

SWISS PRIME SITE

MEDIA RELEASE

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Swiss Prime Site reports successful performance for 2017

- **Operating income reaches new high of CHF 1 154.8 million (+10.0%)**
- **Record profit of CHF 307.4 million (+11.5%) before revaluations and deferred taxes**
- **Property portfolio expands to CHF 10.6 billion (+5.4%)**
- **Vacancy rate cut to 5.2%**
- **Services increase operating income by +7.2% and EBIT by +25.7%**
- **Dividend increased to CHF 3.80 (+2.7%)**

Swiss Prime Site completed its 2017 financial year with a successful set of results. Operating income reached a new record of CHF 1 154.8 million, a 10.0% advance on 2016. Both the core real estate business and the real estate related Group companies contributed to this result, raising their operating income by +14.6% and +7.2% respectively. The value of the property portfolio at 31 December 2017 was CHF 10.6 billion [up from CHF 10.1 billion a year earlier]. Investment properties generated a net yield of 3.7% in 2017 [3.7%]. The vacancy rate was cut by nearly one percentage point to 5.2% [6.1%]. Swiss Prime Site's profit for 2017 came in at CHF 305.5 million [CHF 311.1 million] or CHF 307.4 million [CHF 275.6 million] before revaluations and deferred taxes. Earnings per share before revaluations and deferred taxes rose to CHF 4.30 [CHF 3.91]. For the first time, Swiss Prime Site is reporting its 2017 results in accordance with Swiss GAAP FER accounting standards, having applied IFRS standards until 31 December 2016. To ensure comparability, all 2016 figures have been restated according to Swiss GAAP FER.

Operating income

In 2017, Swiss Prime Site increased its operating income by 10.0% to CHF 1 154.8 million. The Group's core real estate business continued to accelerate its growth rate and improve its financial performance. The operating income generated by this segment rose to CHF 478.4 million, a +14.6% advance on 2016. New leases, lease extensions, purchases made in 2016 and 2017 and Swiss Prime Site Immobilien's success in reducing vacancy rates all contributed to this income growth. At year end 2017, the portfolio comprised a total of 188 properties, +4 more than a year earlier, with a total value of CHF 10.6 billion. These properties generated a net yield of 3.7% in 2017, an attractive level in current market conditions. The overall vacancy rate, a critical metric in this business, was significantly reduced – to 5.2% [6.1%]. The Group companies operating in the real estate related services segment also generated significantly higher levels of operating income than in 2016. At CHF 754.6 million, their operating income for 2017 was 7.2% ahead of the figure for 2016. Wincasa, Switzerland's leading real estate services provider, generated an operating income of CHF 142.2 million in 2017, a 6.9% advance on its 2016 performance. The company also continued to increase its assets under management, which rose to CHF 66 billion, a new record. Jelmoli – The House of Brands succeeded in growing its top line in 2017, even though the number of shopping days was lower than a year earlier. In 2017, the company generated revenues of CHF 136.2 million (+1.9%). In the highly promising Assisted Living business field, Tertianum implemented a number of important initiatives and continued to consolidate its position as Switzerland's leading private service provider in this sector. Tertianum's operating income climbed to CHF 360.1 million in 2017, up +9.7% on its performance a year earlier. Operating income at Swiss Prime Site Solutions came in at CHF 9.9 million, versus CHF 13.2 million in 2016.

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Operating result

In 2017, the Swiss Prime Site Group generated an operating result (EBIT) of CHF 470.6 million [up from CHF 459.4 million in 2016]. Besides its operational successes, the Real Estate segment also benefited significantly from the partial sale of its Espace Tourbillon project. With a 2017 EBIT of CHF 422.0 million [CHF 420.8 million], the Real Estate segment remains the key earnings driver for the Swiss Prime Site Group. EBIT for 2017 includes revaluation gains of CHF 65.9 million [CHF 69.6 million]. These positive revaluations were mainly driven by properties under construction, development sites, early and long-term lease extensions. The weighted average real discount rate applied at the balance sheet date was 3.35%, 12 basis points lower than at the end of 2016. Pre-tax profit from the partial sale of the Espace Tourbillon project, which was booked on a percentage-of-completion basis, came in at CHF 27.5 million (the net result from investment property sales for 2016 was CHF 24.9 million). Operating result generated by the Services segment grew substantially, with EBIT reaching CHF 48.6 million, +25.7% up on 2016.

