).

1.2 Swiss Real Estate Market is Stable
The Swiss real estate market remains stable with expectations of positive returns and long-term stability. Over the last decade, the Swiss real estate market has grown steadily in positive correlation with the income growth of the population as well as ongoing immigration. The residential segment grew steadily in the last few years and is expected to remain stable. On the other hand, in the commercial segment, even though the market generally remains resilient and has low vacancy rates, the prices are likely to move sideways in the medium-term. However, Mobimo is well-positioned in these markets with a good pipeline of real estate projects in key economic areas and with an attractive portfolio with mid-range rental prices and a well-diversified mix of tenants.

1.3 Business Model and Strategy
Mobimo’s business model is based on the following three core competencies: buying/selling, development and portfolio management.
The company’s property portfolio focuses on yield oriented investment properties and development properties in the ratio of 75:25. Mobimo distinguishes itself from competitors on the basis of its interesting mix of businesses which combines stable income from rentals with high potential for capital gains generated from property sales. In addition, Mobimo also offers development services for third parties up to and including turn-key real estate investments for institutional and private investors. Its portfolio management team is another key success factor as it enables Mobimo to both develop and market new properties in the residential segment and to optimise its investment portfolio on an ongoing basis.
In the medium term, Mobimo envisions a well-balanced portfolio mix, consisting of one third office usage; one third residential and commercial usage; and one third special usages such as parking areas and cinema. Concurrently, the quality of the portfolio will be steadily enhanced by developing new projects and by divesting older properties. Mobimo follows a conservative financing approach with an equity ratio of at least 40%.

1.4 Attractive Dividend Yield
Mobimo seeks to achieve continuous dividend payments. Since its IPO in 2005, Mobimo has always paid out a dividend of CHF 9.00 in the form of capital reductions or capital contribution reserves. This corresponds to an attractive average yield of 5.1%.

1.5 Evolution of Mobimo

Figure 1: Evolution of Mobimo

Company annual report, FY 2011
## Key figures: Operations

<table>
<thead>
<tr>
<th>Particulars</th>
<th>H1/2012</th>
<th>30.06.2012</th>
<th>30.06.2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net rental income</td>
<td>CHF million</td>
<td>39.8</td>
<td>37.1</td>
</tr>
<tr>
<td>Net income from revaluation</td>
<td>CHF million</td>
<td>22.7 i)</td>
<td>16.6</td>
</tr>
<tr>
<td>Profit on sale of trading properties</td>
<td>CHF million</td>
<td>8.3</td>
<td>0.5</td>
</tr>
<tr>
<td>Operating result (EBIT)</td>
<td>CHF million</td>
<td>60.8</td>
<td>46.2</td>
</tr>
<tr>
<td>Profit after taxes (incl. revaluations)</td>
<td>CHF million</td>
<td>39.6</td>
<td>34.5</td>
</tr>
<tr>
<td>Return on equity after tax (incl. revaluations) ii)</td>
<td>6.9%</td>
<td>7.3%</td>
<td></td>
</tr>
<tr>
<td>Profit after taxes (excl. revaluations)</td>
<td>CHF million</td>
<td>22.6</td>
<td>22.0</td>
</tr>
<tr>
<td>Return on equity after tax (excl. revaluation) iii)</td>
<td>4.0%</td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>Commercial investment properties</td>
<td>CHF million</td>
<td>1,151.4</td>
<td>1,065.0</td>
</tr>
<tr>
<td>Residential investment properties</td>
<td>CHF million</td>
<td>369.8</td>
<td>256.9</td>
</tr>
<tr>
<td>Commercial development properties</td>
<td>CHF million</td>
<td>317.3</td>
<td>341.6</td>
</tr>
<tr>
<td>Residential development properties</td>
<td>CHF million</td>
<td>430.8</td>
<td>413.5</td>
</tr>
<tr>
<td>Total properties</td>
<td>CHF million</td>
<td>2,269.2</td>
<td>2,077.0</td>
</tr>
<tr>
<td>Vacancy rate investment properties</td>
<td>4.1%</td>
<td>4.4%</td>
<td></td>
</tr>
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</table>

1) CHF 12.3 million of net income from revaluation is attributable to operating performance, with CHF 8.1 million relating to investment properties under construction and a further CHF 4.2 million mainly coming from successful letting. An additional CHF 10.4 million is attributable to market-driven changes in the discount rate.

ii) Profit as a percentage of average equity (equity at 1 January plus capital increase / reduction) for the period under review

iii) Profit not including revaluation (and attributable deferred taxes) as a percentage of average equity (equity at 1 January plus capital increase / reduction) for the period under review
Key figures: Ratios and Shares

<table>
<thead>
<tr>
<th>Particulars</th>
<th>30.06.2012</th>
<th>30.06.2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity ratio</td>
<td>47%</td>
<td>43%</td>
</tr>
<tr>
<td>Net Gearing 6</td>
<td>77%</td>
<td>102%</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>CHF 6.41</td>
<td>6.72</td>
</tr>
<tr>
<td>Earnings per share (excl. re-evaluations)</td>
<td>CHF 3.65</td>
<td>4.29</td>
</tr>
<tr>
<td>Distribution 5</td>
<td>CHF 9</td>
<td>9</td>
</tr>
<tr>
<td>Outstanding shares</td>
<td>6,199,208</td>
<td>5,132,706</td>
</tr>
<tr>
<td>NAV per outstanding share (after options + convertible bond) 5</td>
<td>CHF 188.69</td>
<td>188.28</td>
</tr>
<tr>
<td>Share price (as at 30 June)</td>
<td>CHF 219.10</td>
<td>217.70</td>
</tr>
<tr>
<td>Market capitalization (as at 30 June)</td>
<td>CHF 1,360.20</td>
<td>1,117.8</td>
</tr>
<tr>
<td>Equity (as at 30 June)</td>
<td>CHF 1,159.1</td>
<td>957.5</td>
</tr>
</tbody>
</table>

Figure 3: Key figures: Ratios and shares

6) Net financial liabilities to equity
5) Distribution from the capital contribution reserves for the 2011 financial year of CHF 9.00 per share as resolved by the General Meeting on 18 April 2012

As at 31 December 2011, capital contribution reserves totalling around CHF 376 million were accepted by the tax authorities as distributable share premium reserves, of which CHF 55.8 million have been distributed

6) Assuming all options granted and conversion rights are exercised

Figure 4: Key property portfolio as of December 31, 2011

Figure 5: Revenue mix by end users and geography
3 SUMMARY OF MOBIMO’S STRATEGIC THEMES’ AND THE ‘EQUITY STORY’

3.1 A Leading Real Estate Company in Switzerland
Mobimo is a leading real estate company with properties in the leading economic centres of the German speaking part of Switzerland as well as in the Lake Geneva region. The Company boasts of well developed project development competencies and along with its promotional activities, it has consistently developed high quality residential, commercial and business properties. The Company’s ambition to enhance its investment aspects is evident from the projects such as Torfeld Süd project in Aarau, La Poste in Lausanne and Am Pfingstweidpark in Zurich.
Within the attractive Swiss real estate market, Mobimo’s shares offer a stable and above average yield with solid growth potential at relatively low risk levels. In June 2011, the company has been included in the EPRA Index, increasing its transparency, international visibility and the liquidity of the stock.

3.2 Attractive Market Fundamentals
Switzerland has a stable real estate market as compared to other European countries. High-quality residential space in dweller-friendly locations and investor-friendly commercial/office space are in demand among tenants and buyers. Low mortgage rates, relatively softer impact of the global financial crisis on the Swiss economy and the steady immigration of highly qualified foreign workers render Switzerland’s real estate market an attractive environment. Likewise, real estate in Switzerland is considered an attractive asset class supported by the lowest home ownership rate in Western Europe as well as on-going institutional demand. Moreover, demand for owner occupied residential properties, is expected to remain robust throughout 2012. This provides Mobimo with a good opportunity for further capital gains on its development properties.
The land usage by private users is likely to further increase, while the on-going immigration is expected to support the strong demand for residential properties. Building applications especially in the residential as well as commercial properties in Switzerland remain on a good level. The Construction Index advanced in the second quarter of 2012 by 1.1% (YoY) and it shows a trend toward further growth in sales over the coming quarters. Much of it is based on the strong momentum in the residential construction. Building permits especially in the residential properties in Switzerland are at a historical high. In 2011, permits for a total of 51,000 homes were issued, which was driven by increased interest of institutional investors along with high immigration rates. Furthermore, the demand for modern, environment friendly and energy efficient buildings remains high due to their lower operating costs compared to conventional buildings. Finally, leading economic indicators are pointing to a sound economy in 2011, which should further support the market.
3.3 Business Strategy of Combining Quality Investments and Development Competencies to Enable Value Creation

Mobimo’s business is based on a two-pronged portfolio strategy – a combination of yield-oriented investments and development projects with a substantial potential for capital gains. Mobimo expanded its development activities in 2012 as part of its existing strategy. The Company added the new business area “Investment for Third-Parties” to its current activities, namely the development and sales of residential property and the development of its proprietary investment portfolio. The new business area will enable Mobimo to provide development services as well as ready-for-use real estate property to institutional investors. Based on its three core competencies – buying / selling, development and portfolio management – Mobimo has successfully built up a premium investment portfolio comprising commercial, industrial and residential properties and generated broad-based rental income with steady returns (target: 75% of income). A well-stocked project pipeline provides a steady supply of new investment properties, along with attractive condominium apartments which will generate capital gains on sale (target: 25% of income). This is conjoined with a conservative finance strategy that targets equity capital at a minimum of 40% of total assets which provides financial support to the Company’s overall business strategy.

