SWISS PRIME SITE

2021

REVIEW SEMI-ANNUAL REPORT

Location: JED Schlieren

Selected group key figures

Key financial figures	in	01.01.–30.06.2020	without Tertianum[1] 01.01.–30.06.2020	01.01.–30.06.2021
Rental income from properties	CHF m	219.9	208.9	213.4
Income from real estate developments	CHF m	22.8	22.8	34.1
Income from real estate services	CHF m	58.6	58.6	57.6
Income from retail	CHF m	43.6	43.6	46.0
Income from assisted living	CHF m	72.4	–	–
Income from asset management	CHF m	4.8	4.8	7.5
Total operating income	CHF m	425.2	341.2	362.8
Revaluation of investment properties, net	CHF m	–47.3	–47.3	144.5
Result from investment property sales, net	CHF m	5.7	5.7	36.0
Result from sale of participations, net	CHF m	204.2	–	–
Operating result (EBIT)	CHF m	313.6	107.2	355.6
Profit	CHF m	269.7	64.4	257.1
Return on equity (ROE)	%	9.6	2.4	8.4
Return on invested capital (ROIC)	%	4.9	1.5	4.4
Earnings per share (EPS)	CHF	3.55	0.85	3.38

Financial figures excluding revaluations and all deferred taxes				
Operating result (EBIT)	CHF m	361.0	154.5	211.0
Profit	CHF m	320.0	114.9	163.5
Return on equity (ROE)	%	11.3	4.3	5.5
Return on invested capital (ROIC)	%	5.7	2.4	2.9
Earnings per share (EPS)	CHF	4.21	1.51	2.15

Balance sheet figures		31.12.2020		30.06.2021
Shareholders' equity	CHF m	6 085.6		6 087.8
Equity ratio	%	47.8		47.3
Borrowed capital	CHF m	6 640.6		6 788.3
Loan-to-value ratio of property portfolio (LTV)	%	41.9		42.0
NAV before deferred taxes per share[2]	CHF	95.41		96.11
NAV after deferred taxes per share[2]	CHF	80.11		80.14

Real estate portfolio				
Fair value of real estate portfolio	CHF m	12 322.6		12 457.6
of which projects/development properties	CHF m	829.5		1 031.4
Number of properties	number	185		184
Rental floor space	m^2	1 673 005		1 654 518
Vacancy rate	%	5.1		4.7
Average discount rate	%	2.91		2.83
Net property yield	%	3.2		3.2

Employees				
Number of employees as at balance sheet date	persons	1 728		1 677
Full-time equivalents as at balance sheet date	FTE	1 505		1 455

[1] Figures without Tertianum Group (figures January and February 2020 as well as result from sale of participations). The sale and deconsolidation of the Tertianum Group took place on 28 February 2020.
[2] Services segment (real estate-related business fields) included at book values only

Good results in extraordinary times

Swiss Prime Site posted good results in the first half of 2021, with operating income of CHF 362.8 million and a profit of CHF 257.1 million, or CHF 3.38 per share. This is proof of how resilient Swiss Prime Site's business model is. Both the core Real Estate business and Services segment pressed ahead with the implementation of their strategic and operational goals despite the challenges posed by the COVID-19 pandemic, which in some cases were considerable. The marked recovery in the economic and social situation from the second quarter of 2021 also played a role here. Thanks to the stabilisation of the epidemiological situation, the long lockdown, which had restricted life in a variety of ways and challenged us as a group, could be lifted. We remain optimistic for 2021 as a whole and for the years beyond.

Moving into the future with flexibility, digitalisation and sustainability

We have been grappling with the COVID-19 pandemic for more than a year. It is now slowly becoming evident what this means for our company in the long term. Location and quality – with an emphasis on «healthy buildings» – are still the key criteria for attractive office space. But flexibility is now part of the mix: the increase in working from home has become a reality in Switzerland too. Companies are therefore increasingly looking for central locations and high versatility for future rental spaces. They want to offer their employees hybrid models which involve regular time at the office. In addition to an attractive environment, this demands in particular ample room to move in order to quickly adapt to changing internal and external demands. We are ready to benefit from this trend with our properties in prime locations and also our innovative and flexible concepts, such as in YOND or JED. Demand for co-working, as a supplement to traditional rental contracts and in combination with home working, is also likely to continue growing. To respond to this market trend and also lead the way here in the real estate sector, we are working together with selected providers throughout Switzerland. At several of our properties, we already offer our clients attractive, modern and flexible solutions for co-working, meeting places and workshop spaces.

