SWISS PRIME SITE

2020

SHORT REPORT FIRST HALF-YEAR

Key Figures first half-year 2020

11.9

Portfolio (CHF billion)
+3.6% year-on-year

11.3

Return on Equity (%)[1]
+85.2% year-on-year

4.21

Earnings per share (CHF)[1]
+111.6% year-on-year

[1] excl. revaluations and deferred taxes

Short report

Dear Shareholders

2020 is a year that will enter the history books. The COVID-19 pandemic has had a significant social and economic impact. Nevertheless, Swiss Prime Site performed well in the first half of 2020.

The value of the prime real estate portfolio grew by 3.6% to CHF 11.9 billion compared to the previous year. Profit totalled CHF 269.7 million [CHF 356.5 million]. When comparing the result, there are four factors that had at least some impact on the previous year, but even more so on the current financial year. The CHF 204.2 million income from the sale of the Tertianum Group has had a significant positive impact in the first half of 2020. The COVID-19 pandemic impacted the real estate portfolio (revaluations of CHF –47.3 million respectively 0.4% of the portfolio) and the operating expenses (impairments of CHF –14.0 million). In contrast to the previous year, profit in the first half of 2020 was subject to only a minor positive tax effect of CHF 6.0 million from the reversal of deferred tax liabilities arising from cantonal tax rate reductions. In the same period last year, the positive tax effect was CHF 158.1 million. Excluding revaluations and deferred taxes, Swiss Prime Site's profit totalled CHF 320.0 million [CHF 151.3 million]. This represents the highest cash half-year profit for Swiss Prime Site in the company's history.

At the 2020 Annual General Meeting, I became Chairman of the Swiss Prime Site Board of Directors. I am pleased to be leading such a dynamic and enthusiastic company with so much potential and a robust business model. Even in these challenging times, I am looking to the future with confidence.

I would like to thank you, our valued shareholders, clients and partners, for your trust and support. My thanks also go to all employees and the management across the entire Swiss Prime Site Group.

Ton Büchner
Chairman of the Board of Directors

Summary of key figures

	in	30.06.2019	31.12.2019	30.06.2020[1]
Fair value of real estate portfolio	CHF m	11 467.8	11 765.4	11 880.9
Rental income from properties	CHF m	239.3	486.9	219.9
Vacancy rate	%	4.7	4.7	5.4
Income from real estate developments	CHF m	34.7	79.8	22.8
Income from real estate services	CHF m	57.0	117.5	58.6
Income from retail	CHF m	57.2	127.8	43.6
Income from assisted living	CHF m	206.1	423.9	72.4
Income from asset management	CHF m	8.8	13.5	4.8
Total operating income	CHF m	607.7	1 258.8	425.2
Revaluation of investment properties, net	CHF m	85.2	203.4	–47.3
Result from investment property sales, net	CHF m	5.6	20.8	5.7
Result from sale of participations, net	CHF m	–	–	204.2
Operating result (EBIT)	CHF m	286.1	628.3	313.6
Profit[2]	CHF m	356.5	608.5	269.7
Equity ratio	%	43.6	44.4	46.0
Return on equity (ROE)	%	13.8	11.5	9.6
Return on invested capital (ROIC)	%	6.6	5.6	4.9
Earnings per share (EPS)	CHF	4.69	8.00	3.55
NAV before deferred taxes per share[3]	CHF	82.71	86.34	90.05
NAV after deferred taxes per share[3]	CHF	68.64	71.87	75.62

Figures excluding revaluations and all deferred taxes				
Operating result (EBIT)	CHF m	200.8	424.9	361.0
Profit	CHF m	151.3	315.7	320.0
Earnings per share (EPS)	CHF	1.99	4.14	4.21
Return on equity (ROE)	%	6.1	6.3	11.3

[1] Sale and deconsolidation of the Tertianum Group as of 28 February 2020
[2] Including positive tax effects caused by cantonal tax cuts
[3] Services segment (real estate-related business fields) included at book values only

«In crisis situations, it’s easy to separate the wheat from the chaff.»

The coronavirus pandemic has caused huge economic upheaval and impacted many levels of society. It is still too early to draw any definitive conclusions, but it is already clear that taking rapid action, and having clean processes, responsible employees and a robust business model offer the best protection against crises.

René Zahnd, I’m sure we don’t need to ask you what this year’s most important event has been?
René Zahnd: The coronavirus crisis, of course; it is affecting the whole world.

What has been your experience of this period?
The same as many other people, I think. Initially, I was surprised that a supposedly distant problem had made it to Europe and Switzerland. I was equally astonished at the economy experiencing a total «lockdown». It was a truly unique situation for Switzerland. To be honest, it was a really sobering thought that these rights that we’ve all grown up with, that seemed so certain, could simply be discarded because of a virus. I don’t think that aspect of it has been talked about widely enough. Our government deserves huge respect and gratitude for not imposing a full stay-at-home order here. It’s a measure that I believe is totally incompatible with democracy, freedom and self-responsibility. In our daily working lives, we’ve had to quickly get used to communicating via video conference. I’ve missed shaking hands, particularly when meeting clients for the first time or those I haven’t seen for a while. For me, shaking hands is an important symbol of tradition and respect.

How has Swiss Prime Site responded to this extraordinary situation?
Even before lockdown was announced, we formed a «coronavirus» task force. This included key personnel from the group companies and important roles across Human Resources, Risk Management, Legal Services and Communication. We held joint meetings and made decisions within a very short space of time.

Were you able to maintain operations for the whole period?
Apart from Jelmoli, which was ordered by the government to close practically all of its spaces, we were able to continue our work as normal. As recommended by the government, we advised our employees to work from home. However, our offices always had a skeleton staff.

What were the biggest challenges for you?
At the end of the day, the real estate industry is a people business. You meet people and chat with them, discuss development projects, compare plans and view interesting properties in person. Practically overnight, those things became impossible. Suddenly, we had to communicate over the phone or using the computer or a smartphone app. Methods that used to be just an alternative became the primary medium of communication.

How has Swiss Prime Site come through this crisis as a group?
It's really too early to draw a line under the crisis, but we have seen that having excellent employees pays dividends; in crisis situations, it's easy to separate the wheat from the chaff. We are also grateful to have a prime property portfolio with fantastic tenants. So far, as a group we have come through this extraordinary period relatively well.

