

SWISS PRIME SITE

PRESS RELEASE

Ad hoc announcement pursuant to Art. 53 LR

Zug, 25 August 2022

Swiss Prime Site: profit up by over 6%

- Profit increases by +6.3% to CHF 267.4 million
- FFO up by 7.2% and EPRA NTA increases to CHF 100.78 per share
- Real estate assets under management up to CHF 20 billion
- Rental income up by 1.9% (L4L) and vacancy rate down to 4.4%
- Reduction in LTV of the property portfolio to 40.5%
- Guidance increased for the financial year 2022

Swiss Prime Site increased profits by 6.3% in the first half of 2022. With FFO growth per share of 7.2%, real estate assets under management totalling CHF 20 billion and a vacancy rate of 4.4%, we already met our targets for 2022 in the first half of the financial year, and even exceeded some of them. In light of the positive market environment and the visibility currently available to us, we are therefore increasing our guidance for 2022.

The key figures for 2022 have been influenced by two factors: firstly, after the closing on 10 January 2022, the Zug-based Akara Group is included in our scope of consolidation for the first time; secondly, the 2022 consolidated financial statements have been prepared in accordance with IFRS accounting standards for the first time and the previous year's figures have been adapted accordingly.

Interest rate pivot, but resilient Swiss real estate market

In the year to date, the Swiss economy has continued to grow despite geopolitical challenges, supply chain problems and rising prices. With an increase of 105 000 jobs in the services sector in the past 12 months and a record 114 000 vacancies, the economic outlook remains positive. As Switzerland is also being affected by rising prices, the Swiss National Bank (SNB) increased the benchmark interest rate by 50 basis points in June 2022 with the aim of preventing inflation from spreading more broadly to goods and services. Inflation in Switzerland remains below the levels seen in European markets. Despite the prospect of further rate hikes by the SNB in 2022, we still find ourselves in a negative interest rate environment in real terms. This favours investments in real assets such as property. Accordingly, we have only witnessed isolated knock-on effects on the real estate market so far. Prime locations continue to be sought after by tenants and investors.

Increase in operating income and good rental income

The positive business performance of the Swiss Prime Site Group is reflected in a 2.5% increase in operating income to CHF 378.9 million, which all group companies contributed towards. In the first half of 2022, we finalised new leases or contract renewals for a total area of more than 102 000 m² [47 000 m²] within our property portfolio. Many of these were agreed on better terms, which led to rental income increasing to CHF 214.2 million (+1.9% on a comparable basis). The vacancy rate was reduced to 4.4% [4.7%]. WAULT remained at 5.5 years [5.6 years]. The successful leasing activities therefore more than offset the rent of CHF 3.3 million from the modernisation project on Zurich's Müllerstrasse, which was still included in the first half of 2021, and the loss of income due to the sale of properties under our capital recycling strategy. These comprised a portfolio of seven properties that was sold to the newly launched «Swiss Prime Site Solutions Investment Fund Commercial», as well as two other properties in St. Gallen. This resulted in a pre-tax profit of CHF 14.7 million. The gains from sales will increase again in the second half of 2022 due to property sales of more than CHF 165 million that have already been agreed (including building B of «Espace Tourbillon» in Plan-les-Ouates).

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High revaluations and attractive net yield on property

The good results at operating level (like-for-like rental growth of 1.9%, reduction in the vacancy rate to 4.4%) were the main drivers for the higher revaluations of CHF 166.6 million [CHF 134.3 million]. The real discount rate was reduced marginally to 2.71% (–4 basis points) by the external property valuer Wüest Partner. The nominal discount rate of 3.74% was adjusted in line with the 1.0% increase in inflation (+50 basis points). The subsequent effect on the valuation of our properties is therefore negligible due to most commercial rental contracts being tied to the Swiss Consumer Price Index. Despite the revaluations, the net yield on property from our prime portfolio remains at an attractive 3.1% [3.2%].