Another take-home for us is that retail space in prime locations is still attractive, and will remain so. In July 2021, we recorded customer footfall at Jelmoli and other premium locations comparable to pre-pandemic levels. Meanwhile turnover, with the exception of gastronomy, is similar to 2019 levels. Re-lets and first-time lettings in Zurich further confirm this. The increasing number of omnichannel concepts is also feeding demand.

«Prime locations are still attractive and will remain so.»

Another impact of the pandemic is the dizzying acceleration in digitalisation. As a company, we made the decision years ago to be a pioneer in this area with significant investments. In 2021, we are now seeing the first results of this decision. For example, we put our new ERP system for Jelmoli into operation at the start of the year. The platform provides real-time data so that our brand and category managers can respond quickly and flexibly to changes. Jelmoli's new online store also runs on this platform, which has integrated warehouse and order management. Other digital components will also go live at Wincasa in 2021. Following on from «Sihlcity» – the shopping and entertainment centre – the airline company Swiss is now the second major customer to be connected to our new, fully digitalised core system. Since August, we have also been rolling out our «Wincasa Home» tenant app to around 30 000 tenants throughout Switzerland. New construction projects for our properties are now managed mostly digitally. Third-party customers will follow in the next few months. Further milestones in Wincasa's digital transformation will follow. All these projects have a common goal: we are reducing the manual workload, are becoming more efficient and flexible and can therefore offer our clients a better, customised service.

The pandemic has once again shown us as a company how important sustainable management is. As a business, we have been committed to comprehensive sustainability for some time now. To embed this deeper within the organisation and define the associated goals, we set up a Sustainability Board two years ago comprising high-calibre members. The Environmental Policy and Code of Conduct for Suppliers that we drew up and implemented in 2021 was just one of the outcomes achieved. We prioritise the topic of sustainability, particularly in the context of our property developments and modifications, and are pursuing the goal of achieving climate neutrality in our portfolio before 2040. In Switzerland's first ever large-scale circular economy project, on Müllerstrasse in Zurich, we were pleased to sign a tenancy agreement with Google.

«In Switzerland's first ever large-scale circular economy project, on Müllerstrasse in Zurich, we were able to acquire Google as a tenant.»

The property, in which existing materials and components are to be reused, will become the third base in Zurich for the technology company. In the first half of 2021, we also launched our second green bond with a volume of CHF 300 million. Demand for this bond was again very high. It offers sustainably-minded investors the opportunity to invest directly in green real estate and the reduction pathway. We are also making great progress in these areas. In the past three years, we have reduced the CO_2 intensity of our investment properties by around a quarter. In addition, development projects are being planned as carbon neutral and certified to internationally recognised standards such as SNBS, SGNI, LEED and BREEAM.

Higher rental income and lower vacancies in the Real estate segment

Although the situation remains challenging, we increased rental income in our core Real estate business by 2.2% to CHF 213.4 million [CHF 208.9 million excluding Tertianum]. The growth was driven by new tenants moving in during 2020 and early 2021. One highlight is the JED project in Schlieren, which we were largely able to complete by the summer, marking the opening of the adjoining park with a small ceremony. We have also cut vacancies by 0.4 percentage points to 4.7% since the end of 2020. Overall, in the first half of 2021, we signed new or renewed rental contracts for a total of more than 47 000 m^2 of space across the entire real estate portfolio, reducing vacancies in the process (previous year: 41 000 m^2). The volume of leased office and retail space has increased significantly, especially in the second quarter 2021. As mentioned above, Google will move in as a new sole tenant on Müllerstrasse in Zurich from 2023, occupying a total of over 15 000 m^2 of rental space. We are delighted to provide the company with attractive, flexible and above all sustainable rental space. Contracts were signed with two anchor tenants for the promising Alto Pont-Rouge project in the canton of Geneva.

«We have cut vacancies by 0.4 percentage points to 4.7% since the end of 2020.»