What about the Swiss Prime Site group companies?
Jelmoli had to shut down completely on 17 March 2020. Fortunately, we were able to re-open the food market on the lower ground floor on 20 March 2020, with certain restrictions. The working hours of the majority of employees were reduced. Customers showed us how grateful they were for the re-opening by buying significant amounts, increasing food market sales above our original forecast. Closing the other spaces obviously had a negative impact and they won't be able to make up for that this year. Wincasa received almost 2000 relief requests from tenants, so it was incredibly busy. So too was Swiss Prime Site Solutions and our core business.

«Given the special circumstances, however, we decided to take charge of communicating with our clients ourselves.»

Are there any positives to come out of this situation?
We have more than 2200 tenants in our 185 properties across Switzerland. Like many other real estate companies, we work with service providers who manage and market our spaces. Given the special circumstances, however, we decided to take charge of communicating with our clients ourselves, and we felt that our tenants really appreciated it. In these challenging times, they wanted to speak directly to us, the owner. This approach considerably shortened decision-making processes.

We often read about the difficulties experienced by hospitality and retail tenants. How has the situation been within your portfolio?
The hospitality and non-food companies were hit exceptionally hard by lockdown. Some of them couldn't generate any revenue at all, but still had to cover their ongoing costs. The loans secured by the government went some way to alleviate this crisis. We reacted swiftly by accepting payment deferral requests, followed by rent waivers.

What happened with rent waivers and which tenants benefited?
As a listed company, we have obligations towards our shareholders, of course. At the same time, we also have a solid, positive relationship with our tenants and we want to maintain this. At this exceptional time, we recognised early on that a courageous decision on our part was needed to help the self-employed and small tenants with few reserves who were greatly affected by lockdown. We therefore waived two months' rent for around 170 tenants with a gross monthly rent of up to CHF 5000.

How many relief requests did you receive from tenants?
In total, around 500, and we replied to every single one. Many tenants had already been granted payment deferrals, as they needed time to align their business with the new circumstances and didn't want to have to grapple with rent just yet.

What about those tenants with rent above the CHF 5000 threshold?
With so many tenants and such a large number of relief requests, it took time for us to get an overview of the situation. Every rental agreement is specific to the tenant and every tenant is or was impacted differently by lockdown. After getting in touch with each tenant and granting deferrals and waivers of two months' rent for small tenants, we moved on to larger tenants.

Were the offers linked to certain conditions?
Not for small tenants, no. Larger tenants may certainly have been granted a rent waiver for a certain period of time if their contract had nearly expired anyway and we were able to extend or renew it. Fundamentally, however, it's important that any decision was right for all parties.

«Private contract law isn't a matter for the state. Politics should create fair and stable conditions.»

Did you also receive any relief requests that weren't justified?

That was to be expected. Some were from tenants who weren't directly affected by lockdown. Others were from international organisations who have considerable financial resources. In some cases, we didn't receive any relief requests but the rent wasn't paid anyway. That kind of behaviour is simply unacceptable. Using the first lockdown we've ever experienced as an excuse to not pay rent and operate some kind of internal cash pooling strategy is socially irresponsible, to put it mildly. This kind of behaviour by international commercial tenants led to intense discussions in surrounding countries.

How are you dealing with the wrongful withholding of payments?

We're taking a hard line. We won't accept the tenant's business risk being pushed onto us. The outstanding rent remains as agreed.

Efforts are currently being made in politics to force landlords to waive 60% of rent for the lockdown period as a sign of solidarity. This would apply up to a maximum monthly rent of CHF 20 000. Where do you stand on this?

I don't agree with it. Private contract law isn't a matter for the state. Politics should create fair and stable conditions. Using laws to intervene unilaterally in existing contracts is a negative step not seen anywhere else in Europe. As companies, but also as representatives of the real estate industry, we can resolve this issue ourselves. It doesn't need a «one-size-fits-all» solution from government that unsettles the whole industry and investors, not to mention pension funds and tenants.

Why are you against a universal solution? Doesn't it make life easier for you?

There are several reasons. Firstly, as demonstrated, we are capable of finding solutions ourselves. Secondly, universal solutions benefit tenants who are in no need of them. Thirdly, intervention creates great uncertainty and hampers the process of resolution between tenants and landlords. Fourthly, instead of creating a special fund for some landlords, the state should get involved with affected tenants directly. To my knowledge, we are the only industry that has been practically expropriated.

«So far, as a group we have come through this extraordinary period relatively well.»

What will be the financial impact for you of the 2020 rent waivers?

Landlords are currently still in a period of assessment. Lockdown is fortunately now over, but its full impact is yet to be felt. People are concerned about a second wave and cautious about consumption and further economic consequences. Our two levels of rent waivers have resulted in a total loss of around CHF 4 million in revenue. In addition, we have budgeted CHF 6 million in turnover rent. We are not expecting to see any of this in 2020. The further uncertainties make us cautious, so we are anticipating that this negative impact will double to around CHF 10 million by the end of the year. We are predicting a loss in rental income for 2020 of around CHF 20 million.

What about in the future?

We are confident that calmer waters will return next year. Despite that, some uncertainty remains due to the general economic situation. We don't know whether there will be a severe recession here and in Europe. The impact on many companies is still uncertain. In the worst-case scenario, there could be many bankruptcies and a significant rise in unemployment. These are all issues that make it difficult, if not impossible, to make any predictions.

Do you think the crisis will lead to changes in your tenant structure?

Since 2015, one of our strategic objectives has been to reduce the proportion of retail space in our portfolio, particularly in the non-food area. We have so far reduced it from 34% to 26%. Over the next few years, I think we'll be able to reduce it down to around 20%. This takes into consideration the fact that we can continue to earn good money from (the right) retail spaces, even at the moment.

«We'll certainly also sell the occasional property that is no longer a good strategic fit for our portfolio.»

How will you achieve this?

In several ways. Firstly, the current projects under construction and those in planning have hardly any retail spaces; other categories are growing. We will also work on converting spaces into new types of use, such as the former OVS branches and the Stücki Park. This will also reduce the proportion of retail. We'll certainly also sell the occasional property that is no longer a good strategic fit for our portfolio.

Will there be a need for bricks-and-mortar retail in future?
Certainly. People have got used to ordering online, of course, but nothing can replace a well-frequented location, where people can discover a product with all their senses and where expericences are created.

