SWISS PRIME SITE

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MEDIA RELEASE

Olten, 27 August 2015
For immediate release

**Semi-Annual Report as at 30 June 2015**

## Swiss Prime Site with strong earnings growth

- **Profit surges to CHF 191.0 million (+39.2%)**
- **Earnings per share (EPS) rise to CHF 2.96 (+31.6%)**
- **Rental income edges up to CHF 225.2 million (+3.6%)**
- **Real estate portfolio expands to CHF 9.9 billion (+3.6%)**
- **EBIT and profit forecasts for 2015 exceed previous year's levels**
- **Acquisition of SENIOcare AG and strengthening of Assisted Living segment**

Swiss Prime Site turned in a very successful performance in the first half-year 2015, which is manifested in, among other things, the double-digit growth rates in key financial figures. Operating profit (EBIT) after revaluations surged by 35.8% versus the previous year's period from CHF 221.1 million to CHF 300.2 million. Profit jumped significantly by 39.2% from CHF 137.2 million to CHF 191.0 million. Revaluations amounted to CHF 99.7 million (previous year CHF 53.6 million). EBIT excluding revaluation effects* climbed by 19.7% from CHF 167.5 million to CHF 200.5 million, while profit increased by 24.7% from CHF 107.0 million to CHF 133.4 million. "Swiss Prime Site's investment strategy has proven successful even amid an increasingly adverse environment, providing our shareholders with an attractive return," comments CEO Markus Graf on the first half-year results.

The equity ratio improved from 39.2% to 44.4%. The pickup is attributable to conversions of the CHF 300 million convertible bond (conversion rate of more than 90%) with maturity date of 20 January 2015, as well as to the capital increase by CHF 413.3 million on 29 May 2015. As at 30 June 2015, the return on equity (ROE) amounted to 8.9% (6.8%) and the return on invested capital (ROIC) was 4.5% (3.6%).

### Real Estate segment

The Real Estate segment continued to boost rental income in the first half-year. Rental income from investment properties climbed by 4.2% versus the previous year's period to CHF 220.0 million (CHF 211.2 million). The projects completed in 2014 – SkyKey in Zurich and Swiss Post headquarters/Majowa in Berne – had a positive effect on the results.
The vacancy rate of the segment amounted to 7.2% (6.5%).

*revaluations and deferred taxes



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Income from real estate services generated by Wincasa increased by 8.2% from CHF 48.7 million to CHF 52.7 million. Operating income in the Real Estate segment reached CHF 348.5 million (CHF 260.7 million). EBIT soared by 45.6% from CHF 227.5 million to CHF 331.3 million, with the sharp surge in revaluations and income from sale of trading properties having a favourable impact.

The real estate portfolio consisted of 188 (190 as at 31 December 2014) properties on 30 June 2015, with a fair value of CHF 9.9 billion (CHF 9.8 billion). The increase in fair value of CHF 119.9 million in the first half-year 2015 resulted from value changes (including renovations/investments) related to existing properties (CHF +164.1 million), divestments (CHF -43.8 million), value changes related to plots of building land (CHF +3.7 million), as well as value changes/investments/sales of condominiums of the projects (CHF -4.1 million). Three properties were sold during the reporting period with proceeds of total CHF 44.3 million as well as 57 condominiums, 7 commercial sites and 47 parking lots amounting to CHF 74.4 million. No acquisitions were carried out in the reporting period. Of the total 171 existing properties, 134 were valued higher and 35 valued lower than at 1 January 2015, with two properties valued the same.

The Maaghof North and East building complex – comprising 220 apartments and 2 200 square metres of services floor space – was completed in April 2015 in the wake of a roughly three-year construction phase. As at end-June 2015, more than 92% of the condominiums had been sold and more than 93% of the rental apartments had been leased. Of the total 17 commercial units, more than 82% were sold or leased.

**Retail and Gastronomy segment**
Income from retail and gastronomy declined by 7.3% to CHF 65.9 million. The trend in net retail turnover was negatively affected by the abolition of the Swiss franc/euro minimum exchange rate at the outset of 2015 and generally cautious stance on the part of consumers. Jelmoli – The House of Brands in Zurich succeeded in maintaining its position as the leading premium department store in Switzerland amid this challenging environment, strengthening its appeal especially to tourists through systematic marketing activities. The Clouds Restaurant operating business in Prime Tower was transferred as planned to Candrian Catering AG as at mid-year.