We are implementing the project pipeline as planned. Projects with an investment volume of CHF 902 million (including land) are currently under construction. In the first half of the year, we invested CHF 110 million in this area, creating significant value. Other projects with an investment volume of CHF 539 million (including land) are in the planning stage. At the same time, we are continuing to optimise the portfolio. For example, we sold another building in the Espace Tourbillon project in Geneva on attractive terms. Along with an investment property at Stadelhofen station in Zurich, which was also sold at very favourable market conditions, we have already exceeded the targeted sales profits (target: CHF ~30 million) for the 2021 financial year with CHF 36 million in the first half of 2021. We also acquired a plot with good development potential for city logistics in Zurich-Altstetten.

New clients, higher revenues and digitalisation in the Services segment

In the Services segment, we achieved operating income of CHF 135.1 million. Adjusted for Tertianum, this was a 3.8% increase year-on-year.

Our real estate asset management business for third parties, which is operated by group company Swiss Prime Site Solutions, enjoyed particularly buoyant growth. For our client Swiss Prime Investment Foundation, we launched the investment vehicle «SPA Living+ Europe», which is designed for European retirement living, indirectly giving us a foothold in the very large and stable German market for the first time. The first transactions have already been completed. In addition, the Swiss Prime Site Solutions team arranged an issue with a volume of CHF 91 million for the SPIF Real Estate Switzerland investment group and made acquisitions of around CHF 118 million. In the first half of 2021, we also acquired an important new client in a competitive process, whom we will help to build up a portfolio. This is impressive proof of our strengths in winning over real estate investors with our services. Last but not least, we also took key steps to expand our business model. At the end of the first quarter of 2021, we submitted a fund management application to FINMA. As soon as we receive approval, we will be able to launch our first product. Preparations are well underway. Assets under management increased from CHF 3.0 billion at the end of 2020 to CHF 3.2 billion as at the end of June 2021.

Wincasa impressed an important major client with its range of services so that the term of the main contract was extended by a further five years until 2026. The transformation of the business model is ongoing and will allow us to continuously add additional services to the new platform. Assets under management increased from CHF 72.0 billion at the end of 2020 to CHF 73.6 billion at the end of June 2021.

As in the previous year, we had to accept an officially imposed lockdown at Jelmoli in the first half of 2021. This lasted from 18 January to 1 March 2021. In addition, almost all the catering facilities within the flagship store on Bahnhofstrasse Zurich remained closed until the end of May. The new location at Zurich Airport (Circle) was also affected by the lockdown. Despite the huge negative impact from this, Jelmoli posted higher operating income than in the previous year. We also worked extensively on the omnichannel strategy in the first half of 2021, simplifying the organisational structure and optimising processes. The goal here is to better meet the needs arising from the changed customer journey. This was based on the new ERP system, which we successfully launched in 2021 and which will give us more speed and flexibility.

Optimistic outlook

As already communicated, we will make further improvements to the portfolio in our core business. Our strategies include actively reducing vacancies, increasing like-for-like rental income through project-related conversions or targeted new lettings, and sucessively focusing the portfolio on promising types of use. At the same time, we are steadily moving ahead with the attractive project pipeline of around CHF 2.0 billion and supplementing the disposals with new opportunities from our own portfolio.

Following the strategic sale of Tertianum, the Services segment is back on its growth path, particularly with the asset management services for third parties which Swiss Prime Site Solutions provides. The foundations have been laid for new products and customer groups.

We believe that our market opportunities for 2021 as a whole will remain intact. In view of the development projects that were completed in the previous year, we expect rental income to rise in the 2021 financial year, subject to other unforeseeable upheaval linked to the COVID-19 pandemic. Vacancies in the portfolio will be kept below 5%. Similarly, we are expecting another increase in earnings in the Services sector – along with an improvement in margins.

Thank you

We would like to thank our customers for their continued loyalty in the first half of the year despite tougher conditions and for their support in finding pragmatic solutions to deal with the pandemic. We would also like to thank our staff for their massive dedication and commitment under what were at times very complex conditions. The results show that this has all paid off.

We would also like to thank you, our shareholders, for your loyalty and interest in Swiss Prime Site. We have a clear strategy in place and are looking forwarding to implementing it for you.

