

SWISS PRIME SITE

PRESS RELEASE

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Swiss Prime Site: good half-year results for 2019

- **Operating income grows by 3.8% to CHF 607.7 million**
- **Value of property portfolio rises by 2.4% to CHF 11.5 billion**
- **Stable vacancy rate of 4.7%**
- **Increase in profits to CHF 356.5 million and NAV increase of 5.2%**
- **Confirmation of all objectives**
- **Seles process for the Tertianum Group initiated**

Swiss Prime Site can look back on a successful first half-year of 2019. Compared with the previous year, operating income grew by 3.8% to CHF 607.7 million. Both the Real Estate and Services segments made a positive contribution to the satisfying growth. The core real estate business increased earnings by 2.9%. At the same time, real estate-related services increased their contribution by 4.3% year on year. The value of the real estate portfolio grew by 2.4% to CHF 11.5 billion compared to the end of 2018. The vacancy rate remained steady at 4.7% [4.7%] and a good net yield of 3.5% [3.7%] reflects the attractiveness of the portfolio. The profit rose significantly to CHF 356.5 million [CHF 152.0 million]. This includes positive effects mainly from revaluations and the release of deferred tax liabilities due to tax rate reductions at cantonal level. For 2019 as a whole and in the medium term, Swiss Prime Site expects to achieve the targets set.

Operating income

Swiss Prime Site's operating income increased by 3.8% to CHF 607.7 million in the first half of 2019. The Real Estate segment met expectations and generated operating income of CHF 251.9 million. The increase of CHF 7.1 million or 2.9% is due to the increase in income from real estate developments. Valuable contributions also came from dynamic vacancy management, acquisitions in the previous year and active and forward-looking new leases or lease renewals. The value of the property portfolio grew by 2.4% to CHF 11.5 billion compared with the end of 2018. As at 30 June 2019, the portfolio comprised a total of 192 properties [190 as at the end of 2018]. At 3.5% [3.7%], the net yield is slightly lower and at a good level in the market for prime investment properties. The vacancy rate of 4.7% is at a stable low level compared with the previous year.

In the Services segment, Wincasa kept the income from real estate services of CHF 71.1 million (-0.5%) at the previous year's level. The transformation towards a digital business model and the accompanying cultural change will be systematically implemented. The fair value of the real estate managed by Wincasa exceeded CHF 70 billion for the first time.

Jelmoli – The House of Brands posted retail income of CHF 57.2 million [CHF 59.6 million] for the first half-year of 2019. The Premium Department Store is responding to the challenging market environment with additional service and brand offerings.

Tertianum is continuing its defined growth strategy and has 78 locations throughout Switzerland. The locations opened or expanded in 2018 contributed to the 6.4% growth in income from assisted living to CHF 206.1 million.

Swiss Prime Site Solutions has further established itself and significantly increased its income from asset management to CHF 8.8 million [CHF 3.4 million]. The dynamic service provider was able to increase assets under management from CHF 1.5 billion to CHF 2.2 billion for the Swiss Prime Investment Foundation.

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Operating result

In the first six months of 2019, Swiss Prime Site achieved an operating result (EBIT) of CHF 286.1 million [CHF 232.9 million]. The Real Estate segment contributed the lion's share to this good result with CHF 263.5 million (+21.4%). At CHF 85.7 million [CHF 35.6 million], the revaluations were significantly higher than in the previous year. The average real discount rate was 3.17%, five basis points lower than at the end of 2018. Excluding revaluations, EBIT amounted to CHF 200.8 million [CHF 197.8 million]. The sold development projects in Plan-les-Ouates (Espace Tourbillon) and Bern (Weltpost Park) as well as a retail property in Geneva sold in the first half-year of 2019 generated pre-tax profits totalling CHF 12.6 million. Operating expenses in the Real Estate segment amounted to CHF 79.6 million and increased by CHF 10.1 million. The change is due in particular to expenses in connection with the property developments sold. The Services segment generated EBIT of CHF 22.6 million [CHF 15.9 million]. Tertium and Swiss Prime Site Solutions were particularly impressive with their operational strength.

Profit

For the first six months of 2019, Swiss Prime Site generated a profit of CHF 356.5 million [CHF 152.0 million]. This was due in particular to higher EBIT (incl. revaluations of CHF 85.2 million) and the release of deferred tax liabilities amounting to CHF 158.1 million from cantonal tax rate reductions. Financial expenses fell to CHF 36.6 million [CHF 38.3 million] due to further lower interest rates and the capital increase implemented in the second half-year of 2018. Excluding revaluations and deferred taxes, the profit of CHF 151.3 million (+0.1%) matched the previous year's level. Earnings per share (EPS) for the first half-year of 2019 amounted to CHF 4.69 [CHF 2.13]. Excluding revaluations and deferred taxes, EPS was CHF 1.99 [CHF 2.11], this considering an increase of 6.2% of the weighted number of shares.

Balance sheet

In the second quarter of 2019, Swiss Prime Site Group placed an eight-year bond amounting to CHF 350 million with a coupon of 1.25%. The average interest rate on financial liabilities remained unchanged at 1.4%. The weighted average residual term to maturity of interest-bearing financial liabilities was 4.3 years [4.4 years], marginally below the previous year. The comparison between the interest rate on borrowed capital of 1.4% and the net yield of 3.5% achieved on the property portfolio shows that the interest rate spread remains attractive at 2.1% [2.3%]. Swiss Prime Site's equity ratio as at the end of June 2019 was 43.6%, once again underlining the Company's solid funding. The loan-to-value ratio of the property portfolio was 46.6%, a slight fall on the previous year [47.7%]. NAV after deferred taxes rose to CHF 68.64 per share, exceeding the previous year's figure by 5.2% or by 1.3% in respect of the value as at 31 December 2018. This takes into account the withholding tax-free distribution of contribution reserves of CHF 3.80 per share as at 4 April 2019. Swiss Prime Site's annualised return on equity reached 13.8% [6.4%] and is thus above the Company's long-term target.