The investment portfolio is managed and constantly improved by Mobimo’s in-house portfolio management team, allowing for market proximity, which increases the level of rental occupancy and shortens the reaction times to market developments.

3.4 Well-diversified Real Estate Portfolio to Offer Stability

Mobimo’s real estate portfolio is well diversified by geographical locations as well as end customers in Switzerland. Mobimo’s portfolio comprises 127 properties with a total market value of CHF 2.27 billion. At first half 2012, its portfolio consisted of investment properties worth CHF 1.52 billion and development properties worth CHF 748 million. The increasing building of investment properties offers the opportunity to enhance the quality of the portfolio and to optimize the mixture of usage. The expansion of investment properties offers an opportunity to enhance the portfolio’s quality as well as to optimize the usage mixture. The Company plans to have an optimal investment portfolio in the medium term, where office space, residential and other commercial usage each would account for around 30% of the portfolio.

Mobimo has a well-diversified portfolio of investment properties which are situated in promising locations such as Zurich, Lausanne/Geneva and also in the economic regions of Basel, Lucerne/Zug, Aarau and St. Gallen. The company has a comfortable rental contract maturity profile, with an average term of 5.4 years and a vacancy rate of 4.1%. This gives the company a strong position even if the commercial sector senses any headwind.
3.5 Extensive Pipeline Managed by In-House Development Team Strengthens the Portfolio

Strong development competencies provide a competitive edge to Mobimo. The Company’s project pipeline continues to be well stocked with projects under construction or in planning worth more than CHF 1 billion in the economic areas of Zurich, Aarau and Lausanne. Properties valued at CHF 630 million are under construction, wherein around CHF 440 million are intended for the investment portfolio and CHF 190 million for sale. In addition to this, investment properties worth approx. CHF 560 million and condominiums worth approx. CHF 360 million are in the planning stage. The group’s extensive in-house knowledge ranging from building experts, market specialists to salespeople and finance analysts is a key success factor in this value creation process.

3.6 Conservative Financing Enables Fiscal Stability

Mobimo follows a conservative financing strategy with an equity ratio of at least 40%. The Company’s solid financial background allows funding for projects in the pipeline as well as future projects. At the first half of 2012, Mobimo had equity worth CHF 1,159.1 million, which corresponds to an equity ratio of 47%. The average interest charges were at 3.1% with an average debt maturity of 9.3 years and an interest coverage ratio of 3.0. Furthermore, Mobimo’s conservative financial policy is also reflected in its net gearing ratio of 77%.

3.7 Solid Revenue Stream with High Earnings Power Leads to Attractive Yield

In the first half 2012, Mobimo registered an EBIT of CHF 60.8 million and a net profit of CHF 39.6 million. The majority of Mobimo’s revenues are derived from letting properties which are stable and highly predictable. The Company generated a net rental income of CHF 40 million from 127 properties. Consistent high cash flows give the Company an opportunity to pay dividends year after year, thus offering a stable, predictable and attractive dividend yield to the investors. Since the IPO in 2005, Mobimo has always paid a dividend of CHF 0.90 in the form of capital reductions or capital contribution reserves. The average dividend yield of the last five years was above 5%.

3.8 Summary of the Investment Case

- Consistent revenue streams with high earnings power
- Well-balanced portfolio offers a powerful hedge against economic risks; regional as well as local
- Well-stocked project pipeline and a sound capital base guards against any downturn
- Added-value due to development of new properties (rental and own portfolio)
- Attractive and tax-favourable dividend policy
- Highly experienced and skilled management team
4 SWISS REAL ESTATE MARKET

4.1 The Swiss Economy

Switzerland is a stable, high income OECD country with modern market economy. The country thrives on highly qualified and skilled workforce employed in the technology, manufacturing and service sectors. In 2011, the GDP (in PPP terms) of Switzerland stood at USD 339.9 bn, with per capita GDP at USD 43,370. Switzerland’s unemployment rate of 2.9% (June 2012) is one of the lowest among the developed countries. The Swiss economy has flourished on the back of high consumer confidence due to a low inflation rate of 0.23%, interest rates (3-month LIBOR CHF) at 0.05% (August 2012), and high per capita income (consumer spending increased by 6.9% and 19.2% in 2010 and 2011 respectively).

Switzerland’s economy is supported by high-end technology, precision manufacturing and a mature services sector led by banking and financial services. Along with these industries, food, biotechnology and pharmaceutical sectors coupled with socio-political stability, transparent judiciary and low corporate tax rates further boost the Swiss economy. Backed by healthy fundamentals, Switzerland weathered the 2009 recession better than its Eurozone neighbours, by growing at 2.7% and 1.9% (at constant prices) in 2010 and 2011, respectively. Switzerland has the competence to demonstrate robust growth in the near future, supported by healthy domestic demand and increased private consumption.

---

3 International Monetary Fund (IMF), April 2012, World Economic Outlook
4 Swiss Federal Statistical Office (SFSO)
5 Swiss Federal Statistical Office (SFSO)
6 CIA World Factbook
4.1.1. The Swiss Real Estate Market

The Swiss property market, in contrast to other developed countries, remained untouched by the Eurozone crisis and the 2009 global recession (construction sector posted a growth of 1.6%, while the country’s GDP contracted by 1.7% in 2009). The Swiss real estate market has matured a lot due to the sustained demand, supported by continued immigration and increased number of households.

![Graph showing residential property market indicators](source: SFSO and Credit Suisse Economic Research)

The Swiss residential property segment, both owner-occupied and rental apartments, continued to experience strong demand, thanks to a low unemployment rate (2.9%) in comparison to the euro area average (10.1%), subdued mortgage interest rates (LIBOR CHF 0.05% in August 2012 as against 3.0% in March 2009), and continued immigration (around 75,000 in 2011 as against 40,000 in 2006). Newly constructed houses saw significant demand, driven by rising real income and the growing trend of house ownership, which is cheaper in comparison to the rental housing option – newly build homes stood at 26,996 in 2011, indicating a robust YOY growth of 14.2%. However, this trend may reverse in case the government decides to alter the monetary policy and raise the interest rates.

Switzerland’s commercial property segment, consisting of office, commercial and retail spaces, is witnessing stagnation due to higher vacancy rates. In 2011, the Swiss office properties market witnessed a vacancy rate of 4.3%, except in the large cities of Geneva and Zurich, where the vacancy rates were lower at 2.4% and 1.0%, respectively, since demand was unable to match supply despite growing immigration and falling unemployment rate. However, the supply of retail properties is expected to be below the long-term average due to negative consumer sentiment, which may result in a fall in retail spaces’ rental yield.

4.1.2. Swiss Building Laws

The Swiss property market is greatly influenced by the country’s land, building and rental regulations.

Land and Building Regulations

Switzerland’s geographic area comprises mountainous terrains, forests and large water-bodies. Hence, the minimal usable land available is of immense value. The land available for use stands at 13,000 sq.km, around 30% of Switzerland’s area. This limited resource has to be appropriately utilised to meet different needs such as agriculture, housing, commercial, transport and other uses.

---

7 Swiss Federal Statistical Office (SFSO)
8 Swiss Federal Statistical Office (SFSO)
9 Swiss National Bank (SNB)
10 Credit Suisse Economic Research, Swiss Issues Real Estate – Real Estate Market Report 2012 – Structures and Prospects
11 UBS Real Estate Focus, January 2012
12 LawMedia AG
The Swiss federal government, along with the cantonal, city and commune authorities, in a bid to optimize the land use, initiated the concept of land zoning. The Swiss Federal ‘Land Use Planning Law’ lays the basic rules for planning at all levels for appropriate use of agricultural and non-agricultural lands. The cantons and cities use these federal rules as core guidelines to develop their own policies, which in turn, are subject to federal authorities’ approval. Building construction laws, which are of importance for construction projects include Federal Laws and Regulations on Spatial Planning, cantonal construction laws and relevant commune construction laws. Land use planning, along with spatial and commune planning laws, ascertain the permissible extent of land utilization based on land zoning. The land is divided into three zones – building zone, agricultural zone and protected zone (comprises open and recreational spaces). However, the land available for construction is not uniformly distributed based on population, which results in disparity in the supply-demand situation in urban, semi-urban and rural areas. Moreover, developed urban areas such as Zurich, Geneva, Lausanne and Basel have little land left for development, thus pushing up the price trends and rents.

**Rental Laws**

The Swiss government, in an attempt to homogenise the rents, reformed the rental law in 2008. According to this amendment, rent will not be adjusted in accordance with mortgage rates of individual cantonal banks. Instead, a reference mortgage rate applicable to entire Switzerland shall be used to calculate the rent. This rental reform is expected to ensure transparency and spare the tenants from unjustifiable rent hikes. This reference rate will be established on the basis of volume-weighted average mortgage rates for the household mortgages provided by the Swiss banks and will be assessed every quarter. Moreover, this reform has changed the rent control system from being cost-based to index-based; indicating that rent will not be based on the individual mortgage rates but on inflation.

In Switzerland, individuals residing in their own properties are considered to earn a fictitious taxable income equivalent to the hypothetical rental value of the property. However, mortgage repayments and maintenance costs are tax deductible. Consequently, if the outlay is higher than the hypothetical rental value, then the owner of a self-occupied property gets a deduction on the taxable income. This tax provision is expected to promote home ownership.

