

SWISS PRIME SITE

— SHORT REPORT FIRST HALF-YEAR

REPORT

2022





Selected group key figures

		01.01.– 30.06.2021 resp. 30.06.2021	01.01.– 31.12.2021 resp. 31.12.2021	01.01.– 30.06.2022 resp. 30.06.2022
Key financial figures	in			
Rental income from properties	CHF m	213.4	426.7	214.2
EPRA like-for-like change relative	%	–0.7	1.3	1.9
Income from real estate developments	CHF m	36.3	52.0	8.4
Income from real estate services	CHF m	56.9	121.1	59.5
Income from retail	CHF m	46.0	119.5	57.4
Income from asset management	CHF m	8.3	16.5	27.2
Total operating income	CHF m	369.7	757.0	378.9
Revaluation of investment properties, net	CHF m	134.3	301.9	166.6
Result from investment property sales, net	CHF m	36.0	39.9	14.7
Operating result (EBIT)	CHF m	348.5	706.7	365.4
Profit	CHF m	251.5	498.9	267.4
Return on equity (ROE)	%	8.2	8.0	8.3
Return on invested capital (ROIC)	%	4.2	4.3	4.2
Earnings per share (EPS)	CHF	3.31	6.57	3.49
Funds from operations per share (FFO I)	CHF	1.95	4.01	2.09
Financial figures excluding revaluations and all deferred taxes				
Operating result (EBIT)	CHF m	214.2	404.8	198.8
Profit	CHF m	164.7	293.7	158.0
Return on equity (ROE)	%	5.4	4.8	5.0
Return on invested capital (ROIC)	%	2.9	2.8	2.6
Earnings per share (EPS)	CHF	2.17	3.87	2.06
Key balance sheet figures				
Shareholders' equity	CHF m	6 183.7	6 409.7	6 427.2
Equity ratio	%	46.6	47.5	46.6
Borrowed capital	CHF m	7 097.0	7 089.7	7 357.9
Loan-to-value ratio of property portfolio (LTV)	%	42.0	40.2	40.5
NAV before deferred taxes per share ¹	CHF	97.67	101.22	100.95
NAV after deferred taxes per share ¹	CHF	81.40	84.37	83.80
EPRA NTA per share	CHF	97.73	100.93	100.78
Real estate portfolio				
Fair value of real estate portfolio	CHF m	12 457.6	12 793.5	13 066.4
of which projects/development properties	CHF m	1 031.4	1 006.9	997.7
Number of properties	number	184	184	179
Rental floor space	m ²	1 654 518	1 677 027	1 681 690
Vacancy rate	%	4.7	4.6	4.4
Average discount rate	%	2.83	2.75	2.71
Net property yield	%	3.2	3.2	3.1
Employees				
Number of employees as at balance sheet date	persons	1 677	1 667	1 722
Full-time equivalents as at balance sheet date	FTE	1 455	1 474	1 529

¹ Services segment (real estate-related business fields) included at book values and not at fair values

The consolidated financial statements have been prepared in accordance with IFRS since the beginning of 2022. The previous year's figures were adjusted accordingly (restatement).

Resilient and on a growth course

Swiss Prime Site can look back on a successful first half of 2022. With operating income of CHF 378.9 million (+2.5%), profit of CHF 267.4 million (+6.3%) and earnings per share of CHF 3.49 (+5.4%), we posted good results. Our services were in high demand on the market, enabling us to increase our real estate assets under management to CHF 20.0 billion in total (end of 2021: CHF 18.7 billion). Despite major geopolitical challenges causing supply shortages, rising prices and higher interest rates in the real economy, we remain optimistic for 2022 as a whole.

Interest rate pivot

In the year to date, the Swiss economy has continued to grow despite geopolitical challenges, supply chain problems and rising prices. With an increase of 105 000 jobs in the services sector in the past 12 months and a record 114 000 vacancies, the economic outlook remains positive. As Switzerland is also being affected by rising prices, the Swiss National Bank (SNB) increased the benchmark interest rate by 50 basis points in June 2022 with the aim of preventing inflation from spreading more broadly to goods and services. Inflation in Switzerland remains below the levels seen in European markets. Despite the prospect of further rate hikes by the SNB in 2022, we still find ourselves in a negative interest rate environment in real terms. This favours investments in real assets such as property. Accordingly, we have only witnessed isolated knock-on effects on the real estate market so far. Prime locations continue to be sought after by tenants and investors.