How will online shopping develop?
It will definitely increase and move into additional areas. At the same time, I think retailers will increasingly use omni-channel strategies. This means they'll be establishing a strong online presence in parallel with running exciting, highly frequented bricks-and-mortar locations.

Does Swiss Prime Site benefit in some way from online retail?
That's a question that is currently the subject of intense discussion at Swiss Prime Site. Online retail has grown in importance during the coronavirus crisis. Because of lockdown, innovative companies that only had physical stores started offering their locally made products online. This raises the question of whether turnover generated online should be factored into turnover rent or base rent.

How will turnover rent change if more and more turnover migrates online?
If retail spaces as we currently know them close down, shopping moves online and retailers increasingly use their physical stores as showrooms and click-and-collect locations, we'll have to think about how rental contracts are set out.

Regarding retail specifically: what is happening with Jelmoli?
The coronavirus crisis has created difficult times for Jelmoli. Despite this, the group company is doing well; like for like, the figures for the last two months are above our expectations.

Are you anticipating making changes to Jelmoli's property structure?
We've already been doing that for a while, and will continue to do so in the future. There are now 12 restaurants, a beauty clinic, a fitness studio and other service providers who have all found a place within the structure. We constantly analyse our areas and carry out optimisations where this is necessary to ensure sustainable growth. Jelmoli is a part of the city, and also supports different forms of use within its own building structure.

Do you think the coronavirus crisis will put pressure on rent levels, and consequently the market values of your real estate?

In terms of rent, we don't currently see any evidence of a drop. During and after lockdown, we were able to conclude rental contracts with the same, or even better, terms. We do perceive there to be a risk in B and C locations, but our portfolio is almost completely focused on A locations. Should there be a deeper, longer recession, we would have to re-evaluate.

Working from home has done extremely well out of the crisis. What do you think?

Working from home has definitely been given a boost and many companies have recognised that this way of working really is possible. Digitalisation has meant that it is now easy for us to work from home. However, this won't replace a fixed workplace. Company culture, for example, is hard to communicate remotely, at a distance and, despite digitalisation, communicating can involve more time and effort. It's different when you can speak to someone face to face.

«Digitalisation has meant that it is now easy for us to work from home. However, this won't replace a fixed workplace.»

How will home working change future office space requirements?

Even today, companies don't want to have enough office space for every single employee. Generally, they have enough space for 70% of the workforce. This percentage is expected to fall after the coronavirus crisis, but we are still confident.

That's surprising to hear. Couldn't it lead to an office space surplus?

We don't think so, no. If the coronavirus crisis has taught us anything, it's that a certain amount of space between people is healthy. We think that, in future, tenants will factor in a higher proportion of their employees working from home. At the same time, however, office space requirements will increase, because people won't want to sit so close together. The two effects should therefore cancel each other out. We are already seeing our tenants registering a need for more space.

What do you think the general economic situation in Switzerland will be like in 2021 and beyond?
That's difficult to say. According to SECO, the economic slump won't be as great as originally anticipated. On the other hand, it won't be until the second half of 2020 and into 2021 that we will really be able to see the aftermath of the coronavirus crisis. I think we'll get through it OK, though. In extraordinary times, Switzerland has always been a safe haven, and our country's handling of the coronavirus crisis has enabled us to stand out once more. Our economic zone will continue to be extremely attractive.

The market has been shaken and many companies need cash. Have any interesting deals emerged already?
We're expecting to see the first interesting properties coming onto the market in the second half of 2020.

How are your projects under construction coming along?
So far, so good. Two projects were slightly delayed due to ensuring safety on the construction sites. However, as construction had been proceeding ahead of schedule, we are now on time.

Will you postpone any projects in development or proceed more slowly?
Not necessarily. We have a basic threshold of 50% pre-letting on our projects. Once this has been reached, we give the green light. We are currently seeing good potential for growth in the area of asset management mandates for third-party clients.

«In Chinese, the word for crisis is composed of two characters. The first means danger and the second, opportunity.»

The coronavirus crisis has pushed environmental protection into the background. What is the current status of your CO_2 objectives?
The coronavirus crisis hasn't really made the environment any better, so protecting it should still be a priority for all of us. We have an ambitious reduction pathway that aligns with the Swiss government's environmental and CO_2 objectives as a minimum, and in part goes even further. To achieve these objectives, we are aiming to invest around CHF 650 million in our portfolio by 2050.

You sold Tertianum and recorded a large profit in 2020. What are you predicting for 2021 and beyond?

Over the next few years, we will be able to make up for the revenue lost from Tertianum with the growth in our projects and asset management mandates.

In conclusion, would you therefore say that you are looking to the future with confidence?

In Chinese, the word for crisis is composed of two characters. The first means danger and the second, opportunity. I favour the second, and so I am confident.

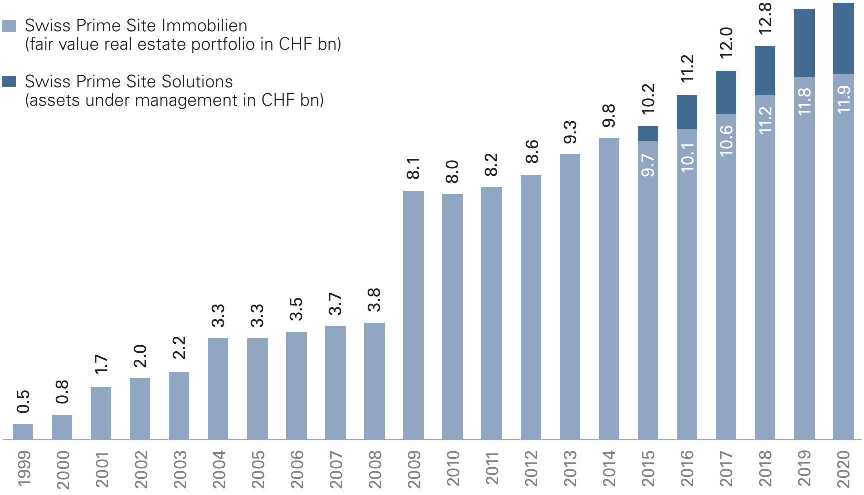
Success story

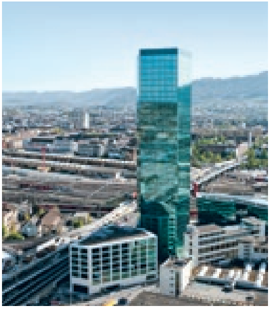
Swiss Prime Site was founded in 1999. The Company is the largest stock exchange-listed real estate group in Switzerland. Currently, its property portfolio is valued at CHF 11.9 billion.