### 4.2 Swiss Residential Property Market

#### 4.2.1. Key Drivers

The Swiss economy and the real estate market have shown positive signs of growth notwithstanding the European debt crisis and global economic uncertainty, even though the country is not insulated from the global financial turmoil. Switzerland’s residential property market is boosted by domestic demand due to robust domestic economy, low interest rate, rising disposable income and increasing immigration.

**Immigration**

Immigration has served as a major growth driver for the residential real estate market in recent years. After the ‘freedom of movement’ rule was implemented on June 1, 2007, Switzerland’s population has witnessed an annual growth of more than 1%. In 2011, the net immigration was around 74,000, higher than in 2010. Despite the prevailing bleak economic scenario in Europe, Switzerland continues to offer employment opportunities due to its strong domestic demand, thus attracting more number of qualified immigrants from Europe and other parts of the world.

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13 Spatial Planning in Switzerland: A Short Introduction, Swiss Planning Association, Bern
14 Credit Suisse Economic Research; Swiss Issues Real Estate – Real Estate Market Report 2012 – Structures and Prospects
Recruitment of Staff and Net Immigration

<table>
<thead>
<tr>
<th>Year</th>
<th>University degree</th>
<th>Higher professional qualification</th>
<th>Apprenticeship</th>
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</tr>
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<tr>
<td>2012</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Figure 8: Net immigration and staff recruitments

Source: CSER, Swiss Issues Real Estate, Real Estate Market 2012

In 2012, net immigration is likely to decrease to around 65,000 on account of an expected decline in employment growth and economic stagnation as a result of the “Europe effect”. However, the economic and employment scenario are expected to be better than the rest of Europe with employers still seeking to boost their workforce. Hence, immigration, leading to population growth, is one of the key drivers of the residential real estate market.

Economy

Switzerland’s GDP (in real terms) grew by 2.7% and 1.9% (at constant prices) in 2010 and 2011 respectively, outperforming most of its neighbouring countries. This growth was largely due to steady domestic demand, increased private consumption and building investments which helped partly offset the losses incurred in the export and financial services sectors. Furthermore, on an average, the Swiss economy outgrew the Eurozone by around 1% a year between 2006 and 2011 on the back of stable employment and higher consumer spending.

Switzerland’s economy has flourished due to the competence of its high-end manufacturing and reputable service sectors. These sectors have continuously hired skilled professionals, resulting in absorption of immigrants and local residents into their workforce. In 2011, the country’s unemployment rate stood at 3.1%, well below the Eurozone average of 10%. In 2012 and 2013, the unemployment rate forecasted stands at 3.2% and 3.4%, respectively, as against 10.9% and 10.8%, indicating a better employment scenario.

Moreover, Switzerland has one of the world’s highest per capita incomes. In 2011, the disposable income per capita stood at CHF 74,790, reflecting a modest YOY growth of 1.4%. Dipping unemployment rate and rising disposable income are expected to support the residential real estate market over the medium-term.

Low Interest Rate

As a remedy to the 2008 debt crisis, the US Federal Bank and the European Central Bank adopted liberal economic policies to support their respective economies. These policies have indirectly affected the Swiss monetary policies, exerting downward pressure on its interest rates. Following the different national bank statements, the short-term interest rates are expected to remain low till end-2013, which should act as a positive catalyst on the demand for residential real estate investments.

16 International Monetary Fund (IMF), April 2012, World Economic Outlook
17 UBS Real Estate Focus, January 2012
18 State Secretariat of Economic Affairs, Switzerland (SECO)
19 State Secretariat of Economic Affairs, Switzerland (SECO)
4.2.2. Key Trends

Demographic changes in household structure, affordability and steady consumer demand over the medium to long-term have created a positive trend in the Swiss residential property market. An increase in the number of households, along with increasing demand, to live close to city centres has boosted the condominium culture. Demand for single family residences, which are hugely expensive and located in the suburbs, have dropped owing to structural household changes and affordability.

Household Structure

Switzerland attracts well-educated young adults to immigrate and around 58% of Swiss migrant population falls in the age group of 20–39. This demography consists of single working adults, young childless couples and small families, which offers an upside demand for multi-family residential properties.

Along with the migrant population, household structure of the local population has steadily evolved due to ageing and change in socio-economic conditions. In 2010, the average number of people per household in Switzerland stood at 2.18 which are expected to drop to 2.02 people per household by 2030 due to a growing number of single parents, childless couples and ageing individuals. This change in household pattern has led to growing demand for 2–3 room apartments over the last decade.

Figure 10: Newly constructed apartments (by no. of rooms)
Source: Swiss Federal Statistical Office, Annual Building and Housing Statistics
A drop in the number of people per household has led to a rise in the number of households, which is projected to rise from 3.25 million in 2005 to 3.9 million in 2030. This rise in households has created increased demand for rental apartments and condominiums. However, there is a divergence with an inclination towards condominiums as against single family houses.

![Households by size in 2005 vs. 2030](image)

**Figure 11**: Households by size (2005 vs. 2030)

*Source: Swiss Federal Statistical Office, CS Economic Research 2009*

**Ownership**

Residential property prices are on the rise globally and Switzerland is no exception. The policies put in place to tackle the global financial downturn resulted in low interest rates, which brought down the high mortgage costs associated with home ownership. As a result, home ownership has become affordable in comparison to tenancy costs. Interest rates are expected to be on the lower side and in line with the US Federal Bank and the European Central Bank policies over the short-term. With the lowest home ownership rate in Western Europe, the demand for owner occupied residential properties in Switzerland is expected to remain robust.

**Home ownership in selected European countries**

![Home ownership rate in selected European countries](image)

**Figure 12**: Home ownership rate

*Source: Housing Statistics in the European Union 2010; Statistisches Jahrbuch Liechtenstein; BFS; BWO*

According to the 2012 Credit Suisse Economic Research Report, the yearly expenditure for home ownership, including mortgage payments and maintenance, stood at around 17% of the average household income for the condominium owners and 21% for the owners of single family houses. This is way below the so-called ‘golden rule of finance’ of 33%. However, there is a divergence with an inclination towards multi-family residences as a result of an increasing number of nuclear households needing residences in urban areas.

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Swiss Federal Statistical Office (SFSO)
Real Estate Prices

Real estate prices in Switzerland have been rising for 10 years. However, the price rise has not been irrational as seen in some countries where it led to housing bubbles. The average price rise since 2001 has been 4.3% for owner-occupied apartments and 3.2% for single-family dwellings. However, during 2011, transaction prices for owner-occupied apartments and single-family dwellings increased by 4.9% (YoY) and 3.7% (YoY) respectively, as low interest rate environment led to owning house cheaper than renting one. It is expected that the prices of owner-occupied segment will rise further in 2012, albeit at a slower pace than 2011.

Rental

Despite noticeable increase in housing supply, prices of single family houses and condominiums have continued to spiral upwards. In 2011, the average price rise of condominiums and single family houses stood at 8.6% and 6.4% respectively, as against a decade average of 4.7% and 3.1%, respectively. This extraordinary price hike can be attributed to the supply bottlenecks for condominiums.
With low mortgage rates and lack of other investment alternatives, investors are focusing on rental projects as an attractive investment avenue. Such a stance has resulted in increased building approvals for rental building projects, as can be seen in the chart below. However, with low mortgage rates and inflation barely above the zero mark, the reference rates, on which rents depend on, are likely to fall to 2.25% in 2012 as against 2.5%, which may result in downward rental pressure. Nevertheless, persistent migration into urban centres and high property prices are expected to keep the asking rents on the higher side, yielding better rental returns in the near future.

**Building Permits Issued**

![Graph showing building permits issued from 2002 to 2011]

**Figure 16:** Building permits issued

*Source: CSER, Swiss Issues Real Estate, Real Estate Market 2012*

**Vacancy Rates**

In 2011, rental apartment vacancy rose by around 1,700 units, resulting in a vacancy rate of 0.94% as against 0.9% in 2010. However, vacancies in the owner-occupied segment dropped in line with the 2010 trends. Key economic areas in Switzerland exhibited very low vacancy rates. The vacancy rates were around 0.1% in the cities of Lausanne and Basel, while it stood at around 0.3% in Geneva. Zurich had negligible vacancy as demand exceeded supply. This trend is expected to continue in 2012 as home ownership is likely to increase owing to lower expenses due to reduced mortgage payment and tax benefits.

**4.2.3. Outlook for the Residential Real Estate Market in 2012**

In 2012, mortgage rates are expected to remain low, thus reducing the home ownership costs, which would boost the demand for owner-occupied properties. This high demand is anticipated even though the overall economic performance is expected to be fragile in comparison to 2011. Demand for owner-occupied properties near urban centres is expected to grow as people opt out of rental apartments. Such a trend will reduce vacancy in the owner-occupied property segment. However, the rental housing segment will be aided by continued immigration which will be close to the 2011 levels.

In 2012, around 47,000 units are expected to enter the market due to increased demand. This supply is expected to be absorbed fast even though a steep price rise is anticipated. On the other hand, increasing number of rental apartments will add to the existing vacancies, a trend witnessed in 2011. This upsurge in rental apartments shall exert downward pressure on rentals.
4.3 Key Trends Swiss Commercial Property Market

4.3.1. Office Segment
In 2011, the employment scenario in Switzerland was healthy with the unemployment rate dropping to 3.1%. Recruitments in the classic office-based sector witnessed a YOY growth of 1.6% in 2011 as against 0.5% in 2010\textsuperscript{29}. A majority of these recruitments were seen in IT, architecture and engineering companies. With the Swiss workforce experiencing growth, there was robust demand for office spaces, albeit not as high as during the peak period of 2007. However, continued global economic uncertainty and European debt woes are expected to dampen the recruitments for these positions in 2012. Nevertheless, the workforce is likely to expand this year at a rate of just over 1% adding around 8,000 full-time employment positions as a result of the stable domestic economy\textsuperscript{30}.