Cash flow improved

The CHF 166.6 million [CHF 134.3 million] revaluation result on our real estate portfolio with a value of CHF 13.1 billion (CHF 12.8 billion at the end of 2021) confirms the favourable market prospects for the prime commercial properties held by us. The positive revaluations were driven mainly by better letting performance and a lower vacancy rate of 4.4% [4.7%]. Against the current backdrop of rising interest rates, we will focus even more heavily on active letting and vacancy management in order to improve our cash flows. We are also doing so because we believe that the value growth from yield compression is flattening out. In light of this, the 7.2% increase in funds from operations (FFO I) to CHF 2.09 per share was especially pleasing. We have thereby managed to exceed the annual 2022 target of increasing FFO by 3–5%.

Solid funding

In times of rising interest rates, solid funding is just as important as securing revenue. By largely redeeming the greater part of our mortgages with two unsecured syndicated loans totalling CHF 2.6 billion by the end of 2021, we significantly decreased our interest payments to 0.7% [0.9%]. In addition, the residual term to maturity of five years for the financial liabilities, together with the balanced lease expiry profile and our capital recycling strategy, give us good visibility in a refinancing environment that is becoming increasingly tough. Despite the dividend distribution, the loan-to-value (LTV) for our real estate portfolio improved to 40.5% [42.0%], which puts us on course to meet our target of reducing LTV below 40% by the end of the year.

«Prime locations continue to be sought after by tenants and investors.»

Focus on sustainability

Due to the current geopolitical environment, the topic of sustainability has become more important than ever. Our customers are increasingly calling for flexible and, above all, sustainable rental spaces. We have been working hard in various sustainability action areas for some time now. The results of these efforts are becoming increasingly visible. By the end of 2022, for example, around 75% of the floor space in our portfolio will have been awarded a sustainability certificate. For new-build and modification projects (e.g. Müllerstrasse), we are following the concept of the circular economy and the Cradle to Cradle principle to tackle the issue of embodied carbon. At the same time, we set ourselves ambitious targets that go beyond the requirements of the Swiss Sustainable Building Standard (SNBS). Our customers will soon be able to conclude «green leases» with us. We are confident that the demand for sustainable properties and spaces will continue to rise. All these measures and initiatives are aimed at making the real estate portfolio carbon neutral and thus sustainable by 2040. We are thereby serving the interests of society, investors and our tenants.

Exploiting growth opportunities

The acquisition of the real estate asset manager Akara and its integration into our group company Swiss Prime Site Solutions have been progressing according to plan since being announced at the end of 2021. We merged the companies on 9 August 2022. Our new colleagues have fitted in well to our existing structures in the area of real estate asset management. Under the corporate umbrella of Swiss Prime Site Solutions, we now offer a comprehensive range of services for real estate investors consisting of two funds as well as mandates from investment foundations and pension funds. Through organic growth in the product range and customer base, Swiss Prime Site Solutions increased its assets under management to CHF 6.9 billion (CHF 5.9 billion including Akara as at the end of 2021). The customer base increased to more than 550 qualified Swiss investors. Through new mandates, the

*«We are confident that
the demand for sustainable
properties and spaces will
continue to rise.»*

real estate services provider Wincasa increased assets under management by CHF 1.9 billion to CHF 77.5 billion (end of 2021: CHF 75.6 billion). Swiss Prime Site Immobilien also exploited growth opportunities arising in the first half of the year under its successful capital recycling strategy. The released funds from the sale of nine properties as part of our regular portfolio analysis were reinvested in three attractive development properties in central locations in Zurich, Bern and Basel.

Thank you

We would like to thank our customers for placing their trust in our products and services in the first half of 2022. We would also like to thank our staff for their hard work and entrepreneurial spirit. Our results show that we are on the right path to overcome future challenges and continue growing. 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 forward to implementing it for you and with you.



