

SWISS PRIME SITE

PRESS RELEASE

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Swiss Prime Site: Successful first half-year 2018

- **Operating income up by 10.3% to CHF 585.3 million**
- **Real estate portfolio value increases by 5.4% to CHF 10.8 billion**
- **Vacancy rate drops from 5.5% to 4.7%**
- **Profit increases (excl. revaluations/deferred taxes) by 15.4% to CHF 151.1 million**
- **Targets for 2018 financial year confirmed**

Swiss Prime Site closed the first half-year of 2018 with favourable results. Operating income has increased again, now reaching CHF 585.3 million (+10.3%). This result can be attributed both to the core Real Estate business and the Services segment. The Real Estate segment increased revenue by 16.3% compared to the preceding year, while Services progressed by 7.2%. The property portfolio reached a new record high with a value of CHF 10.8 billion. At the same time, net yield remained stable at 3.7%. The vacancy rate was reduced on a year-on-year basis significantly from 5.5% to 4.7% (2018 target: below 5%). Realised profits showed a 7.8% increase, bringing them to CHF 152.0 million, or rather, a 15.4% increase to CHF 151.1 million excluding revaluations and deferred taxes. Earnings per share reached CHF 2.13 [CHF 1.97], or CHF 2.11 [CHF 1.83] excluding revaluations and deferred taxes. These results enable Swiss Prime Site to confirm its targets for the 2018 financial year. Meanwhile, the Board of Directors continues its objective to renew the committees, naming Dr. Barbara Frei-Spreiter as the new chairwoman of the Nomination and Compensation Committee and Thomas Studhalter as a member of the Audit Committee.

Operating income

The core Real Estate business continues to exhibit accelerated growth, with operating income for the segment reaching CHF 244.8 million (+16.3%). This satisfactory increase can be attributed to a successful vacancy management strategy, acquisitions during the current and previous year, and key new and renewed rental agreements. The real estate portfolio comprises 189 properties (+2) and had a market value of CHF 10.8 billion on the reporting date. The portfolio achieved a net yield of 3.7%, keeping it at an attractive level of profitability by comparison with the market. The vacancy rate was once again reduced, falling to an excellent 4.7% [5.5%] in the first half-year of 2018. The Services segment showed a positive income trend, with a 7.2% improvement on the previous year. Operating income increased to CHF 382.5 million [CHF 356.7 million]. Real estate service provider Wincasa achieved an operating income of CHF 71.5 million, representing a very satisfactory growth of 6.7%. This increase in revenue can be attributed to the introduction of various new services. The value of the managed portfolio is CHF 67 billion. Premium department store Jelmoli – The House of Brands generated an operating income of CHF 59.6 million [CHF 60.8 million] and is confident that it will continue to meet customer expectations, thanks to key investments in product lines, sales formats and the building itself. Tertianum is forging ahead with its growth strategy. In the spring, a new centre was opened in Unterterzen, bringing Tertianum to a total of 77 centres across Switzerland. The operating income generated in the first semester of 2018 was CHF 193.8 million (+10.1%). Swiss Prime Site Solutions brought in CHF 3.4 million [CHF 2.2 million]. The property assets held by Swiss Prime Investment Foundation, managed by Swiss Prime Site Solutions, are worth around CHF 1.5 billion.

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Operating result

In the first half-year of 2018, the Swiss Prime Site Group achieved an operating result (EBIT) of CHF 232.9 million [CHF 215.8 million]. The lion's share, at CHF 217.0 million [CHF 202.1 million], continues to be generated by the core Real Estate business and includes revaluations of CHF 35.6 million [CHF 37.4 million]. These are primarily the result of development sites, properties under construction, and early and long-term renewals of leasing agreements. The weighted average real discount rate was 3.30%, five basis points lower than at the end of 2017. The operating result is an impressive indication of the force of the core Real Estate business. Particular contributors to this result were: increased rental revenue, a profit of CHF 6.8 million from the partial sale of the «Espace Tourbillon» project (booked based on construction progress), and a first CHF 5.5 million tranche from the sale of the «Weltpost Park» project. Operating expenses in this core segment totalled CHF 69.5 million [CHF 47.1 million], with the difference being largely attributed to expenses relating to the aforementioned property development sales. The Services segment achieved an EBIT of CHF 15.9 million (+15.5%). This continued excellent growth can primarily be attributed to Tertium and Wincasa. Tertium has expanded its network and optimised its administrative process, with the desired effects evident in the results. Real estate service provider Wincasa achieved a noticeable improvement in income thanks to an increase in turnover. Operating expenses in the Services sector totalled CHF 366.2 million [CHF 343.0 million], with the increase primarily attributable to rising staff expenses and depreciation.