Supply and Demand
Improved economic and labour market conditions have positively impacted the office space supply. A robust supply pipeline of the office spaces is expected in 2012 on account of high construction investment of CHF 1.82 billion and CHF 2.3 billion in 2010 and 2011, respectively. Besides, keeping with the trend, construction investments in top five business cities was higher than that of the other regions in Switzerland in 2011. Additionally, building approvals were granted for office spaces valued at CHF 3.4 billion in 2011 as against CHF 2.2 billion in 2010, indicating a strong supply in the near future\textsuperscript{31}. However, the supply trend of new office spaces in 2012 will see a diversification, with lesser supply expected in the city centres and the central business districts (CBD) in comparison to the peripheral areas of major cities. This excess supply in the outskirts is likely to widen the rental gap\textsuperscript{32}.

Building Permits and Construction Investments (In CHF million, annual basis)

\textbf{Figure 17:} Building permits and construction investments (In CHF million, annual basis)

Source: Baublatt, SFSC, Credit Suisse Economic Research

It is commonly known that office properties located in the urban centre and the CBD are planned as investment properties to generate rental income. However, the office properties located in the outskirts of the urban areas are generally built for ‘self-use’ needs. Some of these ‘self-use’ office premises are located close to the manufacturing sites in order to facilitate a direct linkage between the factory and the office. Such sites are either developed by the company itself or the company hires a contractor to build it according to its specifications. This new supply structure of office spaces in the peripheral areas of the business district has lowered its vacancy risk.

\textsuperscript{29} Credit Suisse Economic Research, Swiss Issues Real Estate – Real Estate Market Report 2012 – Structures and Prospects
\textsuperscript{30} Credit Suisse Economic Research, Swiss Issues Real Estate – Real Estate Market Report 2012 – Structures and Prospects
\textsuperscript{31} Credit Suisse Economic Research, Swiss Issues Real Estate – Real Estate Market Report 2012 – Structures and Prospects
\textsuperscript{32} Classic office-based sectors comprise information technology, architecture and engineering, real estate, banking and insurance, research and development, corporate services, stock exchange, and brokers and intermediaries.
The trend seen in the development of new office properties is characterized by location change of the large companies with substantial workforce. Such companies shift to the peripheral regions either for consolidation or to reduce their operating costs. Thus, vacancies, which are created, are absorbed by the small, growing companies who intend to make their presence felt in the city. With budding companies expected to fill up the vacancies, there is lesser oversupply risk. Meanwhile, asking rents have stabilized and are expected to remain so in 2012 on account of growth in office properties in the extended and outside business districts.

### Office Supply Development

![Office Supply Development Graph](image)

**Figure 18:** Office supply in relation to total stock

*Source: Wüest & Partner, Immo-Monitoring 2012/2*

The office property segment of five major cities adds up to more than 40% of the Swiss office property market. It is important to comprehend the price trends and the demand-supply situation of the individual markets so as to gain an insight into the Swiss office property market scenario.

### Zurich

Zurich’s office property market is evolving on the back of new developments around the peripheral areas of the CBD. Increasing number of companies is opting for the office spaces in the outskirts depending upon their size and utilization requirements. The office premises located in the outer areas offer attractive savings due to the rental differential.

A total supply of around 300,000 m² was seen by the end of 2011. Despite higher rentals, CBD witnessed reduced supply of the advertised office spaces owing to strong demand. An additional supply of about 430,000 m² is forecasted by 2017, provided all the ongoing projects as well as those in the pipeline are developed. However, a sturdy economic growth would be required in order to consume such a huge supply.

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33 Credit Suisse Economic Research, Swiss Issues Real Estate – Real Estate Market Report 2012 – Structures and Prospects
34 Credit Suisse Economic Research, Swiss Issues Real Estate – Real Estate Market Report 2012 – Structures and Prospects
Geneva

Geneva is the costliest office property market in Switzerland with rentals of around CHF 450/m² p.a. In 2011, there was a strong supply of advertised office spaces of around 160,000 m² in comparison to 2010. This high level of office stock is attributable to the early advertisements as part of a marketing strategy. In 2011, CBD and the suburbs witnessed an upward rental pressure, backed by strong demand and supply shortage. This trend is expected to continue in 2012.

Basel

In 2011, Basel had a high stock of advertised office spaces on account of completion of new developments in the outer business district. However, these office spaces continue to be absorbed even at premium rentals. The price trends are seen converging due to demand for office spaces in the outer business district. Another 90,000 m² of office space is expected to be available by 2017; however, the oversupply risk is limited if Basel’s economic growth continues at its current pace.

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Lausanne

Lausanne’s office property market is the second most expensive market after Geneva. The property market continues to witness an upward rental pressure owing to robust demand in all business areas of the district. Rental prices in the CBD crossed CHF 450 per m² per year as a result of consistent demand for the large office spaces around the Lake Geneva region. Additionally, there is robust demand for office spaces in the extended business districts with falling areas of advertised office spaces and rising rentals. This trend is anticipated to continue in 2012 as well.

Vacancy Rates

In 2011, the advertised vacancies in the Swiss office property market were lower in comparison to 2010. Higher occupancies were registered as a result of moderate economic growth and encouraging employment rate. Office properties comprising large areas, modern amenities and easy accessibility attracted demand across the country, especially in Zurich, Geneva and Lausanne. With demand for suitable office spaces increasing, the rental prices witnessed an upsurge. Continuation of these trends is foreseen in 2012 as well. But the well-stocked pipeline of large projects finishing 2012/2013 which has to be absorbed means a more challenging time will be starting in 2013.
4.3.2. **Retail Segment**

High immigration, strong domestic economy and low unemployment rate boosted retail spending in the first half of 2011. However, prolonged depressing news on the Eurozone debt crisis led to a gloomy consumer sentiment, which hit the retail sales in the latter half. Moreover, falling retail sales can be chiefly attributed to growth of consumer tourism on account of a strong Swiss franc. Nevertheless, in 2011, the retail sales posted a YOY real growth of 0.9% due to subdued prices and higher Christmas sales\(^3\). However, the constant negative outlook has impeded growth of the retail property market in most regions of Switzerland.

**Retail Sales (% change YOY) and Consumer Sentiment (Index)**

Post Lehman bankruptcy in 2009, the trend of the retail space applications and the building permits granted diversified due to bleak economic forecasts. However, this trend slowly reversed as the market witnessed synchronization in late 2010, although in a downward direction due to falling demand from large retailers. It was seen that the building approvals for larger retail spaces (value > CHF 10 million) dropped in 2011, as the investors adopted a cautious approach towards the retail property investments\(^3\). This downward movement is expected to continue in 2012 due to persistent negative consumer confidence and sluggish economic growth.

**Applications vs. Building Permits**

\(^3\) Credit Suisse Economic Research, Swiss Issues Real Estate – Real Estate Market Report 2012 – Structures and Prospects

\(^3\) Credit Suisse Economic Research, Swiss Issues Real Estate – Real Estate Market Report 2012 – Structures and Prospects
Vacancy Rates and Rental Prices
The Swiss retail property market is not tracked as comprehensively as the residential and office property markets. Data available for five cantons and three cities in Switzerland indicate that retail space vacancy stood at 71,000 m² in mid-2011, a minor addition of 2,500 m², as compared to 2010. Higher vacancy rates can be attributed to consumer tourism in the areas which are adjacent to the Swiss border. The only respite for rising vacancy rates was declining vacancies in three major cities – Geneva, Lausanne and Zurich.

Vacant Retail Space (Region, ’000 m²)

Figure 25: Vacant retail space
Source: Credit Suisse Economic Research (Compilation)

Rental trends for Swiss retail properties are categorized based on the floor area. In 2010, commercial spaces with floor area of less than 90 m² attracted higher rentals with median rental price around CHF 290 per m² per year. However, since early 2011, poor consumer sentiment and a sharp drop in demand have resulted in declining rental prices for this segment. A converging trend was witnessed in both the segments, although the rental prices for smaller spaces have gained momentum.

Rental Trend (By Floor Space, median CHF per m² per year)

Figure 26: Rental trends
Source: Meta-Sys AG, Credit Suisse Economic Research
4.3.3. **Outlook for the Retail Real Estate Market in 2012**

In 2011, lingering negative economic outlook led to a dip in consumer confidence while the strong franc eroded retail revenues, which were not compensated by high level of immigration. In 2012, the continued uncertainty in Europe, low economic growth in Switzerland and a fall in immigration rate in comparison to 2011, are expected to further weaken the retail sector. Demand is also expected to shift towards large shopping spaces at locations that offer economically vibrant environment with high population turnover.

Retail property applications and building permits have dropped below the long-term average. The worrying economic situation in Europe is expected to weigh heavily on the retail real estate market in 2012. However, rental prices are expected to remain flat over the short-term.