Ton Büchner	René Zahnd
Chairman of the Board of Directors	CEO


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Solid first half-year 2021

Swiss Prime Site closed the first half of 2021 with good results despite another lockdown over several months in the first quarter. The steps towards easing pandemic-related restrictions for business and society are generating momentum throughout the company. The transaction and rental markets are starting to regain their footing, demand for space is gaining pace and there are clear signs that social life is returning to normal. The core Real Estate business has benefited from this upswing and posted very good results in the first half of 2021. In the case of the Services segment with the group companies Swiss Prime Site Solutions, Wincasa and Jelmoli, the challenges from the pandemic were more substantial. We are therefore all the more pleased to make progress here too, surpassing the previous year's figures – in some cases significantly – in all group companies.

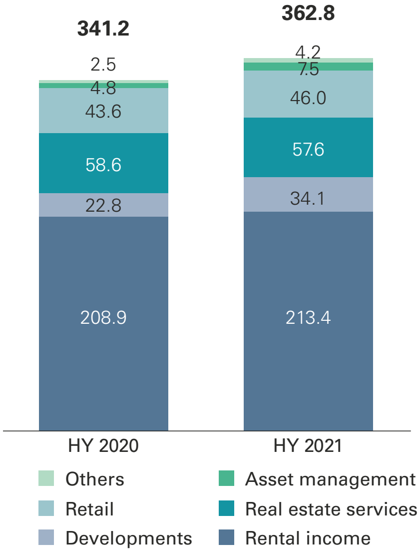
The sale of the Tertianum Group on 28 February 2020 has reduced the comparability of the 2021 key figures with the previous year. The half-year figures for 2020 still include Tertianum's results for two months and the related sales proceeds of CHF 204.2 million were also allocated to the previous year's period. To make Swiss Prime Site's performance more transparent, we are also publishing a «pro forma» calculation of the 2020 half-year figures, excluding the above-mentioned Tertianum effects («Selected group key figures» on page 2).

Significant increase in performance

Adjusted for Tertianum, operating income rose by 6.3% to CHF 362.8 million. All business areas and group companies contributed to this pleasing growth.

Operating income

in CHF million



To put these figures into context, it is helpful to highlight the following four key factors:

1. COVID-19: The situation surrounding the COVID-19 pandemic continues to concern us all. In the core Real Estate segment, this reduced income by CHF 5.5 million in the first half of the year. Part of the reason was lower than expected sales and parking rental income of CHF 2.4 million and rent waivers granted to tenants of CHF 3.1 million. Of the tenant requests received, 98% have now been dealt with and satisfactory solutions found for them. As at the end of June 2021, arrears were down to only seven days. As before, we are therefore pleased with our tenants' very good payment record and do not see significant risks here.

2. Rental income: Adjusted for Tertianum, rental income increased by 2.2% to around CHF 213.4 million. This was due in part to the completion of several major projects, which have been contributing income since the first half of the year. At the same time, we disposed of some space that did not fit with our strategy. We also significantly reduced vacancies from over 5% to 4.7% through active asset management. Of particular note was our success in generating rental growth of about 0.5% on a like-for-like basis.

3. Asset management: Asset management for third parties, which is pooled within Swiss Prime Site Solutions, met growth expectations. Income jumped by over 56% to CHF 7.5 million. The launch of «SPA Living+ Europe», the first foreign product for the Swiss Prime Investment Foundation, also contributed to this result. New mandates were also acquired, and we expect this will significantly boost growth in the years to come. We see the launch of the first fund product, which we expect later this year, as a further growth path. In spring, we applied to FINMA for approval. It is particularly pleasing that expansion did not come at the expense of profitability. With an EBIT contribution of around CHF 4 million, profit rose by almost 85% in the first half of the year.

4. Retail: Despite the challenging environment and another lockdown over several weeks in the first quarter, Jelmoli increased its income by 5.3%. This was in large part due to the contribution from the core business on Bahnhofstrasse. But the first positive trends have been emerging at the new location at the airport – especially as flights picked up again significantly in June. At the same time, negative EBIT was reduced year on year. Barring a further lockdown, we are confident we will achieve a significant improvement in the results by the end of the year.