Ton Büchner
Chairman of the Board
of Directors



René Zahnd
CEO

2022 guidance increased after impressive results in the first half of the year

Swiss Prime Site demonstrated good operating performance in the first half of 2022. With FFO growth of 7.2% per share, real estate assets under management totalling CHF 20 billion and a vacancy rate of 4.4%, we already met our targets for 2022 in the first half of the financial year, and even exceeded some of them. In light of the positive market environment and the visibility currently available to us, we are therefore increasing our guidance for 2022.

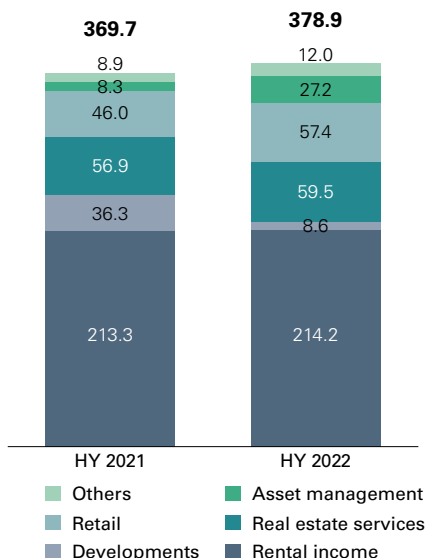
The key figures for 2022 have been heavily influenced by two factors: firstly, after the closing on 10 January 2022, the Zug-based Akara Group is included in our scope of consolidation for the first time; secondly, the 2022 consolidated financial statements have been prepared in accordance with the IFRS accounting standards for the first time and the previous year's figures have been adapted accordingly.

Increase in operating income and good rental income

The positive business performance of the Swiss Prime Site Group is reflected in a 2.5% increase in operating income to CHF 378.9 million, which all group companies contributed towards. In the first half of 2022, we finalised new leases or contract renewals for a total area of more than 102 000 m² [47 000 m²] within our real estate portfolio. Many of these were agreed on better terms, which led to rental income increasing to CHF 214.2 million (+1.9% on a like-for-like basis). The vacancy rate was reduced to 4.4% [4.7%]. WAULT remained at 5.5 years [5.6 years].

Operating income

in CHF million



The successful leasing activities therefore more than offset the rent of CHF 3.3 million from the modernisation project on Zurich's Müllerstrasse, which was still included in the first half of 2021, and the loss of income due to the sale of properties under our capital recycling strategy. These comprised a portfolio of seven properties that was sold to the newly launched «Swiss Prime Site Solutions Investment Fund Commercial» as well as two other properties in St. Gallen. This resulted in a pre-tax profit of CHF 14.7 million. The gains from sales will increase again in the second half of 2022 due to property sales of more than CHF 165 million that have already been agreed (including building B of «Espace Tourbillon» in Plan-les-Ouates).

High revaluations and attractive net yields on property

The good results at operating level (like-for-like rental growth of 1.9%, reduction in the vacancy rate to 4.4%) were the main drivers for the higher revaluations of CHF 166.6 million [CHF 134.3 million]. The real discount rate was reduced marginally to 2.71% (–4 basis points) by the external property valuer Wüest Partner. The nominal discount rate of 3.74% was adjusted in line with the 1.0% increase in inflation (+50 basis points). The subsequent effect on the valuation of our properties is therefore negligible due to most commercial rental contracts being tied to the Swiss Consumer Price Index. Despite the revaluations, the net yield on property from our prime portfolio remains at an attractive 3.1% [3.2%].

