

# SWISS PRIME SITE

## MEDIA RELEASE

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### Swiss Prime Site: pleasing start into the financial year 2017

- **Good performance in core real estate business**
- **Further growth in the real estate portfolio and positive revaluations**
- **Reduction in vacancy rate by nearly one percentage points to 5.5%**
- **Real estate-related business fields present good results**
- **Confirmation of annual targets for 2017**

Swiss Prime Site closed out the first half-year 2017 with favourable financial results. Operating income reached a record high for the first six months of a financial year with CHF 530.5 million, climbing by 6.7% versus 2016. The core real estate business as well as the real estate-related group companies contributed to the performance. The value of the real estate portfolio amounted to CHF 10.3 billion on the balance sheet date [CHF 9.9 billion], and the net yield stood at 3.7%. The vacancy rate – regarded as an indicator of the portfolio's attractiveness – continued to decline, reaching the level of 5.5% [6.4%]. Overall, Swiss Prime Site realised profit of CHF 141.0 million [CHF 145.9 million] or CHF 131.0 million [CHF 134.4 million] excluding revaluation effects. The change is attributable primarily to the fact that in 2017 the result from property sales will not be booked until the second half-year (e.g. partial sales of «Espace Tourbillon» project). Swiss Prime Site reported its results according to Swiss GAAP FER accounting standards for the first time in the current half-year 2017 period (IFRS to 31 December 2016). The previous year's figures were adjusted accordingly.

#### Operating income

Swiss Prime Site boosted its operating income by 6.7% to CHF 530.5 million in the first six months of 2017. The core real estate business continued to achieve growth in the first half-year 2017. The Real Estate segment realised operating income of CHF 210.4 million (+1.0%). New leases, various acquisitions in the current and previous year as well as the completion of fully leased real estate projects (including «Medienpark» in Zurich) contributed to this earnings growth. Growth in earnings in the real estate-related group companies in the Services segment also trended on a favourable course. Operating income surged strongly overall by 10.0% year-on-year to CHF 356.7 million. Real estate services provider Wincasa posted growth in earnings of 6.7% to CHF 67.0 million. Wincasa's assets under management reached a new record high of CHF 65 billion. Jelmoli – The House of Brands was able to carry the momentum building up in the second half-year 2016 into the new year, achieving revenues of CHF 60.8 million (+0.9%) on the floor space it operates. Investments in product assortment, sales formats and the building layout exhibited the desired effects. Tertianum Group – which is active in the promising assisted living, senior residence and geriatric care sector – succeeded in expanding its network of high-quality senior residences and geriatric care centres, realising positive results with income from assisted living of CHF 176.0 million (+15.8%) in addition to rental income. Operating income of Swiss Prime Site Solutions (newly founded in 2017) amounted to CHF 2.2 million [CHF 2.6 million], currently comprising primarily commissions for management of Swiss Prime Investment Foundation, whose real estate assets have grown to roughly CHF 1.4 billion in the interim (status: July 2017) versus CHF 1.1 billion as at end-2016.

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## Operating result

Swiss Prime Site Group reported operating result (EBIT) amounting to CHF 215.8 million for the first six months of 2017 [CHF 225.0 million]. This figure does not include the result from the communicated partial sale of the «Espace Tourbillon» project to the Hans Wilsdorf Foundation at end-June 2017, which will have a positive effect in the second half-year 2017. With EBIT of CHF 202.1 million [CHF 216.1 million], the Real Estate segment still remains Swiss Prime Site's most significant earnings driver. The EBIT figure includes a revaluation gain of CHF 37.4 million [CHF 36.9 million]. The positive trend in value of the real estate portfolio demonstrates that Swiss Prime Site is pursuing the right strategy, aimed at focusing exclusively on first-class properties and sites. The upside revaluation is geographically equally diversified and based to a large extent on rental agreements renewed on a long-term basis in advance. Rental terms and conditions improved significantly in some cases. This trend is even more favourable since the rental agreements consist primarily of those for retail floor space situated in central locations. The Services segment posted a significant increase in EBIT, generating a total of CHF 13.7 million (+54.8%).

## Net profit

Swiss Prime Site Group realised profit of CHF 141.0 million [CHF 145.9 million] in the first half-year 2017. Profit excluding revaluation effects totalled CHF 131.0 million [CHF 134.4 million]. Earnings per share (EPS) amounted to CHF 1.97 [CHF 2.09] or CHF 1.83 [CHF 1.93] excluding revaluation effects. The financial result for the first six months of 2017 exhibited a significant improvement on a year-on-year basis. Financial expenses declined sharply to CHF 39.2 million [CHF 44.1 million] as result of the persistent execution of the prudent financing strategy. Swiss Prime Site expects further improvement on the financial expenses front for the full year.

## Balance sheet

Swiss Prime Site Group stands still on solid ground in the wake of the first half-year 2017. The equity ratio amounted to a robust 43.1% on the balance sheet date, and net asset value (NAV) after deferred taxes totalled CHF 64.63 per share. Noteworthy here is that this figure includes only the book values for the Services segment. The weighted average residual term to maturity of interest-bearing financial liabilities was extended to 4.7 years [4.2 years] and the weighted average interest rate on financial liabilities was reduced to 1.7% [1.9%]. Swiss Prime Site realised a stable interest rate spread of 2.0% [2.0%] relative to the realised net yield of 3.7% on the real estate portfolio. The Board of Directors restructured the investment regulations, in order to take into account the increased dimensions of the portfolio. The new investment regulations will go into effect on 1 October 2017.