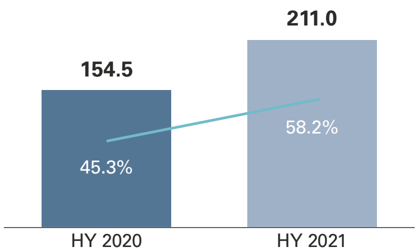
High revaluations and attractive net yields on property

Mirroring the positive mood in the real estate market, the value of our real estate portfolio also grew by CHF 135 million compared with its end-2020 value to CHF 12.5 billion. This was due mostly to completed projects that were successfully transferred to the portfolio. Another factor in this growth was progress made in real estate developments under construction. After the uncertainties of the previous year, the trend normalised in 2021, resulting in revaluation gains of CHF 144.5 million. The net yield on property generated was unchanged at 3.2%, which is an attractive level for a prime portfolio.

Stable costs and significantly higher EBIT on a like-for-like basis

On the cost side, the above-mentioned increase in income was achieved with constant or even slightly decreasing costs. In particular, the collection losses in connection with the COVID-19 pandemic, which amounted to around CHF 14 million in the previous year, fell. In 2021, as mentioned above we cannot foresee any further significant risks in this area apart from the tenant waivers granted. Despite the rising income, the other cost items were mostly unchanged on the previous year or even trended downwards, as was the case with personnel costs. We see this as a consequence of the ongoing process of digitalisation and the strong focus on costs in the group.

EBIT and EBIT margin (excl. revaluations)
in CHF million resp. %



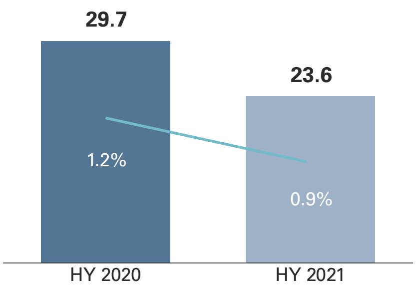
On a like-for-like basis (i.e. excluding both revaluation gains and Tertianum effects), EBIT increased by almost 37% to CHF 211.0 million. The EBIT margin also jumped from 45.3% to 58.2%.

Significantly lower financing costs and jump in profit on a like-for-like basis

On the financing side, following the successful first issue of a green bond at the end of 2020, we issued a second sustainable bond in the amount of CHF 300 million in the first quarter of 2021. In total, we now have a sustainable financing volume of CHF 600 million. In addition, we topped up two bonds with a total volume of CHF 150 million. The attractive refinancing further shifted the focus towards unsecured financing and increased the average remaining term of interest-bearing borrowed capital to 5.1 years, compared with 4.8 years at the end of 2020. Meanwhile, the cost of borrowing tumbled by almost 20% to 0.9% compared with 1.1% in 2020. Similarly, net financial expenses on a like-for-like basis fell from CHF 29.7 million [CHF 30.5 million including Tertianum] to CHF 23.6 million.

Net financial expenses and average cost of borrowing

in CHF million resp. %



We want to make further progress along this path and offer sustainably-minded bond investors the opportunity to invest in our portfolio and the planned CO_2 reduction pathway.

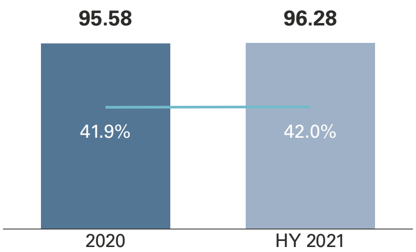
The revaluation gains and sales profits resulted in a corresponding increase in income taxes in 2021. After taxes, Swiss Prime Site produced a profit of CHF 257.1 million [CHF 269.7 million] in the first half of the year. On a like-for-like basis and excluding the Tertianum effects, there was a significant increase of CHF 64.4 million to CHF 257.1 million. Adjusted for revaluation gains and all deferred taxes, profit for the first half of 2021 increased on a like-for-like basis by more than 42% to CHF 163.5 million [CHF 114.9 million; CHF 320.0 million including Tertianum].

Stable level of financing and higher EPRA NTA despite dividend payment

In the first half of the year, we distributed a dividend of about CHF 255 million. In spite of this, shareholders' equity rose slightly to CHF 6.088 billion. The good results of the first half of 2021 were reflected even more in the EPRA NTA (equity per share calculated on the basis of the rules of the European Public Real Estate Association).