Swiss Prime Site has continuously expanded its portfolio through acquisitions, developments and conversions as well as a strong focus on prime locations. The purchase of Maag Holding (2004) with the Maag Site in Zurich-West counts among the most paramount acquisitions to date, where Prime Tower and the surrounding buildings were constructed. The acquisition of Jelmoli (2009) doubled the value of the real estate holdings. Furthermore, significant projects such as SkyKey in Zurich and EspacePost in Berne or conversions of former office space (for example, Motel One in Zurich) have paved the way for generating additional growth and value in addition to creating premium locations. Together with Swiss Prime Site Solutions (third-party asset management), Swiss Prime Site manages real estate assets of CHF 14.2 billion (as at 30 June 2020).

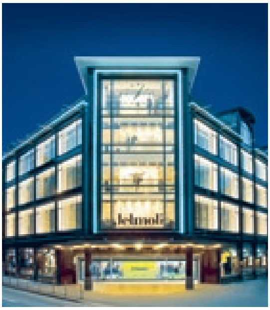
Real estate assets under management

in CHF bn





Prime Tower, Zurich

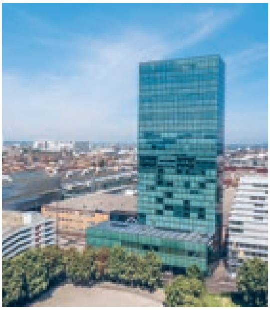


Jelmoli, Zurich

SkyKey, Zurich

Motel One, Zurich

Opus, Zug



Messeturm, Basel

EspacePost, Berne

Rue du Rhône 48–50, Geneva

Place du Molard 2–4, Geneva

Board of Directors

Ton Büchner
Chairman
Member since 24.03.2020 [3]

Mario F. Seris
Vice-Chairman
Member since 27.04.2005 [3]

Dr. Barbara Frei-Spreiter
Member since 27.03.2018 [2]

Thomas Studhalter
Member since 27.03.2018 [1]

Christopher M. Chambers
Member since 22.10.2009 [1, 2]

Dr. Rudolf Huber
Member since 29.04.2002 [1]

Gabrielle Nater-Bass
Member since 26.03.2019 [2]

[1] Audit Committee
[2] Nomination and Compensation Committee
[3] Investment Committee

Swiss Prime Site's Board of Directors comprises personalities from Switzerland's economy. The years of extensive experience of the individual board members in various fields paves the way for a balanced, long-term-oriented body.

Executive Board

René Zahnd
CEO Swiss Prime Site

Markus Meier
CFO Swiss Prime Site

Peter Lehmann
CEO Swiss Prime Site Immobilien

Oliver Hofmann
CEO Wincasa

Nina Müller
CEO Jelmoli

Swiss Prime Site's Executive Board comprised the Chief Executive Officers of the group companies Swiss Prime Site Immobilien, Wincasa and Jelmoli as well as the group's CEO and CFO.

Strategy

Investments and focus

Swiss Prime Site Group's objective is aimed at achieving constant growth and a sustainable trend in profitability. To realise this goal, the Company has executed substantial investments in the core real estate business. First-class properties with attractive yields located in Switzerland are regarded as the focal point of this strategy. With a 43% share, Zurich currently accounts for the most important strategic region in the real estate portfolio valued at CHF 11.9 billion. The Lake Geneva region also plays a key role in realising growth. Swiss Prime Site focuses on commercial property, utilising its own know-how in sustainably developing, repositioning or modernising properties and sites.

Earnings diversification and synergies

Swiss Prime Site currently boasts attractive group companies with Wincasa, Jelmoli and Swiss Prime Site Solutions. These group companies provide services for the group as well as for third parties that are heavily in demand on the market, against the backdrop of the core real estate business. The goals are focused on significantly boosting the contributions to revenues and operating income in addition to enhancing the synergies within the group and individual group companies.

Innovation and sustainability

As Switzerland's largest listed real estate company, Swiss Prime Site aims to be an innovation leader. Hence, the Company has created positions at the group level and in the individual group companies that are exclusively engaged in developing innovative technologies, techniques and processes. The objective is directed at equipping the group for facing future challenges and changing markets – particularly amid times of disruptive transitions. The key factors include sustainability, in addition to innovation and digitalisation. In all these aspects, conscious sustainability-oriented management ensures the future viability and success of the Company.

Targets

<5%
Vacancy rate

~45%
Equity ratio

6–8%
Return on equity

Business model

From space to living spaces

The core of Swiss Prime Site's business model is formed by development, construction and management as well as company and third-party utilisation of properties. The objective of this core process is aimed at sustainably generating value and expanding the real estate portfolio. Sites and properties are developed into projects according to the highest standards for current and future market needs. Swiss Prime Site finances these projects and designates partners for the construction process. Following completion, the properties are marketed, managed and transferred to tenants for their utilisation. At the end of their life cycle, the properties are redeveloped or converted, enabling the cycle to commence anew.

The property portfolio is supplemented by acquisitions and optimised through divestments within the value-creation chain. Revolving around the core of the business model, superordinate business processes ensure that the relevant know-how is expanded within the Company while access to markets and resources is secured. Furthermore, marketing and branding as well as modern information technology and contemporary employee development underpin the creation of space to living spaces.