4.4 **Trend Towards Environmental Friendly Real Estate**

There is a demand for greener, environment friendly and energy efficient buildings due to their lower operating costs as compared to conventional buildings. This could lead to premium rentals for environment friendly buildings and to a decline for the other buildings. However, there is no clear trend as of yet due to the fact that substantial renovation costs outweigh the higher rental prices for renovated properties, especially in cheaper regions. This therefore limits the market potential for such “green” houses and condominiums.
5 COMPANY OVERVIEW AND MANAGEMENT

5.1 Company Profile
Mobimo Holding AG (‘Mobimo’ or ‘the Company’) was set up in Lucerne in 1999 by a real estate expert Dr. Alfred Meili and Mr. Karl Reichmuth, a private banker. The Company is listed on the SIX Swiss Exchange since 2005. Mobimo through its attractive mix of investment and development properties emerged as a leading real estate group with presence in German- and French-speaking regions of Switzerland. The Company underwent a major management reshuffle in 2008, where board members and key management positions were reorganized. The Company is managed by a team of qualified professionals, led by the CEO, Dr. Christoph Caviezel, a veteran of the Swiss real estate market who assumed charge in October 2008.

Focusing on geographical diversification, Mobimo acquired LO Holding Lausanne-Ouchy SA in 2009 which allowed it to enter the real estate market in the Lake Geneva region. Additionally, with the acquisition of O4Real AG in 2010, Mobimo strengthened its existing presence in the Lausanne real estate market.

Figure 27: Mobimo group structure
5.2 Business Model

Mobimo’s business model is based on a clear strategy – to create an optimal portfolio of rent-generating investment properties, and development properties that offer significant value appreciation potential and capital gains. This business model is envisioned on the basis of the Company’s strong financial position, with an equity ratio of no less than 40%, and its core capabilities: trading, development and portfolio management.

Mobimo has leveraged its core capabilities, crafting a premium portfolio of investment properties, which consists of residential, commercial, office and industrial spaces that generate stable rental revenue. The Company is targeting a rental income share of 75% of the total earnings. Along with these investment properties, Mobimo actively looks for development and construction of new properties for its own portfolio and sale to third-parties. With this business model, the Company aims to earn trading income and capital gain revenue of 25%.

More details about the Company’s business model can be found in section 3 “Summary of Mobimo’s strategic themes and the equity story”.

5.3 Business Strategy

The Company focuses on key drivers and actions required to be undertaken in order to achieve the targets set in the below model.

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<thead>
<tr>
<th>Value Driver</th>
<th>Measures</th>
<th>Target</th>
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<td>− Stable return</td>
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<tr>
<td>Acquire</td>
<td>− Acquisition of individual properties, portfolios and company takeovers</td>
<td>− Value Creation for Shareholders</td>
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<td>− Concentration on economic areas such as Zurich, Lausanne, Basel, Lucerne and Aarau</td>
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<tr>
<td></td>
<td>− Development for third parties</td>
<td></td>
</tr>
<tr>
<td>Portfolio Structure</td>
<td>− Price, location and future prospects</td>
<td>− Low Vacancy</td>
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<td></td>
<td>− Development and construction of investment properties</td>
<td>− Increase in value</td>
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<tr>
<td></td>
<td>− Active portfolio management</td>
<td>− Sustainability</td>
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<td>− Customer relationship management</td>
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<tr>
<td></td>
<td>− Create value added through conversion and development</td>
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</tr>
<tr>
<td></td>
<td>− Modern energy concepts</td>
<td></td>
</tr>
</tbody>
</table>

Figure 29: Mobimo strategic pathway
Growth
Mobimo attempts to create value via organic growth and acquisition. Organic growth is achieved principally through the development and construction of new investment properties for the Company’s own portfolio. Additionally, Mobimo pursues selective acquisition of individual properties or portfolios, and company takeovers to enhance the size and quality of the portfolio. The fundamental tenets deemed vital for an acquisition are price, location and future prospects of a property. Mobimo targets its investments mainly in attractive locations in the business centres of Zurich, Lausanne/Geneva, Basel, Lucerne/Zug, Aarau and St. Gall.

Along with development and construction of properties, Mobimo has ventured into a new business segment – Investment for third parties – offering development services including turnkey investments for private and institutional investors. Launched on January 1, 2012, this business segment has evoked increased interest among prospective investors. The Company, as a solution to new environmental regulations and social changes, understands the importance of sustainable buildings. The implementation of this strategy will reduce operational and maintenance costs which would offset higher initial outlay. Mobimo collaborates with Minergie, DGNB and 2000-Watt Society, which assess and certify the properties based on certain criteria.

Portfolio Structure
The Company has a well-diversified property portfolio consisting of both rental buildings and properties for sale, giving it flexibility to manage its portfolio actively. Mobimo derives its rental income from a mix of office, commercial, retail, housing and specialty uses, reducing the financial risk for the Company. Nevertheless, the Company actively seeks to purchase attractively priced individual properties or develop new properties in order to gradually improve its real estate portfolio. In the medium term, Mobimo envisions a well-balanced use-mix, consisting of one third of each office usage; residential usage; and other commercial usages.

Portfolio Management
Active portfolio management achieves preservation as well as capital appreciation. The Company strives to maintain a good relationship with its tenants, increase the renting potential, optimize costs as well as implement effective marketing strategies. The development of real estate provides additional revenue gains. Mobimo relies on an experienced internal team of specialists focusing on development, construction and sale of residential properties as well as development and construction of buildings for its own portfolio. These internal resources are a competitive advantage leading to sustainable management of the portfolio.

Strategy Guidelines
Mobimo’s investment policy is guided by its focus on value creation for its investors. The Company comprehends the necessity of the guidelines required to accomplish growth and mitigate risks involved. The guidelines are reviewed annually by the Board of Directors and are modified, if required. These guidelines may be altered depending on the market conditions. Mobimo’s investment approach is based on the following:
Qualitative growth

Mobimo aims to successively expand its real estate portfolio. The expansion will primarily take place through the purchase of singular objects or portfolios. Additionally, it can be achieved through a take-over. The expansion takes place when the price, the location and the future expectations create additional value for the shareholders. Mobimo invests in promising locations in Switzerland. Mobimo sees these primarily as the economic areas of Zurich, Lucerne/Zug, Basle, Aargau, Lausanne/Geneva and St. Gall. Investments are carried out only in good locations.

Portfolio mix

The mixture of uses of the investment portfolio consists in the medium term of 1/3 each of office use; residential and commercial use and retail trade and special uses (i.e. schools, retirement homes and others).

Active portfolio management

The real estate portfolio is being continually optimized and adjusted. Maintaining of relations with the tenants, a higher rentability, optimization of costs and the persuasive marketing strategies all result in conservation of value as well as an increase in value.

Added value through development

The real estate development business focuses on the following areas:
- Development and construction of new properties for the own portfolio
- Development, construction and sale of condominiums
- Investment and development services to third parties
- Development and optimisation of proprietary real estate holdings

Strong financial structure

Mobimo's standing enables it to avail capital from external sources on both short and long-term basis. The Company's equity ratio shall be at least 40%.

High dividends

Mobimo intends to pursue a policy of regular dividend pay-out (in the form of dividends and/or capital repayments). The share is characterized by steady growth in the value and a high dividend pay-out ratio.

Sustainability

In addition to economic aspects, Mobimo also incorporates environmental and socio-cultural aspects in its activities. This results in added value for the users of Mobimo properties and for shareholders.

Figure 30: Mobimo’s strategy guidelines

5.4 Real Estate Portfolio

Mobimo’s property portfolio consists primarily of investment properties (67%) from which it generates rental income and of development properties (33%) from which it will generate new investment properties and properties for sale. The Company aims to reduce corporate properties and increase residential properties in the next few years in order to further enhance the quality and stability of its portfolio.
Real estate portfolio (June 30, 2012)

<table>
<thead>
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<tr>
<td>Development Properties: CHF 748 mn</td>
</tr>
<tr>
<td>Commercial Properties: CHF 1,151 mn</td>
</tr>
<tr>
<td>Residential Properties: CHF 370 mn</td>
</tr>
<tr>
<td>Residential Properties (Investment): CHF 317 mn</td>
</tr>
<tr>
<td>Residential Properties (trading): CHF 344 mn</td>
</tr>
<tr>
<td>Residential Properties (Investment): CHF 87 mn</td>
</tr>
<tr>
<td>Residential Properties (trading): CHF 748 mn</td>
</tr>
</tbody>
</table>

Figure 31: Real estate portfolio composition

Real estate portfolio composition (Historic Trend)

Since 2003, Mobimo’s real estate portfolio has been clocking a robust growth of 15.4% CAGR. The Company’s investment properties segment, which historically represented around 60% to 70% of the portfolio, has posted a growth of 16.6% over the last eight years, while the development properties segment grew by 13.2% during the same period. This vigorous growth in the investment properties segment is in line with the target rental revenue generation of 75% of the total income.

Investment properties by use and quality of the entire portfolio

Figure 33: Investment properties by end use and quality overview of the entire portfolio (2008–2011)
The real estate portfolio for the rental segment is a diversified and well-balanced mix of investment properties. Mobimo’s rental receipts are generated from a variety of end users. In 2011, office properties contributed to 33% of share of rental income (as against 37% in 2010), while residential properties’ rental receipts amounted to 19% of the total rental receipts (as against 17% in 2010). The Company is working towards achieving an optimal mix of 30% of each property type by increasing residential property and reducing commercial property component.

The quality of the investment portfolio has continuously improved over the last years due to the addition of newly development properties with a high quality and at the same time the disposal of older properties with a lower quality.

**Rental properties by region**

![Rental properties by region](image)

**Figure 34:** Breakdown of the real estate portfolio (as at June 30, 2012)

In compliance with Mobimo’s fundamental tenets of price, location and future prospects, its real estate portfolio constitutes of properties in key economic areas of Zurich (51%), Lake Geneva (27%), Eastern Switzerland (9%) and North-western Switzerland (9%).