Confirmation of all objectives

Swiss Prime Site confirms all targets. The Company expects stable results at income and profit level, excluding revaluations and deferred taxes. Due to the positive effects from the release of deferred tax liabilities and revaluations, profit in 2019 will be significantly higher than in the previous year. Swiss Prime Site will maintain an attractive dividend policy for its shareholders.

Change in the Executive Board of Swiss Prime Site

Franco Savastano, CEO Jelmoli – The House of Brands, has decided to accept a new challenge and will therefore leave the Executive Board of Swiss Prime Site. Hans Peter Wehrl, Chairman of Swiss Prime Site: «With his great experience, Franco Savastano has been able to significantly sharpen the profile of the Premium Department Store. I would like to thank him, also on behalf of my colleagues in the Board and Executive Board, for his great contribution and wish him all the best for the future.»

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Sales process for Tertianum Group initiated

On a strategic level, the Executive Board and Board of Directors have decided to initiate a sales process for the Tertianum Group. The outcome will be a focus on the core business and its related business fields. The Company anticipates that the process will be completed in the first half-year of 2020.

If you have any questions, please contact:

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Link to the semi-annual report

<https://www.sps.swiss/en/media/company-reports>

Link to presentation

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<https://www.sps.swiss/en/investors/pressconference>

Swiss Prime Site

Swiss Prime Site AG is the leading listed real estate company in Switzerland. Its high-quality real estate is worth over CHF 11 billion and consists of properties with good value retention in prime locations, which predominantly comprise office and retail floor space. Swiss Prime Site Immobilien AG invests in high quality buildings and land, which together with conversion and development of entire areas form the company's core business. One of the real estate-related group companies is the leading premium department store in Switzerland, Jelmoli – The House of Brands, in Zurich, the most important property in the portfolio. Third-party shop-in-shop concepts and its own formats are managed there on 23 800 m² of retail floor space. Wincasa is the biggest and most important integral real estate service provider in Switzerland and ideally complements Swiss Prime Site's core business. Its innovative range of services cover the entire property life cycle. Assets under management amount to approximately CHF 70 billion. Tertianum, the leading Swiss service provider in the promising area of assisted living, further expands the Swiss Prime Site Group. Quality living with associated autonomy, individual services, safety, and care and support are the core focus of Tertianum and its 78 residential and care centres. In 2017, an asset manager focusing on the real estate sector was founded with Swiss Prime Site Solutions. The business develops tailor-made services and investment products for third-party clients.

Swiss Prime Site is distinguished by its experienced management team, high earnings continuity and outstanding risk-return profile. The company has been listed on the SIX Swiss Exchange since 2000 and has a market capitalisation of over CHF 6 billion.

SIX Swiss Exchange | Symbol SPSN | Securities number 803 838

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SELECTED KEY FIGURES

	in	30.06.2018	31.12.2018	30.06.2019
Group key figures				
Fair value of real estate portfolio	CHF m	10 819.1	11 204.4	11 467.8
Rental income from properties	CHF m	240.9	479.4	239.3
Income from real estate developments	CHF m	25.0	72.8	34.7
Income from real estate services	CHF m	58.9	116.7	57.0
Vacancy rate	%	4.7	4.8	4.7
Net property yield	%	3.7	3.6	3.5
Weighted average interest rate on financial liabilities	%	1.4	1.4	1.4
Total operating income	CHF m	585.3	1 214.1	607.7
Revaluation of investment properties, net	CHF m	35.0	67.6	85.2
Result from investment property sales, net	CHF m	6.3	18.4	5.6
Operating result before depreciation and amortisation (EBITDA)	CHF m	242.9	501.2	297.2
Operating result (EBIT)	CHF m	232.9	478.6	286.1
Profit	CHF m	152.0	310.9	356.5
Key figures: Real Estate segment				
Rental income from properties	CHF m	218.7	434.4	215.5
Income from real estate developments	CHF m	25.0	72.8	34.7
Total operating income	CHF m	244.8	509.2	251.9
Operating result (EBIT)	CHF m	217.0	431.1	263.5
Key figures: Services segment				
Rental income from properties	CHF m	50.8	101.5	52.0
Income from real estate services	CHF m	71.5	144.4	71.1
Income from retail	CHF m	59.6	131.3	57.2
Income from assisted living	CHF m	193.8	396.9	206.1
Income from asset management	CHF m	3.4	8.5	8.8
Total operating income	CHF m	382.5	790.7	399.1
Operating result (EBIT)	CHF m	15.9	47.6	22.6
Group key financial figures				
Shareholders' equity	CHF m	4 663.8	5 145.1	5 213.3
Equity ratio	%	41.2	43.9	43.6
Loan-to-value ratio of property portfolio (LTV)	%	47.7	45.3	46.6
Return on equity (ROE)	%	6.4	6.4	13.8
Return on invested capital (ROIC)	%	3.4	3.4	6.6
Earnings per share (EPS)	CHF	2.13	4.27	4.69
NAV before deferred taxes per share ¹	CHF	81.80	83.40	82.71
NAV after deferred taxes per share ¹	CHF	65.25	67.74	68.64
Group key figures excluding revaluations and all deferred taxes				
Operating result (EBIT)	CHF m	197.8	411.1	200.8
Profit	CHF m	151.1	287.8	151.3
Earnings per share (EPS)	CHF	2.11	3.95	1.99
Return on equity (ROE)	%	6.4	5.9	6.1

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