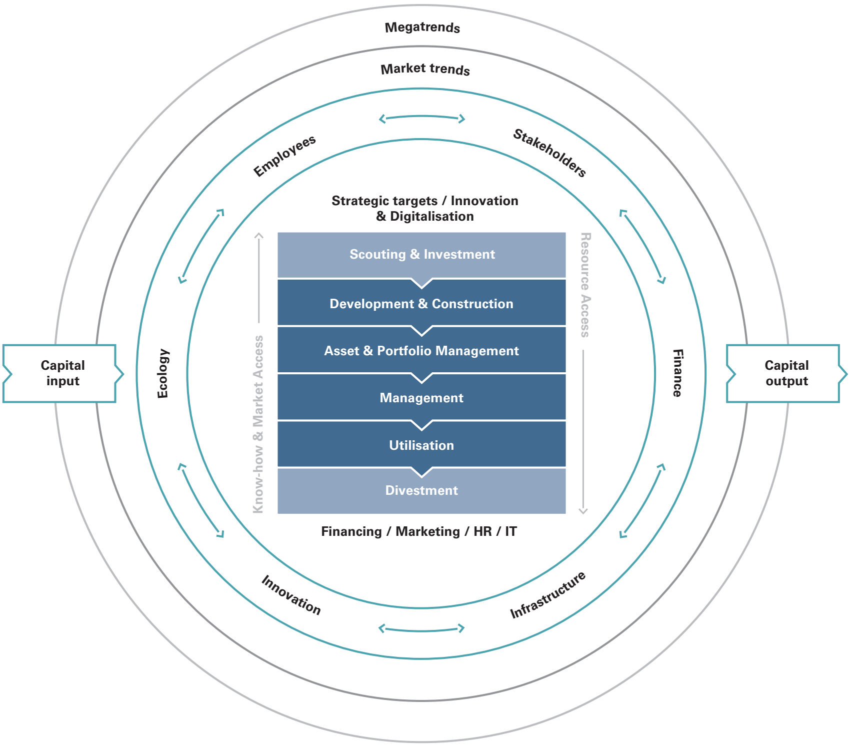
Sustainably developing spaces in line with needs

At a more overriding and therefore more social level, the most notable inspirations are incorporated that have a significant impact on the business model. Relevant trends such as digitalisation, demographic changes or immigration can lead to enlargements and adjustments of the value-creation chain. Market trends like revitalisation of industrial sites that are no longer contemporary or changes in the interest-rate environment count among the additional influencing factors.

Vertically integrated group companies

The group companies Swiss Prime Site Immobilien, Wincasa, Jelmoli and Swiss Prime Site Solutions constitute the integral elements as well as the basis of Swiss Prime Site Group's integrated business model. The real estate portfolio comprising CHF 11.9 billion in properties is actively expanded and optimised by Swiss Prime Site Immobilien through acquisitions, developments, conversions, construction, financing and, where necessary, divestments. Wincasa plays a role through acquiring, managing, marketing and selling properties throughout the value-creation hierarchy. Jelmoli as a premium department store utilises properties in the portfolio and also contributes to further strengthening the business model.

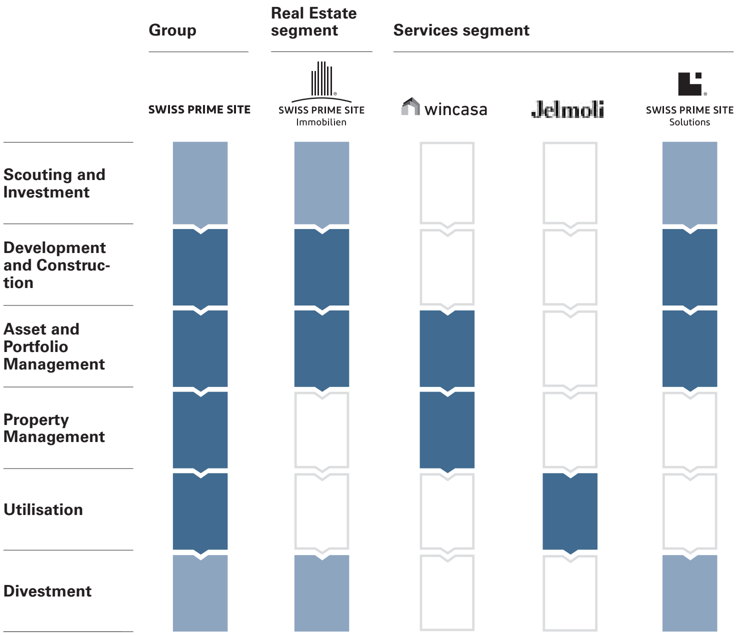
Swiss Prime Site's integrated business model



Swiss Prime Site Solutions as an asset manager since 2017 provides core processes services for third parties with acquisition, development, conversion, construction, financing and sales.

The value-creation processes of the group companies are intentionally not fully centralised and generate – beyond the aforementioned integrated elements of the business model – further contributions for the Swiss Prime Site Group's long-term success.

Group companies



Swiss Prime Site is a group that is primarily active in the real estate business (Swiss Prime Site Immobilien). In addition, Swiss Prime Site operates in real estate-related business fields consisting of real estate services (Wincasa), retail (Jelmoli) and asset management (Swiss Prime Site Solutions).

The sale of the assisted living business (Tertianum) was completed on 28 February 2020. 15 residential and geriatric cares centres as well as residences and four projects held by Swiss Prime Site Immobilien remain the property of the Swiss Prime Site Group.

Swiss Prime Site Immobilien

The investment focus of the core real estate business is directed at investments in high-quality properties in prime locations. These properties are mainly used by commercial tenants. Other key activities within the core business include conversion, development and modernisation of entire sites.

219.9
Rental income from properties in CHF million

11.9
Real estate portfolio in CHF billion

Wincasa

Wincasa is the leading integrated real estate services provider in Switzerland. The company's innovative services portfolio encompasses the entire life cycle of properties. Assets under management amount to CHF 71.2 billion. Wincasa is regarded as a first mover in the field of digitalisation in the real estate sector.

58.6
Income from real estate services in CHF million

71.2
Assets under management in CHF billion

Jelmoli

Jelmoli

Jelmoli in Zurich is Switzerland's leading premium department store and generates total sales (incl. shop-in-shop) of CHF 76 million. Roughly 40% of the retail floor space of 23 800 square metres generates sales from third parties according to the shop-in-shop model. The rest of the floor space is self-managed by Jelmoli. A new branch in «The Circle» at Zurich Airport will open from autumn 2020.