**Rental Share of the biggest five tenants**

![Rental Share of the biggest five tenants](image)

**Figure 35:** Top five tenants (as at June 30, 2012)

Mobimo has built a diversified client base for its rental premises. Top five tenants contributed only 21% of the rental share in June 2012, out of which the Swisscom Group, is the biggest tenant with a share of 6% of to the rental revenue. With a pro-customer approach, the Company manages to keep vacancy rates at a low level of 4.1%.
Tenancy Maturity Meter

<table>
<thead>
<tr>
<th>Tenure Period</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>until 30 June 2013</td>
<td>13.4%</td>
</tr>
<tr>
<td>1 July 2013 to 30 June 2014</td>
<td>8.6%</td>
</tr>
<tr>
<td>1 July 2014 to 30 June 2015</td>
<td>6.6%</td>
</tr>
<tr>
<td>1 July 2015 to 30 June 2016</td>
<td>6.6%</td>
</tr>
<tr>
<td>1 July 2016 to 30 June 2017</td>
<td>9.7%</td>
</tr>
<tr>
<td>1 July 2017 to 30 June 2018</td>
<td>6.9%</td>
</tr>
<tr>
<td>1 July 2018 to 30 June 2019</td>
<td>1.3%</td>
</tr>
<tr>
<td>1 July 2019 to 30 June 2020</td>
<td>2.2%</td>
</tr>
<tr>
<td>1 July 2020 to 30 June 2021</td>
<td>9.2%</td>
</tr>
<tr>
<td>1 July 2021 to 30 June 2022</td>
<td>13.6%</td>
</tr>
<tr>
<td>later than 1 July 2022</td>
<td>13.4%</td>
</tr>
</tbody>
</table>

Figure 36: Percentage of existing tenancies maturing in respective years (as at June 30, 2012)

Around one-third of the tenancy agreements are of short-term nature and due to expire by mid of 2015. In addition to the short-term agreements, around 29% of existing agreements have medium-term tenure with their expiry due by mid-2017. Moreover, almost 20% of agreements extend beyond mid-2021. More than two-third of the existing agreements is valid over medium and long-terms, demonstrating Mobimo’s commitment towards customer and tenant friendly business approach.

5.5 Strong Development Pipeline

Easily accessible, well-planned office and commercial spaces coupled with residential properties continue to attract demand among tenants and buyers. Keeping this in mind, Mobimo dynamically seeks sites for new developments and acquisition targets in the most important economic areas of Switzerland.

Investment Properties under Construction

As the result of focused expansion, Mobimo has built a robust development pipeline of residential and commercial properties which ensure growth and optimize the real estate portfolio. In HY/2012, the investments for Mobimo’s own portfolio stood at CHF 440 million.

![Project pipeline – Investment properties under construction (as at June 30, 2012; Dates: From initiation to completion)](image-url)
Condominium Properties under Construction

As with the investment properties portfolio, the project pipeline for the condominium properties remains strong on account of healthy demand for residential properties. In HY/2012, the investment in these projects stood at CHF 190 million. These projects, managed and promoted by Mobimo’s in-house development team, offer significant potential for additional capital gains.

Figure 38: Project pipeline – Condominium properties under construction (as at June 30, 2012; Dates: From initiation to completion)

Investment Properties in Planning

Mobimo, using its foresight, prudently plans for the development of investment properties for its own portfolio. Investments for these projects are expected to reach CHF 560 million. The properties under construction and planned projects for Mobimo’s own portfolio are expected to generate an additional rental of CHF 57 million a year.

Figure 39: Project pipeline – Investment properties in planning (as at June 30, 2012; Dates: Planned initiation to completion)

*Building land with interim use and rental income
1) Development from portfolio
Condominium Properties in Planning
Mobimo has planned for development and construction of condominiums with estimated investments of CHF 360 million, entailing development of more than 230 condominiums and townhouses. These projects are expected to be launched in 2013 and 2014 with completion planned by 2015.

<table>
<thead>
<tr>
<th>Location</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aarau, Torfeld Baufeld 4</td>
<td></td>
<td></td>
<td>82</td>
<td></td>
</tr>
<tr>
<td>Herrliberg, Rigiweg</td>
<td></td>
<td></td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Luzern, Büttenerhalde</td>
<td></td>
<td></td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Meilen, Feldgutli</td>
<td></td>
<td></td>
<td></td>
<td>30</td>
</tr>
<tr>
<td>Merlishachen, Rebmatt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>St. Moritz, Via Maistra 29</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weggis, Würth Werft</td>
<td></td>
<td></td>
<td>17</td>
<td>65</td>
</tr>
<tr>
<td>Zurich, Badenerstrasse</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zurich, Im Brächli</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zurich, Labitzke-Areal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 40: Project pipeline – Condominium properties in planning (as at June 30, 2012; Dates: Planned initiation to completion)

5.6 Mobimo – LO Holding Merger: A Perfect Fit
With the merger of Mobimo and LO Holding in 2009, the Company expanded into the French-speaking region of Switzerland. Today, Mobimo is a leading real estate company in the Lake Geneva region with one-third of its investment properties located in the French-speaking Swiss region. The merger will benefit Mobimo and provide a platform for its portfolio diversification. Similarly, LO Holding will benefit from Mobimo’s expertise and standing.

5.7 Convertible Bond
In June 2010, Mobimo issued convertible bonds worth CHF 175 million with each bond holding a nominal value of CHF 5,000. These bonds are traded on the SIX Swiss Exchange and will mature on June 30, 2014. Mobimo will use the money raised for diversification of its real estate portfolio and to fund its planned development projects.

<table>
<thead>
<tr>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
</tr>
<tr>
<td>Interest Rate</td>
</tr>
<tr>
<td>Term</td>
</tr>
<tr>
<td>Conversion Price</td>
</tr>
<tr>
<td>Listing</td>
</tr>
</tbody>
</table>

Figure 41: Size of convertible bonds issuance

Details of the convertible bonds issued on June 30, 2010
5.8 Shareholding Pattern

The Swiss pension fund Zugger Pensionskasse holds 3.4% of Mobimo’s shares. All the shares are Free Float as per the definition given by the SIX Swiss Exchange. A graphical representation of the shareholding pattern is given below.

Figure 42: Shareholding pattern (as at June 30, 2012)

5.9 Constant Dividends since Inception

Mobimo endeavors to payout dividends and has been paying CHF 9.0 per year to its shareholders since its listing in 2005. Considering a closing price of CHF 208.0 for 2011, the dividend yield corresponds 4.3%.

Figure 43: Dividend paid and dividend yield (per year)

5.10 Stock Performance

Mobimo’s share has outperformed the Swiss Performance Index (SPI) and the Swiss Real Estate Index (SRE) in the last 3.5 years, rewarding the shareholders with around 84% returns. Moreover, liquidity of Mobimo’s shares has increased substantially with average daily trading volume reaching 9,307 shares in mid-2012 as against 6,291 in mid-2010.

Figure 44: Share price performance (Rebased) (Jan 2009 to Aug 2012)
5.11 Financial Highlights

Profit Split
Mobimo generates its revenue from trading of its properties, rental income and gain from revaluation of properties. The main profits as illustrated below are generated as rental income from the investment portfolio. This share will substantially grow in the next few years, in accordance to the development of the pipeline.

![Figure 45: Segmental profits (Historical Trend)](image)

Financial Highlights
Key points 30.06.2012 30.06.2011
EBIT (CHF million) 60.8 46.2
Net Profit (CHF million) 39.6 34.5
Equity ratio 47% 47%
Return on equity 6.9% 7.3%
Return on equity (excl. revaluation) 4.0% 4.6%
Interest rate 3.1% 3.0%
Residual maturity tenure (Years) 9.3 4.8
Net gearing 77% 102%
EPS (CHF) 6.41 6.72
Vacancy rate 4.1% 4.4%

![Figure 46: Financial highlights](image)

NAV Development Trend

![Figure 47: NAV Development (since listing in 2005)](image)
5.12 Board of Directors and Management Team

Board of Directors

**Urs Ledermann** has served as the Chairman of the Board of Mobimo since 2008. He joined the Board of Directors in 2003 as a Member. Mr. Ledermann is an energetic entrepreneur who created and managed many successful companies. His main focus is Ledermann AG which he found in 1983. He serves on the board of various companies, notably, SADA AG and SCM Capital Management AG.

**Georges Theiler** joined Mobimo’s Board of Directors in 2000 and currently works as Vice Chairman of the Board. He is a Certified Operational Engineer and owns GT-Consulting – a firm specializing in consulting and directorship mandates. Mr. Theiler is a Member of the National Council since 1995 and belongs to the FDP Party.

**Daniel Crausaz** serves as a Member of the Board of Directors of Mobimo since 2009. He is a Physicist and holds an MBA and has worked in real estate financing since 1990. He has served on the Board of LO Holding since 1999. He also works as a Member of the Boards of Cadar SA, Zimal SA, CEIL and LN Industries SA. Since 2008, he has been serving as the Deputy Director of Agrifert AG, an international commodities trading company.

**Brian Fischer** is a Member of the Board of Directors since May 2008 in an independent capacity. He is member of Mobimo’s audit and risk committee, and is Attorney-at-Law and Swiss Certified Tax Expert. Since 2001, Mr. Fischer is working as the Head of the Independent Asset Managers’ department in the investment banking division of Bank Vontobel AG. Prior to this, he was associated with Pricewaterhouse Coopers as a tax and legal advisor.