Strong growth in asset management

Swiss Prime Site Solutions managed to grow even faster than in recent years. New funds amounting to CHF 235 million were acquired for the real estate funds. Acquisitions totalling some CHF 1.2 billion were completed for various customers and vehicles in the first half of 2022 alone. Real estate assets under management increased to CHF 6.9 billion [end of 2021: CHF 5.9 billion including Akara]. Correspondingly, income from asset management rose from CHF 8.3 million to CHF 27.2 million. The acquired Akara Group contributed CHF 11.3 million to this figure. EBIT increased to CHF 17.1 million [CHF 3.8 million], which resulted in an attractive EBIT margin of 62% [43%]. On 9 August 2022, we completed the FINMA-approved merger of the fund management companies and witnessed some early synergy effects. With its real estate fund business, the investment foundation and the pension fund mandates, Swiss Prime Site Solutions is currently focusing exclusively on the area of non-listed products for qualified Swiss investors. Due to the volatile stock markets at present, these products continue to be very popular among investors.

Lower financing costs and higher profits

Swiss Prime Site's profit including revaluation effects increased by 6.3% to CHF 267.4 million [CHF 251.5 million] and earnings per share rose by 5.4% to CHF 3.49 [CHF 3.31]. Return on equity (ROE) increased to 8.3% [8.2%]. In addition to the progress made at operating level, the improvement was largely attributable to changing the sources of financing. The redemption of bank mortgages at the end of 2021 with two unsecured syndicated loans totalling CHF 2.6 billion led to lower financial expenses (net) of CHF 21.6 million [CHF 25.6 million] and lower average interest payments of 0.70% (–24 basis points).

Strict cost control and temporary EBIT effects

Operating expenses increased by 1.7% in the first half of the year. This was mainly due to the integration of the Akara Group and the growth across all group companies. The slightly lower results of sale compared to last year had a temporary effect on the Group EBIT before revaluations and the EBIT margin. The EBIT figure reached CHF 198.8 million [CHF 214.2 million]. The corresponding EBIT margin was 52.5% [57.9%]. Due to higher profit of sale from the capital recycling strategy and continued strong operating performance, we are expecting a significant improvement in EBIT before revaluations and in the corresponding EBIT margin in the second half of the year.

Higher NAV and stable equity ratio

Net asset value (NAV) after deferred taxes increased to CHF 83.80 per share (+3.0%) in comparison to the previous year. EPRA NTA rose to CHF 100.78 per share (+3.1%). This includes the distribution of CHF 3.35 per share in the first half of 2022 as well as the additional shares issued as part of the Akara acquisition. With a closing price of CHF 83.75 on 30 June 2022 and a total return of –3.1%, the Swiss Prime Site share outperformed both national (REAL: –7.0%, SPI: –15.9%) and international (EPRA: –27.7%) indices. The total return was even positive in mid-August at +2.5%. FFO I, which is a key factor in determining the dividend payout, increased by 7.2% to 2.09 per share in the first half of 2022. This means that we had already reached more than half of the 2021 distribution of CHF 3.35 by the mid-way point. With an equity ratio of 46.6% [46.6%], a loan-to-value of 40.5% [42.0%] on the property portfolio and an average residual term

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to maturity of interest-bearing financial liabilities of 5.0 years [5.8 years], Swiss Prime Site is soundly financed.

Focus on sustainability

Due to the current geopolitical environment, the topic of sustainability has become more important than ever. Our customers are increasingly calling for flexible and, above all, sustainable rental spaces. We have been working hard in various sustainability action areas for some time now. The results of these efforts are becoming increasingly visible. By the end of 2022, for example, around 75% of the floor space in our portfolio will have been awarded a sustainability certificate. For new-build and modification projects (e.g. Müllerstrasse), we are following the concept of the circular economy and the Cradle to Cradle principle to tackle the issue of embodied carbon. At the same time, we set ourselves ambitious targets that go beyond the requirements of the Swiss Sustainable Building Standard (SNBS). Our customers will soon be able to conclude «green leases» with us. We are confident that the demand for sustainable properties and spaces will continue to rise. All these measures and initiatives are aimed at making the property portfolio carbon neutral and thus sustainable by 2040.

Swiss Prime Site Immobilien with new management structure

In addition to his role as CEO of the Swiss Prime Site Group, René Zahnd is also taking over the management of the core business with immediate effect from Dr. Martin Kaleja, who is leaving the company at his own request. We would like to thank Martin Kaleja for his great commitment to the Swiss Prime Site Group. With Karin Voigt and Urs Baumann, René Zahnd has two highly qualified and proven experts in the management team of the core business. The Portfolio Management (Karin Voigt) and Development & Acquisitions/Sales (Urs Baumann) business units will thus be further strengthened. Moreover, synergies and efficiencies will be gained through the direct reporting line.