Profit

Swiss Prime Site's profit for 2017 came in at CHF 305.5 million [CHF 311.1 million in 2016] or CHF 307.4 million [CHF 275.6 million] before revaluations and deferred taxes, a new record. Earnings per share before revaluations and deferred taxes rose to CHF 4.30 [CHF 3.91] which provides a solid basis for the attractive dividend. In 2017, the Group's net result from its financial activities saw a year-on-year improvement of 6.5%. Systematic implementation of its judicious financing strategy enabled Swiss Prime Site to reduce its financial expenses to CHF 77.8 million [CHF 86.0 million].

Balance sheet

The Swiss Prime Site Group is solidly financed. At year-end 2017, shareholders' equity accounted for 43.1% of total assets. The Group's property portfolio has a loan-to-value ratio of 45.6%. Net asset value (NAV) after deferred taxes per share rose to CHF 66.85, a +0.7% increase on 2016. In evaluating NAV, it should be noted that all assets in the Services segment are carried at book value only. Return on equity for 2017 was 6.4% [6.6% in 2016]. The Group extended the weighted average remaining term to maturity on its interest-bearing liabilities to 4.7 years [4.5 years]. The weighted average interest rate on liabilities for 2017 was reduced to 1.5% [1.8%]. Based on the net yield of 3.7% on the property portfolio, Swiss Prime Site generates a positive interest spread of 2.2% in 2017 [1.9%].

Outlook

The key indicators for the real estate market present a differentiated picture. The fundamental data for Switzerland point to robust economic performance in 2018 accompanied by continuing population growth. A moderate increase in interest rates is already in evidence. The indications are that Swiss taxation policy will in future become a more important consideration for the corporate sector. Based on these various factors, Swiss Prime Site anticipates that its operating income and its EBIT before revaluations will both increase in 2018. Positive lettings performance and a further reduction in vacancy rates will result in a noticeable increase in rental income. Once again, income from real estate development will make a substantial contribution to EBIT.

2018 Annual General Meeting

At the Annual General Meeting on 27 March 2018, the Board of Directors will recommend a dividend of CHF 3.80 per share. As in previous years, this distribution will be made from capital contribution reserves and will thus not be subject to withholding tax. The Board of Directors will also recommend Barbara Frei-Spreiter und Thomas Studhalter to be elected as new members. All existing Board members are standing for re-election.

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SELECTED KEY FIGURES

	in	31.12.2016	31.12.2017
Group key figures			
Investment properties at fair value	CHF m	10 092.1	10 633.1
Rental income from properties	CHF m	453.0	469.9
Income from real estate development	CHF m	-	51.7
Income from real estate services ¹	CHF m	115.6	120.0
Vacancy rate	%	6.1	5.2
Net property yield	%	3.7	3.7
Weighted average interest rate on financial liabilities	%	1.8	1.5
Total operating income	CHF m	1 049.5	1 154.8
Revaluation of investment properties, net	CHF m	69.3	65.9
Result from investment property sales, net	CHF m	24.9	0.3
Operating result before depreciation and amortisation (EBITDA)	CHF m	483.4	487.1
Operating result (EBIT)	CHF m	459.4	470.6
Profit	CHF m	311.1	305.5
Key figures Real Estate segment			
Rental income from properties	CHF m	416.0	424.4
Total operating income	CHF m	417.4	478.4
Operating result (EBIT)	CHF m	420.8	422.0
Key figures Services segment^{1,2}			
Rental income from properties	CHF m	91.1	100.7
Income from real estate services	CHF m	133.0	142.2
Income from retail	CHF m	133.6	136.2
Income from assisted living	CHF m	328.2	360.1
Income from asset management	CHF m	13.2	9.9
Total operating income	CHF m	704.2	754.6
Operating result (EBIT)	CHF m	38.7	48.6
Group key financial figures			
Shareholders' equity	CHF m	4 746.3	4 777.5
Equity ratio	%	45.0	43.1
Loan-to-value ratio of property portfolio (LTV)	%	44.4	45.6
Return on equity (ROE)	%	6.6	6.4
Return on invested capital (ROIC)	%	3.8	3.5
Earnings per share (EPS) ³	CHF	4.41	4.27
NAV before deferred taxes per share	CHF	81.32	82.87
NAV after deferred taxes per share	CHF	66.41	66.85
Group key figures excluding revaluation and deferred taxes			
Operating result (EBIT)	CHF m	390.1	404.8
Profit	CHF m	275.6	307.4
Earnings per share (EPS) ³	CHF	3.91	4.30
Return on equity (ROE)	%	5.9	6.4

¹ acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

² acquisition of BOAS Senior Care as at 29.02.2016

³ weighted average number of shares as at 31.12.2016: 70 781 230 and as at 31.12.2017: 71 477 937

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).

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Link to Annual Report (online)

<https://annualreport2017.sps.swiss/en>

Link to presentation

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

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 m² is 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 66 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 76 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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