**Assisted Living segment**
Tertianum Group generated a slight spurt in income from assisted living to CHF 77.9 million although Permed AG (specialist in providing outpatient care) was divested in March 2014. The first Vitadomo senior centre in Opfikon opened its doors on 1 April 2015. Nearly all apartments had been leased and capacity utilisation of the geriatric care rooms was very good from the outset. Tertianum Group currently operates 23 facilities in German- and Italian-speaking Switzerland and boasts an ambitious project pipeline.

**Share and share capital**
Earnings per share (EPS) surged by 31.6% from CHF 2.25 to CHF 2.96 and before revaluation effects by 16.4% from CHF 1.77 to CHF 2.06. Net asset value (NAV) before deferred taxes rose from CHF 81.65 to CHF 82.92 and after deferred taxes from CHF 66.52 to CHF 68.56 versus 30 June 2014.



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The closing price of the Swiss Prime Site share on 30 June 2015 was CHF 70.95, resulting in a performance (total return) of +2.8% in the first half-year 2015. By comparison, the Swiss Performance Index (SPI) and SXI Real Estate Shares Index turned in performances of +0.7% and +1.0%, respectively. The cash yield of 5.1% based on the closing share price at year-end, resulting from the distribution of CHF 3.70 per share effected on 21 April 2015, makes the Swiss Prime Site AG share an above-average attractive dividend-yielding stock.

**Acquisition of SENIOcare and strengthening of Assisted Living segment**
Swiss Prime Site is acquiring SENIOcare Group, subject to approval by the Competition Commission (COMCO). Swiss Prime Site signed a purchase agreement on 26.08.2015 for the acquisition of 100% of the share capital.

SENIOcare is the highest-volume provider in the Swiss nursing home segment in terms of revenues. The company realised revenues of CHF 107.1 million in 2014 and manages a total of 29 operating locations with 1 128 nursing beds and 214 apartments. The acquisition propels Tertianum Group to the strongest private provider in the assisted living market segment in terms of revenues. The geographic diversification of SENIOcare’s operating locations ideally supplements Tertianum’s current locations. The services portfolio of SENIOcare comprises the areas of assisted living, dementia care and stationary care.

With the acquisition, Swiss Prime Site is consistently pursuing the execution of its growth strategy for the Assisted Living segment and, accordingly, is able to expand and more rapidly develop its existing real estate project pipeline. The returns on future new building projects can be actively managed, providing improved net returns on the overall real estate portfolio. The transaction also clears a path for realising synergy potential within Tertianum Group and will have a positive impact on earnings per share.

Luca Stäger, CEO of Tertianum Group, declares: “A market consolidation is currently underway. With Swiss Prime Site’s financial strength, we are able to actively participate in this trend, sustainably manage growth of the business fields and further underpin Tertianum Group’s position.” There will be no changes for the guests and approx. 1 200 employees.

Markus Graf, CEO of Swiss Prime Site AG, concludes: "The combination of Tertianum Group with SENIOcare paves the way for the Company to ensure substantial revenue growth in the Assisted Living segment, fully exhaust the future potential of the demographic trend and further expand the real estate portfolio.”

**Outlook**
Swiss Prime Site anticipates an economic cooldown in Switzerland in 2015. However, demand for first-class commercial properties should be underpinned by the domestic economy and net migration. Swiss Prime Site believes that it is well-positioned to continue on the growth path toward strengthening earnings, with its high percentage of modern properties situated in urban, excellently developed locations as well as supplementary real-estate-related segments.



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Swiss Prime Site will launch the investment group «SPIF Real Estate Switzerland» of the Swiss Prime Investment Foundation in the third quarter of 2015. The focal point of the investments is directed at residential properties, with supplementary investing in commercial real estate and development projects. Swiss Prime Site plans to sell the investment foundation a real estate package of roughly CHF 425 million in a one-time transaction. The estimated profit after tax earned by Swiss Prime Site from the transaction amounts to around CHF 20-25 million. The sales process is being executed by independent entities according to regulatory requirements. The Investment Foundation enables Swiss pension schemes to invest in a high-value, broadly diversified real estate portfolio. «SPIF Real Estate Switzerland» is aiming for a portfolio volume of CHF 550 million as at mid-2016. The new product expands Swiss Prime Site's value-creation chain and paves the way for the Group to tap additional earnings potential through asset management mandates.

The change in management on Swiss Prime Site's Executive Board announced already in mid-April will be implemented as at 1 January 2016. Designated CEO René Zahnd will then assume the position held by Markus Graf.