Strong growth in asset management

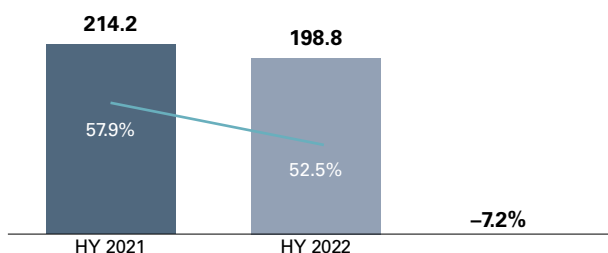
Swiss Prime Site Solutions managed to grow even faster than in recent years. New funds amounting to CHF 235 million were acquired for the real estate funds. Acquisitions totalling more than CHF 1.0 billion were completed for various customers and vehicles in the first half of 2022 alone. Real estate assets under management increased to CHF 6.9 billion [end of 2021: CHF 5.9 billion including Akara]. Correspondingly, income from asset management rose from CHF 8.3 million to CHF 27.2 million. The acquired Akara Group contributed CHF 11.3 million to this figure. EBIT increased to CHF 17.1 million [CHF 3.8 million], which resulted in an attractive EBIT margin of 62% [43%]. On 9 August 2022, we completed the FINMA-approved merger of the fund management companies and witnessed some early synergy effects. With its real estate fund business, the investment foundation and the pension fund mandates, Swiss Prime Site Solutions is currently focusing exclusively on the area of non-listed products for qualified Swiss investors. Due to the volatile stock markets at present, these products continue to be very popular among investors.

Strict cost control and temporary EBIT effects

Operating expenses increased by 1.7% in the first half of the year. This was mainly due to the integration of the Akara Group and the growth across all group companies. The slightly lower profit of sale compared to the previous year and the loss of income from the Plan-les-Quates development project in Geneva that was completed at the end of 2021 had a temporary effect on group EBIT excluding revaluations as well as on the EBIT margin. The EBIT figure reached CHF 198.8 million [CHF 214.2 million]. The corresponding EBIT margin was 52.5% [57.9%]. Due to higher profit of sale from the capital recycling strategy and continued strong operating performance, we are expecting an improvement in EBIT before revaluations and in the corresponding EBIT margin in the second half of the year.

EBIT and EBIT margin (excl. revaluations)

in CHF million resp. %

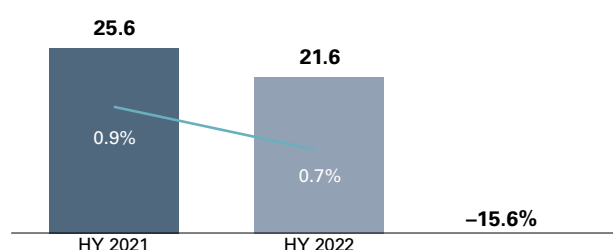


Lower financing costs and higher profits

Swiss Prime Site's profit including revaluation effects increased by 6.3% to CHF 267.4 million [CHF 251.5 million] and earnings per share rose by 5.4% to CHF 3.49 [CHF 3.31]. Return on equity (ROE) increased to 8.3% [8.2%]. In addition to the progress made at operating level, the improvement was largely attributable to changing the sources of financing. The redemption of bank mortgages at the end of 2021 with two unsecured syndicated loans totalling CHF 2.6 billion led to lower financial expenses (net) of CHF 21.6 million [CHF 25.6 million] and lower average interest payments of 0.70% (-24 basis points).

Net financial expenses and average cost of borrowing

in CHF million resp. %

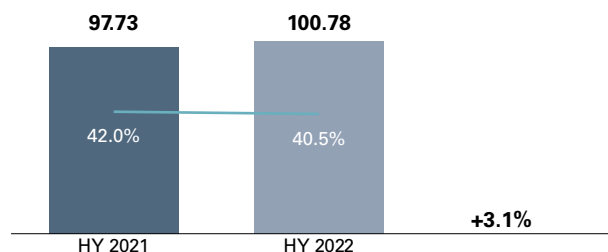


Higher NAV and stable equity ratio

Net asset value (NAV) after deferred taxes increased to CHF 83.80 per share (+3.0%) in comparison to the previous year. EPRA NTA rose to CHF 100.78 per share (+3.1%). This includes the distribution of CHF 3.35 per share in the first half of 2022 as well as the additional shares issued as part of the Akara acquisition. With a closing price of CHF 83.75 on 30 June 2022 and a total return of -3.1%, the Swiss Prime Site share outperformed both national (REAL: -7.0%, SPI: -15.9%) and international (EPRA: -27.7%) indices. The total return was even positive in mid-August at 2.5%. FFO I, which is decisive for the dividend payout, increased by 7.2% to CHF 2.09 per share in the first half of 2022. This means that we had already reached more than half of the 2021 distribution of CHF 3.35 by the mid-way point. With an equity ratio of 46.6% [46.6%], a loan-to-value of 40.5% [42.0%] on the real estate portfolio and an average residual term to maturity of interest-bearing financial liabilities of 5.0 years [5.8 years], Swiss Prime Site is soundly financed.