**Bernard Guillelmon** has served on the Mobimo’s Board since December 2009. He is an engineer and an MBA, and is the CEO of BLS AG, Berne. Prior to his joining BLS, he served in various key positions at the Swiss Federal Railways.

**Wilhelm Hansen** is a Member of the Board of Directors since 2008. He is also a member of the Audit and Risk Committee and the Remuneration Committee of Mobimo Holdings AG. He holds an economics degree and since 2002, works as a specialist independent management consultant with focus on organizational and strategic development and corporate governance. Mr. Hansen holds directorship of various companies including membership in the governing board of Basellandschaftliche Kantonalbank and vice chairman of the board of Scobag Privatbank.

**Paul Rambert** has been a Member of the Board of Directors since December 2009. He has studied architecture and serves on the Real Estate Committee of the Company. Mr. Rambert was a member of the executive board at LO Holding Lausanne-Ouchy SA between 1998 and 2009, and was responsible for the operations at LO Group. His company, Immopoly GmbH, is into real estate consultancy spanning over Lausanne and Zurich. He also holds directorship mandates of Securitas AG Zollikofen and Solvalor Fund Management SA; including being Chairman of Parking du Centre SA and Flonplex SA.
Peter Schaub has been a Member of the Mobimo’s Board of Directors since 2008. He is Chairman of the Audit and Risk Committee. Mr. Schaub holds a Master’s degree in law and since 1994; he is associated with tax and law firm Weber Schaub & Partners in the capacity of partner. Prior to this, he was tax commissioner of Zurich Canton. He also holds directorships of UBV Uetikon Betriebs- und Verwaltungs AG, Uetikon am See, and Rueegg Cheminee AG, Zumikon; including the position of Chairman at CPH Chemie+Papier Holding AG, Perlen.

Executive Board

Dr. Christoph Caviezel is the CEO of the Mobimo Group since October 1, 2008. He holds a Degree in Law (1980) and has obtained Doctorate (Dr. iur., 1988). Dr. Caviezel was a practicing Attorney-at-Law before being appointed as Head of Real Estate at SSB Lucerne. He was the CEO of Intershop prior to his appointment as the CEO at Mobimo. He shoulders responsibility of the purchase, divestment and HR departments. Dr. Caviezel currently is a member of the Investment Committee of the Investment Foundation for Overseas Real Estate. He also serves as a Member of the Board of Directors of LO Holding Lausanne-Ouchy SA since December 17, 2009.

Manuel Itten serves as the CFO and the CIO of the Company since March 1, 2009. He holds a Degree in Business Administration and has extensive professional experience in auditing and consulting. Mr. Itten has been associated with the Mobimo group since 2004, during which he built the controlling department and managed it till February 2009. He has also been a Member of the Board of Directors of LO Holding Lausanne-Ouchy SA since December 17, 2009.

Peter Grossanbacher is a Member of Mobimo’s Executive Board. He holds a Master’s degree in Advanced Studies in Real Estate Management and is a Certified Real Estate Trustee. Mr. Grossanbacher joined the Company in 2002 and heads the Portfolio Management department. He was in charge of the Project Management department until 2008, where he was responsible for development and construction of sustainable premium owner-occupied properties at lucrative locations.

Andreas Hämerli is a Member of the Executive Board. He is a certified architect and is Head of Development. He is responsible for performance of real estate development, construction and sales. Mr. Hämerli is an expert in real estate and his expertise has helped the Company in many ways. Prior to joining Mobimo, he was associated with D4 Business Center Lucerne in Root.

Thomas Stauber is a Member of the Executive Board. He is a certified architect and is Head of Third-Party Development. He looks after real estate development, construction and sales. Mr. Stauber is a veteran in the real estate industry and the Company has benefited from his expertise.
Mobimo is one of the largest real estate companies in Switzerland and its peers include major companies in the Swiss real estate development and rental market such as Allreal, Intershop, PSP Swiss Property, Swiss Prime Site (SPS) and Züblin. Real estate maintenance and facility management companies are not considered as peers of Mobimo.

6.1 Top Swiss Companies by Real Estate Portfolio

SPS is the largest real estate company in the Swiss market by portfolio size. Mobimo became the 4th largest company by portfolio size, through the acquisition of LO Holding in 2009.

Largest real estate companies by portfolio size

Figure 48: Largest real estate companies by portfolio size

Source: Annual Reports for the fiscal year ending December 31, 2011

Note: * Figures correspond to fiscal year ending March, 2012
6.2 Financial Performance Comparison

The following table highlights the key comparative factors about Mobimo and its peers.

<table>
<thead>
<tr>
<th>Key Data</th>
<th>AllReal</th>
<th>Intershop</th>
<th>Mobimo</th>
<th>PSP</th>
<th>SPS</th>
<th>Züblin*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio (in CHF million)</td>
<td>2,619.3</td>
<td>1,158.8</td>
<td>2,171</td>
<td>5,518.3</td>
<td>7,727.3</td>
<td>1,206.0</td>
</tr>
<tr>
<td>Profit incl. Revaluation (in CHF million)</td>
<td>116.4</td>
<td>54.97</td>
<td>80.5</td>
<td>280.8</td>
<td>355.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Gross Yield</td>
<td>5.9%</td>
<td>6.90%</td>
<td>5.80%</td>
<td>4.9%</td>
<td>NA</td>
<td>6.3%</td>
</tr>
<tr>
<td>Net Yield</td>
<td>5.1%</td>
<td>5.90%</td>
<td>5%</td>
<td>4.2%</td>
<td>4.80%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Vacancy rate</td>
<td>4.8%</td>
<td>8.80%</td>
<td>3.30%</td>
<td>8.3%</td>
<td>NA</td>
<td>11.4%</td>
</tr>
<tr>
<td>Residual Maturity of Financial Liability (Month)</td>
<td>45.6</td>
<td>52</td>
<td>60</td>
<td>38.4</td>
<td>54</td>
<td>66</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>2.6%</td>
<td>3.1%</td>
<td>3.0%</td>
<td>2.6%</td>
<td>2.8%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Interest Rate Spread</td>
<td>2.5%</td>
<td>2.8%</td>
<td>2.0%</td>
<td>1.6%</td>
<td>2.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>NAV (in CHF)</td>
<td>114.7</td>
<td>257.34</td>
<td>191.41</td>
<td>75.3</td>
<td>63.3</td>
<td>6.0</td>
</tr>
<tr>
<td>EPS (in CHF)</td>
<td>8.8</td>
<td>26.19</td>
<td>15.46</td>
<td>9.4</td>
<td>6.5</td>
<td>–0.1</td>
</tr>
<tr>
<td>EPS excl. Revaluation (in CHF)</td>
<td>8.0</td>
<td>23.32</td>
<td>9.53</td>
<td>3.5</td>
<td>6.5</td>
<td>NA</td>
</tr>
<tr>
<td>Equity Ratio</td>
<td>48.7%</td>
<td>43.7%</td>
<td>47.0%</td>
<td>54.0%</td>
<td>40.0%</td>
<td>26.3%</td>
</tr>
<tr>
<td>Net gearing</td>
<td>84.2%</td>
<td>91.0%</td>
<td>69.0%</td>
<td>59.6%</td>
<td>117.2%</td>
<td>232.7%</td>
</tr>
<tr>
<td>Interest Coverage Factor (x)</td>
<td>5.1</td>
<td>5.1</td>
<td>3.7</td>
<td>5.3</td>
<td>4.5</td>
<td>1.2</td>
</tr>
<tr>
<td>ROA</td>
<td>4.1%</td>
<td>4.5%</td>
<td>3.5%</td>
<td>6.9%</td>
<td>4.2%</td>
<td>4.9%</td>
</tr>
<tr>
<td>ROE</td>
<td>8.9%</td>
<td>10.2%</td>
<td>7.5%</td>
<td>13.0%</td>
<td>10.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Market cap# (in CHF million)</td>
<td>2184.0</td>
<td>685.0</td>
<td>1335.8</td>
<td>3823.1</td>
<td>4267.9</td>
<td>188.1</td>
</tr>
</tbody>
</table>

![Figure 49: Financial performance comparison](image)

Source: Annual Reports for the fiscal year ending December 31, 2011 and Bloomberg

* Figures correspond to fiscal year ending March, 2012 # As of June 18, 2012

Mobimo vs. peers’ premium discount to NAV

![Figure 50: Mobimo vs. peers premium discount to NAV](image)

Source: Bloomberg

End User Distribution of Rental Portfolio

Mobimo has a well diversified rental property business catering to a variety of end-user segments such as office, residential, sales and parking space. Compared to Mobimo, its peers have a lesser degree of diversification. Office and services buildings constitute more than 45% of the rental portfolio of Allreal, PSP and Züblin.
**End user distribution of rental portfolio**

![End user distribution of rental portfolio](image)

*Figure 51: End user distribution of rental portfolio*

Source: Annual Reports for the fiscal year ending December 31, 2011

Note: * Figures correspond to fiscal year ending March, 2012

**Geographical Distribution of Rental Portfolio**

Mobimo enjoys significant diversification in the geographical distribution of its property portfolio, along with diversification in the end user segments. The Company derives 33% of its rental revenues from the Zurich region, while the remainder is derived from key economic areas such as Lausanne/Geneva, Basel, Lucerne/Zug, Aarau and St. Gallen. Besides Mobimo, only SPS has a well diversified portfolio, while its other peers such as Intershop, PSP, Züblin and Allreal are concentrated in the Zurich region.