For the current year, Swiss Prime Site forecasts rental income, operating profit (EBIT) and net profit figures that noticeably surpass the respective previous year's levels. Swiss Prime Site estimates an earnings contribution after tax of roughly CHF 30 million from the sale of condominiums at the Maaghof site (of which around CHF 20 million was incurred already in the first half-year 2015). The vacancy rate is expected to trend slightly higher than the targeted range of 6.5% to 7.0%.



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## Selected Group key figures

| | Figures in | 30.06.2014 | 30.06.2015 | Change in % |
|---|---|---|---|---|
| Real estate portfolio at fair value | CHF m | 9 558.0 | **9 904.9** | 3.6 |
| Rental income from properties | CHF m | 217.3 | **225.2** | 3.6 |
| Vacancy rate | % | 6.8 | **7.4** | 8.8 |
| Income from sale of trading properties | CHF m | - | **74.4** | 100.0 |
| Income from real estate services | CHF m | 48.4 | **52.5** | 8.5 |
| Income from retail and gastronomy | CHF m | 71.0 | **65.7** | - 7.5 |
| Income from assisted living [1] | CHF m | 77.3 | **77.4** | 0.1 |
| Total operating income | CHF m | 415.9 | **497.9** | 19.7 |
| Revaluation of investment properties, properties under construction and development sites | CHF m | 53.6 | **99.7** | 86.0 |
| Result from investments in associates | CHF m | 2.2 | **5.5** | 150.0 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | CHF m | 236.0 | **315.9** | 33.9 |
| Earnings before interest and taxes (EBIT) | CHF m | 221.1 | **300.2** | 35.8 |
| Profit | CHF m | 137.2 | **191.0** | 39.2 |
| of which attributable to non-controlling interests | CHF m | 0.9 | **- 0.3** | - 133.3 |
| Comprehensive income | CHF m | 134.6 | **197.4** | 46.7 |
| of which attributable to non-controlling interests | CHF m | 0.9 | **- 0.3** | - 133.3 |
| Shareholders' equity | CHF m | 4 026.0 | **4 776.8** | 18.6 |
| of which non-controlling interests | CHF m | 1.6 | **1.3** | - 18.8 |
| Equity ratio | % | 39.2 | **44.4** | 13.2 |
| Borrowed capital | CHF m | 6 237.0 | **5 975.9** | - 4.2 |
| Total capital | CHF m | 10 263.0 | **10 752.7** | 4.8 |
| Return on equity (ROE) | % | 6.8 | **8.9** | 30.9 |
| Return on invested capital (ROIC) | % | 3.6 | **4.5** | 25.0 |
| Earnings per share (EPS) | CHF | 2.25 | **2.96** | 31.6 |
| NAV before deferred taxes per share | CHF | 81.65 | **82.92** | 1.6 |
| NAV after deferred taxes per share | CHF | 66.52 | **68.56** | 3.1 |
| **Figures without revaluation effects [2]** | | | | |
| Earnings before interest and taxes (EBIT) | CHF m | 167.5 | **200.5** | 19.7 |
| Profit | CHF m | 107.0 | **133.4** | 24.7 |
| of which attributable to non-controlling interests | CHF m | - 0.0 | **-0.0** | - 100.0 |
| Comprehensive income | CHF m | 99.4 | **118.6** | 19.3 |
| Earnings per share (EPS) | CHF | 1.77 | **2.06** | 16.4 |
| Return on equity (ROE) | % | 5.4 | **6.3** | 16.7 |

[1] Sale of Permed AG as at 17.03.2014; acquisition of Pflegewohngruppe Sternmatt, Lucerne, as at 05.01.2015

[2] Revaluations and deferred taxes



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**Swiss Prime Site**
Swiss Prime Site AG is Switzerland's largest listed real estate investment company. The Group's portfolio is valued at CHF 9.9 billion and comprises first-class, value-retaining and high-quality properties with primarily office and retail floor space situated in prime locations. The real estate investments, coupled with the real estate services provided by subsidiary Wincasa AG, make up the Real Estate segment. The Retail and Gastronomy segment consists of Jelmoli – The House of Brands department store and Clouds Restaurant in Prime Tower, Zurich (until mid-2015). The Assisted Living segment comprises the senior residences and geriatric care facilities provided by Tertianum Group.

Swiss Prime Site is distinguished by its experienced management team, considerable earnings continuity and excellent risk/return profile. The Company has been listed on the SIX Swiss Exchange since 2000 and reports market capitalisation of CHF 4.9 billion as at the balance sheet date.

SIX Swiss Exchange / symbol SPSN / securities number 803 838