## Outlook

Swiss Prime Site is clearly on the right track toward achieving its set targets for the financial year 2017. These targets include a boost in operating income and EBIT before revaluations, a renewed reduction in the vacancy rate and further growth in the real estate portfolio with a well-filled development pipeline valued at roughly CHF 2 billion as well as a stable, attractive dividend distribution to shareholders.

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## SELECTED KEY FIGURES

	in	30.06.2016	31.12.2016	30.06.2017
<b>Group key figures</b>				
Investment properties at fair value	CHF m	9 886.4	10 092.1	<b>10 263.7</b>
Rental income from properties	CHF m	225.5	453.0	<b>231.1</b>
Income from real estate services <sup>1</sup>	CHF m	54.8	115.6	<b>57.8</b>
Vacancy rate	%	6.4	6.1	<b>5.5</b>
Net property yield	%	3.9	3.7	<b>3.7</b>
Weighted average interest rate on financial liabilities	%	1.9	1.8	<b>1.7</b>
Total operating income	CHF m	497.4	1 049.5	<b>530.5</b>
Revaluation of investment properties, net	CHF m	36.7	69.3	<b>37.4</b>
Result from investment property sales, net	CHF m	10.1	24.9	<b>0.3</b>
Operating result before depreciation and amortisation (EBITDA)	CHF m	235.2	483.4	<b>223.3</b>
Operating result (EBIT)	CHF m	225.0	459.4	<b>215.8</b>
Profit	CHF m	145.9	311.1	<b>141.0</b>
<b>Key figures Real Estate segment</b>				
Rental income from properties	CHF m	207.8	416.0	<b>209.7</b>
Total operating income	CHF m	208.3	417.4	<b>210.4</b>
Operating result (EBIT)	CHF m	216.1	420.8	<b>202.1</b>
<b>Key figures Services segment<sup>1,2</sup></b>				
Rental income from properties	CHF m	44.7	91.1	<b>48.5</b>
Income from real estate services	CHF m	62.8	133.0	<b>67.0</b>
Income from retail	CHF m	60.2	133.6	<b>60.8</b>
Income from assisted living	CHF m	151.9	328.2	<b>176.0</b>
Income from asset management	CHF m	2.6	13.2	<b>2.2</b>
Total operating income	CHF m	324.3	704.2	<b>356.7</b>
Operating result (EBIT)	CHF m	8.9	38.7	<b>13.7</b>
<b>Group key financial figures</b>				
Shareholders' equity	CHF m	4 588.1	4 746.3	<b>4 618.7</b>
Equity ratio	%	44.3	45.0	<b>43.1</b>
Return on equity (ROE)	%	6.4	6.7	<b>6.0</b>
Return on invested capital (ROIC)	%	3.7	3.8	<b>3.4</b>
Earnings per share (EPS) <sup>3</sup>	CHF	2.09	4.41	<b>1.97</b>
NAV before deferred taxes per share	CHF	78.97	81.32	<b>79.94</b>
NAV after deferred taxes per share	CHF	64.20	66.41	<b>64.63</b>
<b>Group key figures excluding revaluation effects<sup>4</sup></b>				
Operating result (EBIT)	CHF m	188.3	390.1	<b>178.4</b>
Profit	CHF m	134.4	275.6	<b>131.0</b>
Earnings per share (EPS) <sup>3</sup>	CHF	1.93	3.91	<b>1.83</b>
Return on equity (ROE)	%	5.9	5.9	<b>5.6</b>

<sup>1</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

<sup>2</sup> acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016

<sup>3</sup> weighted average number of shares as at 30.06.2016: 70 085 251, as at 31.12.2016: 70 781 230 and as at 30.06.2017: 71 476 961

<sup>4</sup> revaluations and deferred taxes

Preparation of the consolidated financial statements has been carried out in accordance with Swiss GAAP FER since the beginning of 2017. The previous year's figures were adjusted accordingly (restatement).

# SWISS PRIME SITE

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**Link to semi-annual report PDF:**

<http://www.sps.swiss/en/media/downloads>

**Link to webcast:**

<http://www.sps.swiss/pressconference>

## **Swiss Prime Site**

Swiss Prime Site is Switzerland's leading listed real estate company. The value of the Group's high-quality portfolio exceeds CHF 10 billion and comprises value-retaining properties in prime locations, most of which incorporate office and retail space. Swiss Prime Site Immobilien AG invests in first-class buildings and land. These activities, coupled with transformation and development projects encompassing entire large-scale sites, constitute Swiss Prime Site's core business. The principal property in the Group's real-estate-related business is Jelmoli – The House of Brands in Zurich, Switzerland's leading premium department store. The store's overall floorspace of 23 800 m<sup>2</sup> is equally divided between Jelmoli formats and shop-in-shop concepts operated by third parties. As Switzerland's largest and most significant integrated real estate services provider, the Group's Wincasa division ideally complements Swiss Prime Site's core business. Wincasa's innovative service offering covers the entire property life cycle. The value of its assets under management is approximately CHF 65 billion. Tertianum, Switzerland's leading service provider in the expanding assisted living for seniors field, further complements Swiss Prime Site's business portfolio. At its more than 73 residential and care centres, Tertianum's mission is to provide high-quality living accommodation which combines the autonomy senior residents want with the individual services, security, care and support they need. In 2017, the Group established Swiss Prime Site Solutions, an asset management company focusing on the real estate sector. This business field develops tailor made service solutions and investment products for third-party clients.

Swiss Prime Site is notable for its experienced management team, its high level of earnings continuity and its excellent risk/return profile. The company has been listed on SIX Swiss Exchange since 2000 and has a market capitalisation of some CHF 6 billion.

SIX Swiss Exchange / Symbol SPSN / Swiss securities number 803 838

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