43.6
Income from retail in CHF million

23 800
Retail floor space in square metres

SWISS PRIME SITE
Solutions

Swiss Prime Site Solutions

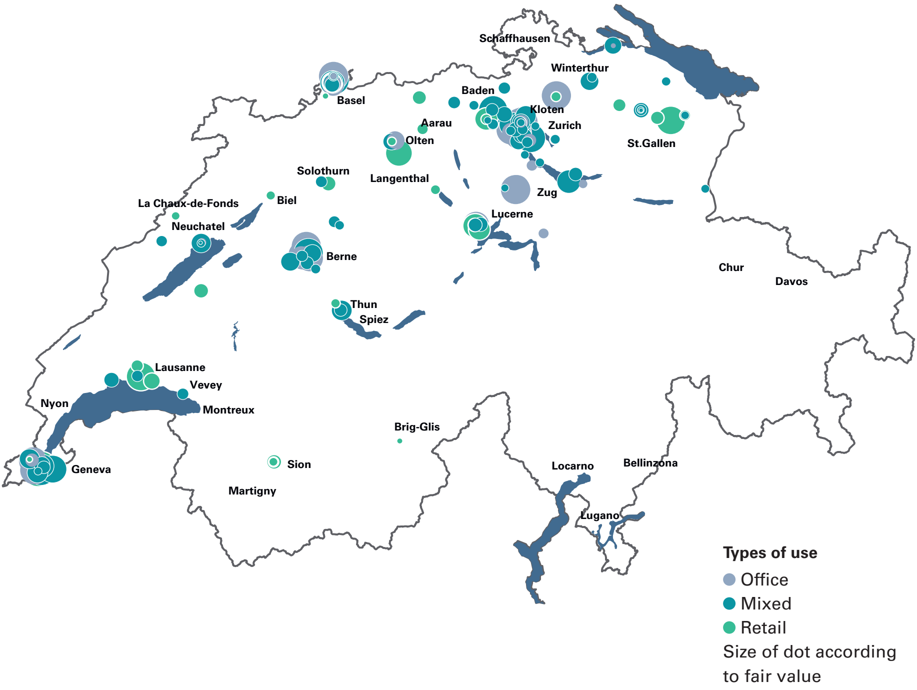
Swiss Prime Site Solutions is an asset management company focusing on the real estate sector. The business field develops tailor-made services and investment products for third-party clients. The objective is aimed at generating solid and attractive earnings with low risk, regardless of the yield environment.

4.8
Income from asset management in CHF million

2.3
Assets under management in CHF billion


prizeotel

Real estate portfolio



Expansion and growth

The founding of Swiss Prime Site in 1999 by the Credit Suisse Pension Fund, Siemens Pension Fund and Winterthur Life (today: AXA) laid the foundation for the current real estate portfolio. The value of the real estate holdings grew through acquisitions and significant self-development projects to roughly CHF 3.8 billion (2008) within less than ten years. With the acquisition of the Jelmoli properties in 2009, the Company more than doubled its real estate portfolio. Additional key projects and acquisitions (2013: Tertianum properties) considerably boosted the level of quality and size of the real estate portfolio. The fair value of the real estate held by Swiss Prime Site amounted to CHF 11.9 billion as at mid-2020.

Geographic allocation

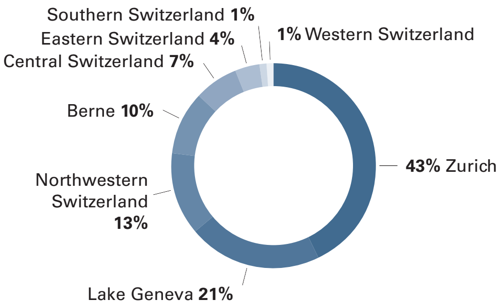
Swiss Prime Site's real estate portfolio boasts a high level of quality of property and location. According to Wüest Partner, roughly 80% of the group's properties rank in the quadrants with the highest quality based on the overall market. The majority of properties (77%) are located in German-speaking Switzerland. In this context, canton Zurich and particularly Zurich City account for the lion's share in this region with 43%. Another region in the spotlight is the Lake Geneva area (21%).

Utilisation

Swiss Prime Site has focused its portfolio of high-quality, value-retaining properties situated in prime locations primarily on commercial and services businesses and their needs. Of the total 1.6 million square metres of available floor space, 45% are leased as office and 26% as retail properties at present. The real estate portfolio's maturity profile is long term and thus attractive. Roughly 20% of net rental income is generated with rental agreements with a term of ten years or more. Another 35% of the portfolio is subject to renewed leasing at terms of between four and nine years.

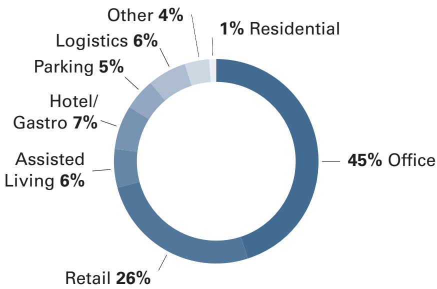
Portfolio split by region

Basis: fair value as at 30.06.2020



Portfolio split by type of use[1]

Basis: net rental income as at 30.06.2020



[1] Real Estate segment

Project pipeline

Development and project planning
One of Swiss Prime Site Immobilien's strengths is its ability to develop its own projects. This paves the way for the Company to operate with a high degree of independence from market cycles.

Development projects are based on the group's strategic targets aimed at boosting organic growth and increasing corporate profitability. Earnings from completed projects are realised in the form of revaluation gains, rising rental income and sales proceeds. New projects developed by Swiss Prime Site Immobilien generally exhibit above-average net yields versus the market as well as the existing portfolio.

The investment volume of Swiss Prime Site Immobilien's project pipeline amounted to roughly CHF 2 billion as at mid-2020.

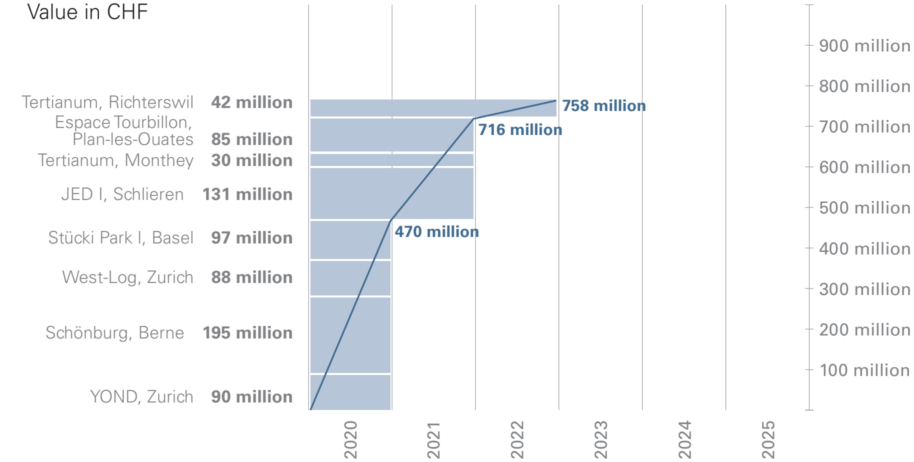
Projects under construction
Construction projects comprise an investment volume (including share of land) of roughly CHF 760 million. Overall, six projects are under construction in 2020. The most significant investments are being carried out in the large-scale Espace Tourbillon building complex in Plan-les-Ouates. Two buildings of the five structures to be erected were already sold shortly after the construction start date in the second half-year 2017. Another two buildungs are in the process of being sold, thereof one in condominium ownership. Projects under construction exhibit an average net yield that exceeds the current portfolio mean.