2022 guidance increased based on recent performance

Our good operating results in the first half of 2022, combined with the current positive outlook for the second half of the year, have enabled us to increase the targets for 2022 as a whole. We are now expecting real estate assets under management to amount to more than CHF 20 billion (previous guidance CHF 19–20 billion). The vacancy rate for the whole year is expected to fall further below 4.4% (previous guidance <4.6%), and FFO growth for the year should be at the higher end of the 3–5% range. Based on Swiss Prime Site Solutions' good half-year results (EBIT: CHF 17.1 million), we are now confident of achieving an EBIT in this business area of approximately CHF 30 million (previous target CHF 27–28 million) for 2022 as a whole.

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Web links:

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SELECTED KEY FIGURES

Key financial figures	in	01.01.– 30.06.2021	01.01.– 30.06.2022
Rental income from properties	CHF m	213.4	214.2
EPRA like-for-like change relative	%	- 0.7	1.9
Income from real estate developments	CHF m	36.3	8.4
Income from real estate services	CHF m	56.9	59.5
Income from retail	CHF m	46.0	57.4
Income from asset management	CHF m	8.3	27.2
Total operating income	CHF m	369.7	378.9
Revaluation of investment properties, net	CHF m	134.3	166.6
Result from investment property sales, net	CHF m	36.0	14.7
Operating result (EBIT)	CHF m	348.5	365.4
Profit	CHF m	251.5	267.4
Return on equity (ROE)	%	8.2	8.3
Return on invested capital (ROIC)	%	4.2	4.2
Earnings per share (EPS)	CHF	3.31	3.49
Funds From Operations I per share (FFO I)	CHF	1.95	2.09
Funds From Operations II per share (FFO II)	CHF	2.24	2.17
Financial figures excluding revaluations and all deferred taxes			
Operating result (EBIT)	CHF m	214.2	198.8
Profit	CHF m	164.7	158.0
Return on equity (ROE)	%	5.4	5.0
Return on invested capital (ROIC)	%	2.9	2.6
Earnings per share (EPS)	CHF	2.17	2.06
Key balance sheet figures			
Shareholders' equity	CHF m	6 409.7	6 427.2
Equity ratio	%	47.5	46.6
Borrowed capital	CHF m	7 089.7	7 357.9
Loan-to-value ratio of property portfolio (LTV)	%	40.2	40.5
NAV before deferred taxes per share ¹	CHF	101.22	100.95
NAV after deferred taxes per share ¹	CHF	84.37	83.80
EPRA NTA per share	CHF	100.93	100.78
Real estate portfolio			
Fair value of real estate portfolio	CHF m	12 793.5	13 066.4
of which projects/development properties	CHF m	1 006.9	997.7
Number of properties	number	184	179
Rental floor space	m ²	1 677 027	1 681 690
Vacancy rate	%	4.6	4.4
Average discount rate	%	2.75	2.71
Net property yield	%	3.2	3.1
Employees			
Number of employees as at balance sheet date	persons	1 667	1 722
Full-time equivalents as at balance sheet date	FTE	1 474	1 529

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

The consolidated financial statements have been prepared in accordance with IFRS since the beginning of 2022. The previous year's figures were adjusted accordingly (restatement).

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Swiss Prime Site – the real estate investment platform

We are the leading partner for investors who wish to invest – or who already invest – both directly and indirectly in the Swiss real estate market. The product range includes funds (open-ended and closed-ended), mandates, investment foundations, straight bonds and Swiss Prime Site shares. Swiss Prime Site offers investment opportunities for a wide range of investors, from private through to institutional investors. With some CHF 20 billion in real estate assets under management, Swiss Prime Site is one of the leading real estate companies in Europe. The Swiss Prime Site Group comprises Swiss Prime Site Immobilien (property portfolio), Swiss Prime Site Solutions (fund management and real estate asset management for third-party customers), Wincasa (property management for Swiss Prime Site Immobilien, Swiss Prime Site Solutions and third-party customers) and Jelmoli (omnichannel premium department store).

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 approximately CHF 7 billion.

SIX Swiss Exchange | Symbol SPSN | Securities number 803 838

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