EPRA NTA per share and LTV

in CHF resp. %



2022 guidance increased based on recent performance

Our good operating results in the first half of 2022, combined with the current positive outlook for the second half of the year, have enabled us to increase the guidance for 2022 as a whole. We are now expecting real estate assets under management to amount to more than CHF 20 billion (previous guidance CHF 19–20 billion). The vacancy rate for the whole year is expected to fall further below 4.4% (previous guidance <4.6%), and FFO growth for the year should be at the higher end of the 3–5% range. Based on Swiss Prime Site Solutions' good half-year results (EBIT: CHF 17.1 million), we are now confident of achieving an EBIT in this business area of approximately CHF 30 million (previous target CHF 27–28 million) for 2022 as a whole.





75% of floor space certified by the end of 2022

All new-build and conversion projects of Swiss Prime Site are to be certified with a nationally or internationally recognised sustainability label. The label for existing properties is BREEAM In-Use. The target is for 75% of floor space in the property portfolio to be certified by the end of 2022. This creates a frame of reference, transparency and the foundation on which to generate ecological, economic and social added value for all stakeholders for the long term.



[MORE ON
CERTIFICATION](#)



Creating sustainable living spaces

As the leading real estate company in Switzerland, we offer responsible positions for dedicated experts across the entire real estate life cycle. Developing projects on greenfield sites or redeveloping existing plots takes foresight, imagination, a self-starter attitude and a certain amount of courage.

Annette Bohr tells us about the opportunities and challenges in her work as a Development & Construction Project Manager at Swiss Prime Site Immobilien.



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THE JOB PROFILE](#)



Strong sustainability ratings from Inrate and Sustainalytics

Swiss Prime Site was awarded a much improved ESG risk rating by Sustainalytics, a leading sustainability agency that analyses and rates the environmental, social and governance efforts of companies. With an improvement of four points (from 17.3 to 13.3), Sustainalytics rates Swiss Prime Site's sustainability risks as low, which puts it in the top 20 percent of companies in the sector. Inrate, an independent Swiss sustainability ratings agency, has increased Swiss Prime Site's overall score from B+ to A-. This places it among the top-rated companies. The agency highlighted Swiss Prime Site's good environmental per-

formance in particular. This is ensured through energy efficiency certifications aimed at reducing resource intensity, CO₂ emissions and energy consumption during a property's life cycle. Inrate also praised Swiss Prime Site's transparent reporting on relevant environmental aspects. The increase in rating to A- has also led to the company's share (ticker: SPSN) receiving a better weighting in the SPI ESG index of the SIX Swiss Exchange.



[MORE ON
SUSTAINABILITY RATINGS](#)

Saving energy with foil coating

The repositioning of the Messeturm has been a key project in Swiss Prime Site's portfolio over the past two years. Sustainability is a central aspect of the extensive renovation. This includes the integration of various materials in accordance with the Cradle to Cradle principle, as well as the use of air-purifying wall paints. A further goal is to reduce the amount of energy used by the Messeturm in the long term. To achieve this, many of the technical systems in the building have already been replaced. The concept will now be rounded off with a special foil coating on the façade.



MORE ON
FOIL COATING



Green leases – a marathon, not a sprint!

A green lease is a catalogue of measures that shows tenants and landlords how they can contribute to sustainability within the context of the tenancy. These measures are incorporated into sustainability clauses to help improve the carbon emissions of buildings, among other things. The tenants and users thus benefit from optimisations and the resulting advantages.



MORE ON
GREEN LEASES



Dynamic liquid crystal glass from eyrise

As part of the extensive renovation of the property on Müllerstrasse in Zurich, Swiss Prime Site ordered more than 3 000 m² of dynamic liquid crystal glass from the company eyrise. Compared to conventional glazing, this special glass reduces energy consumption for air conditioning and lighting, as well as contributing to a greater sense of well-being.