Projects in planning phase
Projects were in the planning phase at mid-2020 with estimated investment volumes (including share of land) of roughly CHF 940 million. The largest individual project of all is Alto Pont-Rouge in Lancy, with a volume of about CHF 290 million. The project plays a significant role for the Geneva region in its form and due to its location, since another transportation juncture and economic hub will be created for the city as a result. In addition, there are four projects in the planning phase or already in execution for the construction of new residential and geriatric care centres (Monthey, Richterswil and Olten) and a residence (Paradiso) for Tertianum.

Swiss Prime Site Immobilien also holds land reserves in addition to substantial utilisation reserves in its portfolio.

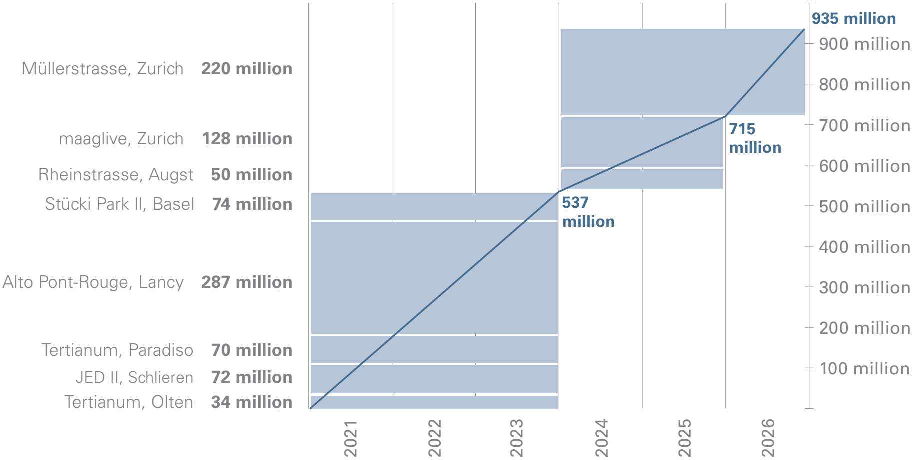
Projects under construction

Value in CHF



Projects in planning phase

Value in CHF



Espace Tourbillon, Plan-les-Ouates

The superstructure comprises a composition of five building structures each with seven above-ground and three subterranean floors as well as its own integrated logistics. The complex will provide future tenants with flexible and state-of-the-art floor space. Project planning envisages construction of the property in one phase and until 2021. Upon completion, the major Espace Tourbillon development project will span usable floor space totalling 95 000 square metres, providing the fast-growing Geneva region space with an additional 4 000 workplaces. Two buildings were sold to the Hans Wilsdorf Foundation at the end of 2017 and will be fully developed and transferred to the buyer in turnkey condition in 2021. Another two buildings are in the process of being sold, thereof one in condominium ownership.

www.espacetourbillon.ch

Realisation	2017 – 2021
Investment volume incl. land	CHF 85 million
Rental space	24 600 m²
Rental income	CHF 7.2 million
Gross yield (on cost)	8.4%
Net yield (on cost)	7.1%


ESPACE TOURBILLON

JED I, Schlieren

Commercial sites can be transformed into socially valuable and interesting properties with multi-faceted opportunities for utilisation through conversions and redevelopments. In this regard, the former printing facility under the new name JED – Join. Explore. Dare. – will undergo a significant upgrade by 2021. The ideally accessible site will be positioned in the long term as a centre for innovation, entrepreneurship, knowledge transfer and attractive working environments. With Zühlke, Halter and Buzz Entertainment, well-known service companies were acquired as long-term tenants for the existing building.

www.jed.swiss

Realisation (phase 1)	2018–2021
Investment volume incl. land	CHF 131 million
Rental space	24 200 m²
Rental income	CHF 6.6 million
Gross yield (on cost)	5.0%
Net yield (on cost)	4.5%

JED II, Schlieren

On the land reserve of the former NZZ printing facility, an innovative new building based on the 2226 concept by Prof. Dietmar Eberle will be built by 2023. The office building will be constructed in solid construction and will not require heating, ventilation, cooling or external energy supply. The aim is to keep the temperature inside the building constant between 22 and 26 degrees Celsius (2226). The maintenance and operating costs will be 50% less than for conventional properties. On the ground floor and the four floors above, approximately 15 000 m² are available for rent, whereby large connected areas are offered.

www.jed.swiss

Realisation (phase 2)	2021 – 2023
Investment volume incl. land	CHF 72 million
Rental space	14 700 m²
Rental income	CHF 4.4 million
Gross yield (on cost)	6.1%
Net yield (on cost)	5.6%

Stücki Park, Basel

The Stücki Park will be thoroughly developed, thus becoming attractive and future oriented. The key expansion of the already existing laboratory and office floor space will be carried out in two phases. 50% of the first phase is already let to Lonza. Four new buildings will noticeably expand the total floor space. At the same time, the rental floor space will double to more than 60000 square metres. Consequently, the project will meet the region's needs for laboratory and office floor space, creating room for an additional 1700 workplaces. The laboratory and office floor space constitutes a key element for the successful and sustainable future development of the entire site, where innovation, entertainment, wellness, healthcare, research and shopping are all interwoven in an overall concept.

www.stueckipark.ch

Realisation	2018–2023
Investment volume incl. land	CHF 171 million
Rental space	33600 m²
Rental income	CHF 10.3 million
Gross yield (on cost)	6.0%
Net yield (on cost)	5.5%