EPRA NTA per share and LTV

in CHF resp. %



Despite the dividend payment of CHF 3.35 per share, this rose by almost 1% to CHF 96.28, with the loan-to-value ratio (LTV) for the property portfolio remaining steady at 42% – the same as at year-end. Year-on-year, however, the LTV ratio has fallen significantly from over 45%. The annualised return on equity reached a pleasing 8.4% [2.4% on a like-for-like basis or 9.6% incl. Tertianum sale] in the first half of 2021. The progress made was also reflected in our share performance. Shares rose by 9.6% in the first half of the year, outperforming both the Swiss real estate sector (+4.2%) and the EPRA Index (+9.4%).

Consolidated financial statements

Consolidated income statement

in CHF 1 000	01.01.–30.06.2020	01.01.–30.06.2021
Rental income from properties	219 855	213 366
Income from real estate developments	22 827	34 063
Income from real estate services	58 562	57 620
Income from retail	43 645	45 991
Income from assisted living	72 420	–
Income from asset management	4 829	7 540
Other operating income	3 032	4 236
Operating income	**425 170**	**362 816**
Revaluation of investment properties, net	**–47 343**	**144 548**
Result from investments in associates	**500**	**500**
Result from investment property sales, net	**5 655**	**36 011**
Result from sale of participations, net	**204 181**	**–**
Real estate costs	–46 009	–28 645
Cost of real estate developments	–14 776	–24 801
Cost of goods sold	–31 206	–24 765
Personnel costs	–135 020	–84 264
Depreciation on tangible assets	–4 769	–3 427
Amortisation on intangible assets	–4 211	–3 883
Other operating expenses	–38 540	–18 535
Operating expenses	**–274 531**	**–188 320**
Operating result (EBIT)	**313 632**	**355 555**
Financial expenses	–31 392	–25 306
Financial income	900	1 739
Profit before income taxes	**283 140**	**331 988**
Income taxes	–13 451	–74 885
Profit	**269 689**	**257 103**
Attributable to shareholders of Swiss Prime Site AG	269 792	257 103
Attributable to non-controlling interests	–103	–
Earnings per share (EPS), in CHF*	**3.55**	**3.38**
Diluted earnings per share, in CHF	**3.34**	**3.18**

Further details can be found in the notes to the semi-annual report.

* average outstanding shares as at 30 June 2021: 75 966 844 [75 961 244]

Consolidated balance sheet

in CHF 1 000	31.12.2020	30.06.2021
Assets		
Cash	142 750	131 425
Securities	602	864
Accounts receivable	56 729	74 600
Other current receivables	5 005	6 375
Inventories	30 786	32 699
Real estate developments	27 628	31 871
Accrued income and prepaid expenses	33 109	31 224
Assets held for sale	216 401	102 325
Total current assets	**513 010**	**411 383**
Investment properties	12 106 219	12 355 303
Tangible assets	25 956	25 704
Investments in associates	51 487	51 231
Other financial investments	4 060	2 842
Intangible assets	25 450	29 681
Total non-current assets	**12 213 172**	**12 464 761**
Total assets	**12 726 182**	**12 876 144**
Liabilities and shareholders' equity		
Current financial liabilities	1 333 776	871 845
Accounts payable	8 341	9 852
Other current liabilities	144 315	146 777
Real estate developments	4 742	2 855
Accrued expenses and deferred income	156 051	182 352
Total current liabilities	**1 647 225**	**1 213 681**
Non-current financial liabilities	3 830 525	4 360 876
Deferred tax liabilities	1 162 803	1 213 747
Total non-current liabilities	**4 993 328**	**5 574 623**
Total liabilities	**6 640 553**	**6 788 304**
Share capital	1 162 347	1 162 347
Capital reserves	177 198	49 492
Treasury shares	– 161	– 99
Retained earnings	4 746 245	4 876 100
Total shareholders' equity	**6 085 629**	**6 087 840**
Total liabilities and shareholders' equity	**12 726 182**	**12 876 144**

Further details can be found in the notes to the semi-annual report.

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