![Geographical distribution of rental portfolio](image)

*Figure 52: Geographical distribution of rental portfolio*

Source: Annual Reports for the fiscal year ending December 31, 2011

Note: * Figures correspond to fiscal year ending March, 2012

**Cost of Debt Finance**

Mobimo’s average cost of debt stood at 3.0%, same as the sector average of 3.0%, in the FY 2011. Mobimo’s average maturity of debt of 9.2 years is the highest among its peers and reflects its conservative stance as well as its favourable position in an environment of increasing interest rates.
Average cost of debt

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average</th>
<th>PSP</th>
<th>AllReal</th>
<th>SPS</th>
<th>Mobimo</th>
<th>Intershop</th>
<th>Sector Average</th>
<th>Züblin*</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>2.6%</td>
<td>2.3%</td>
<td>2.8%</td>
<td>3.1%</td>
<td>3.0%</td>
<td>4.5%</td>
<td>3.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td>2%</td>
<td>4.5%</td>
<td>4.3%</td>
<td>4.4%</td>
<td>4.6%</td>
<td>4.3%</td>
<td>4.6%</td>
<td>4.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td>4%</td>
<td>2.9%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

Average years to maturity of debt

<table>
<thead>
<tr>
<th>Sector</th>
<th>Average</th>
<th>PSP</th>
<th>AllReal</th>
<th>SPS</th>
<th>Mobimo</th>
<th>Intershop</th>
<th>Sector Average</th>
<th>Züblin*</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>3.0%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>2%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>4%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>3.0%</td>
</tr>
<tr>
<td>6%</td>
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Figure 53: Cost of debt finance and average years to maturity of debt
Source: Annual Reports for the fiscal year ending December 31, 2011
Note: * Figures correspond to fiscal year ending March, 2012.

6.3 Peer Profiles

**Allreal Holding AG** is a Baar-based company that operates in the real estate sector through its two divisions, Real Estate and Projects & Development. The Real Estate division focuses on development of residential as well as commercial properties in the prominent business centres of Switzerland. On the other hand, the Projects & Development division engages in a wide range of activities right from project development for its private clients and institutional investors, planning and realization of properties and trading of investment real estate to providing real estate advisory service. Allreal’s real estate portfolio amounts to CHF 2.95 billion and the project volume effectively handled amounted to CHF 743 million, in FY2011.

**Intershop Holding AG** is a Zurich-based company that mainly invests in office and industrial properties in the urban centres and major traffic junctions of Switzerland, particularly in Zurich, Bern and Basel. Founded in 1962, Intershop engages in acquisition, development and sales of commercial real estate properties. Other than Switzerland, the Company also operates in countries like France, Germany, the US and Czech Republic.

**PSP Swiss Property AG** is a Zug-based real estate holding company that was founded in 1999. PSP owns a portfolio of office and commercial buildings in the prime locations of five largest cities in Switzerland, namely, Zurich, Geneva, Basel, Bern, and Lausanne. The Company operates through its three business units: Real Estate Investment, Real Estate Management, which manages the Company’s own real estate portfolio, and Holding, which covers all its corporate functions.

**Swiss Prime Site AG** is an Olten-based company that primarily engages in renting real estate properties through its subsidiaries. The Company’s investment portfolio includes residential and commercial properties, parking spaces, gas stations, shopping centres, restaurants and other commercial premises. More than 50% of its properties are located in Zurich, Geneva and Basel.

**Züblin Immobilen Holding AG** is a Zurich-based real estate company that primarily deals in purchase, development, redevelopment and sale of commercial properties, with specific focus on energy-efficient office properties. It also invests in retail, trade and logistics properties. The major markets for Züblin are Switzerland, France and Germany, where it invests in few selected cities. Alongside these core markets, the Company also owns properties in the Netherlands and Belgium.
The major risks faced by Mobimo can be categorized as follows:

**Economic Risk**

The overall global economic conditions have been affected by the recent events in Europe. This has been characterized by volatility in currency values, interest rates and stock markets, which could negatively impact the global economic growth. At present, the Swiss real estate market is relatively unaffected by the decline in the real estate prices in Europe and the US. However, the impending slowdown in the global economy could adversely impact the Swiss economy and in turn, affect the capital value and rental value in the Swiss market. Therefore, a change in the outlook for economic growth, deflation/inflation as well as the overall attractiveness of the Swiss market could impact Mobimo’s revenues. The improvement and recovery of the economy depends on the fiscal, monetary and other measures undertaken by government authorities and they are beyond the control of the Company.

Huge demand in areas like Lake Geneva, Lake Zurich, Zug and ski resorts have fuelled a surge in real estate prices. Thus rise in property prices is a result of overheating demand. However, the collapse of Eurozone, increasing interest rates and increased funding difficulties could trigger a fall of the Swiss real estate market. Nearly 40% of households would struggle to repay debt if interest rates – currently at very low levels – rise to 5%. Thus, Eurozone debt crisis remains the most crucial economic risk for the Swiss real estate market and Mobimo.

Despite a strong Swiss franc and economic recession in neighbouring EU countries, the Swiss export industry remained relatively resistant and thus performed better than anticipated in 1Q2012.

**Market Risk**

The Swiss rental market has remained robust due to the continued influx of immigrants. However, if the financial services sector, a key driver of growth, witnesses a decline, this influx could decline in the future.

Additionally, due to intense regulations and subsequent cost increases, financial services companies are focusing on reducing costs. This could exert significant pressure on them to renegotiate existing rental agreements at lower rates and renewal of new agreements at the same or even lower rates. This could affect rental yields. Furthermore, excess supply caused by a spurt in new construction activity, could lead to an increase in vacancy rates and a subsequent decline in rental values.

Pressure on retail space is expected to intensify due to cut-throat competition, increased price reductions by retailers owing to Swiss franc appreciation and ongoing structural changes. Further, potential for rental increase is limited to top locations within the economic centres and shopping centres, while other retail property markets especially in tourist destinations and border areas are likely to be exposed to increased downward pressure.
Each location comes with a variety of local factors that need to be taken into consideration. Property developments and the related returns are thus dependent on these local factors. Additionally, as the Swiss real estate market is less liquid in certain regions of Switzerland, this can negatively impact real estate prices. In certain market situations, a sale is virtually impossible or possible only at significant price concessions.

**Strategic Risk**

There is a renewed demand for greener, environment-friendly, and energy efficient buildings, mainly due to increasing public awareness and their lower operating costs as compared to conventional buildings. This could lead to increase in rentals for eco-friendly buildings and in turn cause decline in the rents for other buildings. Environmentally friendly homes command significantly higher rents, sale prices and occupancy rates as well as lower capitalization rates, potentially reflecting lower investment risk. Due to the changing demographics of the Swiss society, there would be a shift in the user preference for real estate as well. Inability of the Company to anticipate these trends could have an adverse impact on the Company’s future performance.

**Financial Risk**

Mobimo is a growing company and it requires periodic infusion of fresh capital. The Company currently has sufficient capital to execute its projects in hand, but would have to raise both debt and equity capital for further expansions. Although the availability of fresh capital would not be an issue, raising it at attractive rates could be a challenge. Inability to raise fresh capital at an attractive rate will significantly impact the future profitability of the Company.

As the buildings in its rental portfolio age, the Company would progressively require higher maintenance and upkeep costs, which could increase the cost of operations and hamper the margins. If health-detrimental building substances have been used in older buildings, which do not comply with the current sanitation and environment laws, there would be higher renovations costs.

Interest rate changes, especially mortgage rate changes, could negatively impact Mobimo’s financing costs as well as the valuation of its investment portfolio. With higher interest rates, the financing costs could become more than the return from the investment properties, deteriorating the profit situation. The increase in interest rates might lead to decrease in the demand for freehold apartments. Furthermore, due to short-term refinancing in this segment, the interest costs for the Company could go up.
### Strengths
- Attractive property portfolio in prime locations
- In-house and experienced portfolio and development management team
- Higher focus on the growing residential real estate segment (accounts for a proposed 30% of portfolio)
- 68% of the portfolio comprises investment properties providing a consistent stream of income
- Capital gains through residential property development
- Solid financing base, with an equity ratio of at least 40%
- Average years to maturity of debt significantly higher than the industry average
- Experienced management
- Attractive dividend policy
- High free float

### Challenges
- Prolonged debt crisis in the Eurozone could harm the immigrant inflow which could subsequently reduce the rental values in the commercial properties segment, thereby hurting the Company’s margins
- Access to new projects and/or developable landscapes
- 70% of the Swiss population comprise of tenants, and thus the law is pro-tenant. Changes in Swiss landlord and tenant laws might have an impact on real estate prices, costs and returns
- Above average inflation/deflation
- Rising mortgage rates

### Opportunities
- Further expansion into the French part of Switzerland
- Organic growth achieved and further prospects in economic areas like Zurich, Basel, Lucerne/Zug, Aarau and St. Gallen
- Enhance quality of portfolio
- Further diversification of portfolio
- Prospect for further promotion returns due to strong pipeline and development expertise
- Appreciation of investment portfolio

### Threats
- Implementation of new rental and zoning laws that could affect real estate companies negatively
- Second global downturn and its after effects could have a negative impact on immigration
- Increased pressure on the real estate market and thus negative impact on valuation and revenue
- Increasing refinancing cost poses a threat to fund flow management
- Attractiveness of urban areas where some prices have risen too fast (e.g. Zurich and Lake Geneva areas) might decrease
- Current trend of stricter regulations in the Swiss financial industry could hamper the borrowing capacity of the existing as well as potential tenants

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*Figure 54: SCOT analysis*