MORE ON
EYRISE



Promotion of e-mobility

We lead by example and are aware of our responsibilities towards our employees, customers and the environment. As part of this commitment, we invest in e-mobility. The proportion of electric vehicles will continue to grow over the coming years. In order to offer tenants and customers the required infrastructure and related services, we form partnerships with other companies and invest in electric charging points in suitable locations (e.g. Shopping Arena St. Gallen).



MORE ON
E-MOBILITY



Consolidated financial statements

Consolidated income statement

in CHF 1 000	01.01.– 30.06.2021	01.01.– 30.06.2022
Rental income from properties	213 366	214 182
Income from sale of trading properties	–	203
Income from real estate developments	36 255	8 435
Income from asset management	8 300	27 162
Income from real estate services	56 860	59 497
Income from retail	45 991	57 392
Capitalised own services	4 707	6 621
Other operating income	4 236	5 373
Operating income	369 715	378 865
Revaluation of investment properties, net	134 288	166 585
Result from investments in associates	500	500
Result from investment property sales, net	36 011	14 654
Real estate costs	– 25 443	– 26 420
Cost of real estate developments	– 24 801	– 7 661
Cost of trading properties sold	–	– 103
Cost of goods sold	– 24 765	– 30 038
Personnel costs	– 87 115	– 94 798
Other operating expenses	– 18 535	– 24 196
Depreciation and amortisation	– 11 324	– 12 004
Operating expenses	– 191 983	– 195 220
Operating result (EBIT)	348 531	365 384
Financial expenses	– 27 346	– 21 846
Financial income	1 739	272
Profit before income taxes	322 924	343 810
Income taxes	– 71 426	– 76 403
Profit attributable to shareholders of Swiss Prime Site AG	251 498	267 407
Earnings per share (EPS), in CHF	3.31	3.49
Diluted earnings per share, in CHF	3.11	3.28

The consolidated financial statements have been prepared in accordance with IFRS since the beginning of 2022. The previous year's figures were adjusted accordingly (restatement).

Consolidated balance sheet

in CHF 1 000

	31.12.2021	30.06.2022
Assets		
Cash	114 656	32 383
Securities	1 351	945
Accounts receivable	39 349	39 640
Other current receivables	6 268	6 086
Current income tax assets	3 868	3 660
Inventories	33 263	33 123
Real estate developments	–	1 657
Trading properties	53 466	62 764
Accrued income and prepaid expenses	27 141	39 264
Assets held for sale	250 124	177 062
Total current assets	529 486	396 584
Net defined benefit assets	80 239	–
Non-current financial assets	4 285	9 682
Investments in associates	50 800	49 893
Investment properties	12 131 001	12 466 117
Owner-occupied properties	597 611	597 670
Tangible assets	23 620	23 852
Right-of-use assets	43 132	41 426
Goodwill	–	168 679
Intangible assets	32 243	31 264
Deferred income tax assets	6 919	–
Total non-current assets	12 969 850	13 388 583
Total assets	13 499 336	13 785 167
Liabilities and shareholders' equity		
Accounts payable	25 297	10 577
Current financial liabilities	14 519	461 216
Other current liabilities	129 937	124 050
Real estate developments	–	5 686
Advance payments	30 984	39 477
Current income tax liabilities	36 182	21 683
Accrued expenses and deferred income	157 484	205 917
Total current liabilities	394 403	868 606
Non-current financial liabilities	5 415 515	5 173 310
Deferred tax liabilities	1 279 736	1 315 533
Net defined benefit liabilities	–	483
Total non-current liabilities	6 695 251	6 489 326
Total liabilities	7 089 654	7 357 932
Share capital	1 162 347	153 437
Capital reserves	50 016	995 295
Treasury shares	–58	–1 737
Revaluation reserves	12 008	18 606
Retained earnings	5 185 369	5 261 634
Shareholders' equity attributable to shareholders of Swiss Prime Site AG	6 409 682	6 427 235
Total liabilities and shareholders' equity	13 499 336	13 785 167

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Swiss Prime Site's property portfolio will be climate-neutral by 2040. That's a promise.

Swiss Prime Site

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