West-Log, Zurich

A logistics centre with offices on the upper floors is being built within walking distance of the Zurich-Altstetten railway station and with connections to the A1 motorway. Thanks to its optimal location, the building enables the anchor tenant Elektro-Material AG to distribute goods quickly and cost-effectively in the city of Zurich and the surrounding area. With the West-Log building, Swiss Prime Site Immobililen is responding to the growing market for city logistics, which is becoming increasingly important in the age of e-commerce.

www.west-log.ch

Realisation	2018–2020
Investment volume incl. land	CHF 88 million
Rental space	17 600 m²
Rental income	CHF 3.2 million
Gross yield (on cost)	3.6%
Net yield (on cost)	3.3%

Alto Pont-Rouge, Lancy

A modern services property with 15 upper floors – featuring innovative and flexible floor space and comprising roughly 35 000 square metres – will be constructed in the years 2021 – 2023 on the Esplanade 4 parcel of land in the Esplanade de Pont-Rouge urban development zone, situated in close proximity to the Lancy railway station in Geneva. The Lancy-Pont-Rouge railway station is the first major construction phase of Geneva's Praille-Acacias-Vernets (PAV) development zone, where a new urban district is emerging on an area of 230 hectares. The official inauguration ceremony for the new Lancy-Pont-Rouge railway station in December 2017 has already laid the cornerstone for PAV's redesign. The development project should pave the way for the emergence of an urban centre on the former industrial site.

Realisation	2021 – 2023
Investment volume incl. land	CHF 287 million
Rental space	31 100 m²
Rental income	CHF 14.7 million
Gross yield (on cost)	5.1%
Net yield (on cost)	4.5%

www.alto-pont-rouge.ch

Our strengths at a glance

Sustainable business model
Swiss Prime Site invests in high-quality land, properties and locations, which, together with conversions and developments of entire sites, form the Company's core business. Vertically integrated real estate-related group companies complement the core business and provide interesting added value.

Stable financing
The Company boasts a stable financing situation through debt and shareholders' equity. The equity ratio amounts to 46.0%. The composition of debt equitably consists of the use of various instruments such as bonds, mortgages and loans. The loan-to-value ratio amounts to 45.1%.

First-class quality of location
The portfolio of 185 high-quality properties comprises value-retaining Swiss properties situated in first-class locations with a fair value of CHF 11.9 billion. In this context, the Company focuses on office and retail properties. The vacancy rate amounts to 5.4%.

High profitability and growth
The existing real estate portfolio realises an attractive net yield of 3.3%. Swiss Prime Site achieves a return on equity (ROE) of 9.6%. The project pipeline for the coming years comprises more than 20 projects totalling an investment volume of roughly CHF 2 billion.

Stock's high level of liquidity
Swiss Prime Site is the largest stock exchange-listed real estate company in Switzerland, with market capitalisation of CHF 6.7 billion. The roughly 76 million registered shares are subject to 100% free float and exhibit a high level of liquidity on the SIX Swiss Exchange.

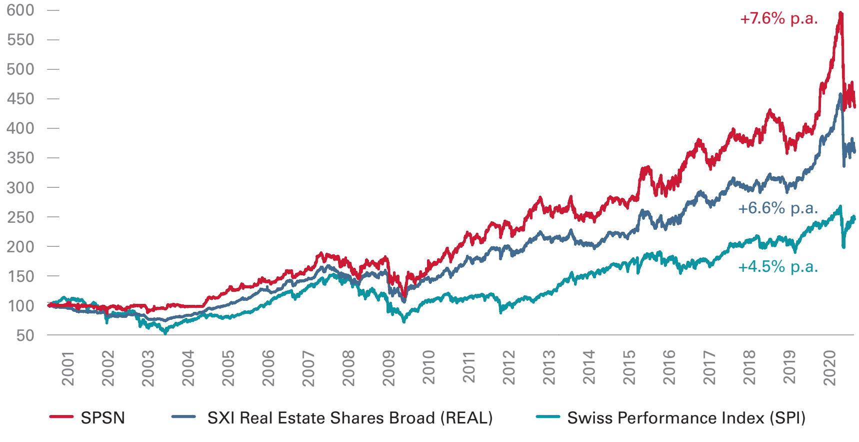
Equitable dividend policy
The Board of Directors pursues an attractive and investor-friendly distribution policy. Around 80% of the profits generated excluding revaluations and deferred taxes are currently repatriated to the shareholders.

Our share

Swiss Prime Site AG share’s closing price on 30 June 2020 amounted to CHF 87.60. The stock turned in a performance (total return) of –18.6% in the first half-year 2020, including the distribution of CHF 3.80 per share carried out with value date of 1 April 2020. Consequently, the share has underperformed the sector (REAL: –11.9%) and the Swiss stock market (SPI: –3.1%).

The share reached its peak price of CHF 123.70 on 19 February 2020 and closed at its lowest point of CHF 86.60 on 6 April 2020. The average daily trading volume amounted to CHF 32 million.

The average annual performance (total return) of the Swiss Prime Site share since the initial public offering amounts to +7.6%, thus significantly surpassing that of the sector (REAL +6.6%) as well as the overall market (SPI: +4.5%).



Quelle: Thomson Datastream

Information policy

25 February 2021
Annual Report 2020
with financial results press conference

23 March 2021
Annual General Meeting
financial year 2020

Markus Waeber
Head Group Investor Relations
& Communications

+41 58 317 17 64
markus.waeber@sps.swiss

Mladen Tomic
Head Group Communications

+41 58 317 17 42
mladen.tomic@sps.swiss

Headquarters
Swiss Prime Site AG
Frohburgstrasse 1
CH-4601 Olten

Zurich Office
Swiss Prime Site AG
Prime Tower, Hardstrasse 201
CH-8005 Zurich

Geneva Office
Swiss Prime Site AG
Rue du Rhône 54
CH-1204 Geneva

Phone +41 58 317 17 17 | info@sps.swiss | www.sps.swiss

Imprint

This short report is published in German, English and French.
The original German text is the effective official version.

Overall responsibility | Editorial
Swiss Prime Site AG
Frohburgstrasse 1
CH-4601 Olten
info@sps.swiss
www.sps.swiss

Design | Realisation
Linkgroup AG, Zurich

Translation
Supertext AG, Zurich

Image material
Swiss Prime Site AG, Olten

Cover
Schönburg, Viktoriastrasse 21, Bern

Paper: Refutura 100% recycled, the blue angel and FSC® certified, CO_2 neutral