Profit

Swiss Prime Site's profit was CHF 152.0 million [CHF 141.0 million], or CHF 151.1 million [CHF 131.0 million] excluding revaluations and deferred taxes. This year-on-year increase can be attributed to the aforementioned operative improvements in the Group companies, as well as realised recurring profits from the divestment of real estate development projects. Earnings per share were CHF 2.13 [CHF 1.97], or CHF 2.11 [CHF 1.83] excluding revaluations and deferred taxes.

Balance sheet

During the first six months of 2018, the weighted average interest rate on borrowed capital was reduced by comparison with the previous year to 1.4% [1.7%]. Compared with the 3.7% net yield realised on the real estate portfolio, this resulted in an attractive interest rate spread of 2.3% [2.0%]. The financial strength of the Swiss Prime Site Group is solid. The equity ratio was 41.2% as of 30 June 2018. The loan-to-value ratio for the real estate portfolio is 47.7% [46.0%]. The NAV after deferred taxes came in at CHF 65.25 per share, 1.0% up on last year's value. Swiss Prime Site's return on equity was 6.4% [6.0%], which lies within the long-term target range.

Outlook

The company predicts that economic framework conditions will remain favourable, with further growth impetus manifested in the results. The targets set at the start of the year for the 2018 financial year have been confirmed. These include an increase in operating income and EBIT excluding revaluations, along with a consistently low vacancy rate. Recurring revenues from real estate development projects will also contribute significantly to the EBIT. The project pipeline has a volume of over CHF 2.0 billion, representing additional room for profitable growth. The projects currently in the realisation and planning stages have a net yield above the portfolio average. Swiss Prime Site also anticipates further growth in the real-estate related Service segment. Furthermore, the Company reiterates its distribution policy to shareholders.

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SELECTED KEY FIGURES

	in	30.06.2017	31.12.2017	30.06.2018
Group key figures				
Investment properties at fair value	CHF m	10 263.7	10 633.1	10 819.1
Rental income from properties	CHF m	231.1	469.9	240.9
Income from real estate development	CHF m	-	51.7	25.0
Income from real estate services	CHF m	57.8	120.0	58.9
Vacancy rate	%	5.5	5.2	4.7
Net property yield	%	3.7	3.7	3.7
Weighted average interest rate on financial liabilities	%	1.7	1.5	1.4
Total operating income	CHF m	530.5	1 154.8	585.3
Revaluation of investment properties, net	CHF m	37.4	65.9	35.0
Result from investment property sales, net	CHF m	0.3	0.3	6.3
Operating result before depreciation and amortisation (EBITDA)	CHF m	223.3	487.1	242.9
Operating result (EBIT)	CHF m	215.8	470.6	232.9
Profit	CHF m	141.0	305.5	152.0
Key figures Real Estate segment				
Rental income from properties	CHF m	209.7	424.4	218.7
Income from real estate development	CHF m	-	51.7	25.0
Total operating income	CHF m	210.4	478.4	244.8
Operating result (EBIT)	CHF m	202.1	422.0	217.0
Key figures Services segment				
Rental income from properties	CHF m	48.5	100.7	50.8
Income from real estate services	CHF m	67.0	142.2	71.5
Income from retail	CHF m	60.8	136.2	59.6
Income from assisted living	CHF m	176.0	360.1	193.8
Income from asset management	CHF m	2.2	9.9	3.4
Total operating income	CHF m	356.7	754.6	382.5
Operating result (EBIT)	CHF m	13.7	48.6	15.9
Group key financial figures				
Shareholders' equity	CHF m	4 618.7	4 777.5	4 663.8
Equity ratio	%	43.1	43.1	41.2
Loan-to-value ratio of property portfolio (LTV)	%	46.0	45.6	47.7
Return on equity (ROE)	%	6.0	6.4	6.4
Return on invested capital (ROIC)	%	3.4	3.5	3.4
Earnings per share (EPS)	CHF	1.97	4.27	2.13
NAV before deferred taxes per share ¹	CHF	79.94	82.87	81.80
NAV after deferred taxes per share ¹	CHF	64.63	66.85	65.25
Group key figures excluding revaluation and deferred taxes				
Operating result (EBIT)	CHF m	178.4	404.8	197.8
Profit	CHF m	131.0	307.4	151.1
Earnings per share (EPS)	CHF	1.83	4.30	2.11
Return on equity (ROE)	%	5.6	6.4	6.4

¹ Services segment (real estate-related business fields) included at book values only

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Swiss Prime Site

Swiss Prime Site is Switzerland's leading listed real estate company. The value of the Group's high-quality portfolio is around CHF 11 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 67 billion. Tertium, 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 77 residential and care centres, Tertium'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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