

SWISS PRIME SITE

1ST HALF-YEAR 2020 RESULTS

ZÜRICH, 25 AUGUST 2020



SWISS PRIME SITE

AGENDA

1 FIRST HALF-YEAR 2020 SUMMARY

2 SALE OF THE TERTIANUM GROUP

3 COVID-19 PANDEMIC

4 KEY FINANCIAL FIGURES

5 PROJECT PIPELINE

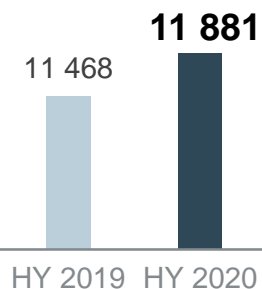
6 OUTLOOK

Profit from the sale of Tertianum leads to marked EBIT increase

REAL ESTATE PORTFOLIO

in CHF m

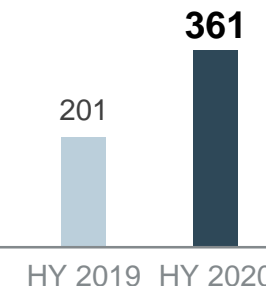
+3.6%



EBIT EXCLUDING REVALUATIONS

in CHF m

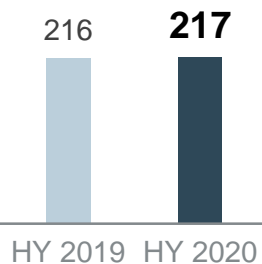
+79.8%



RENTAL INCOME*

in CHF m

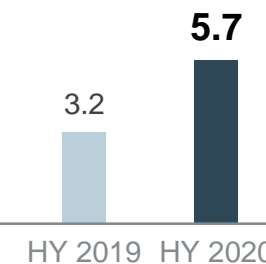
+0.7%



ROIC EXCLUDING REVALUATIONS

in %

+250 Bp

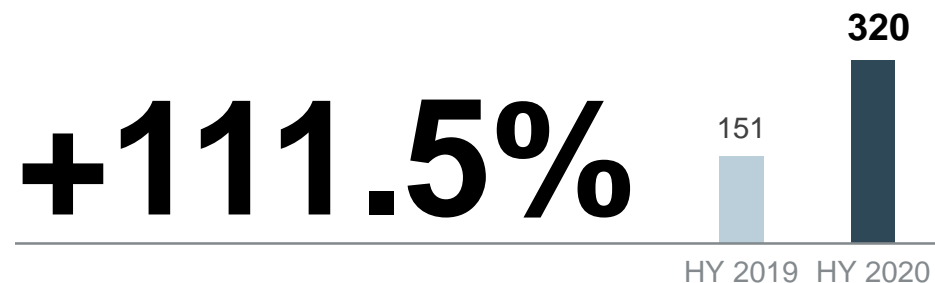


* Real Estate segment

Profit doubled and significant NAV rise of over 10%

PROFIT*

in CHF m



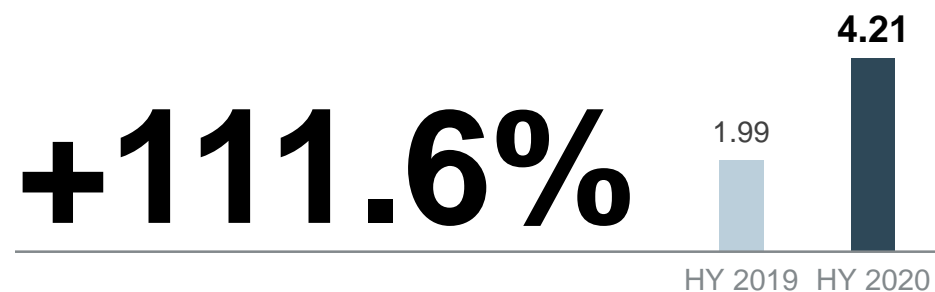
EQUITY RATIO

in %



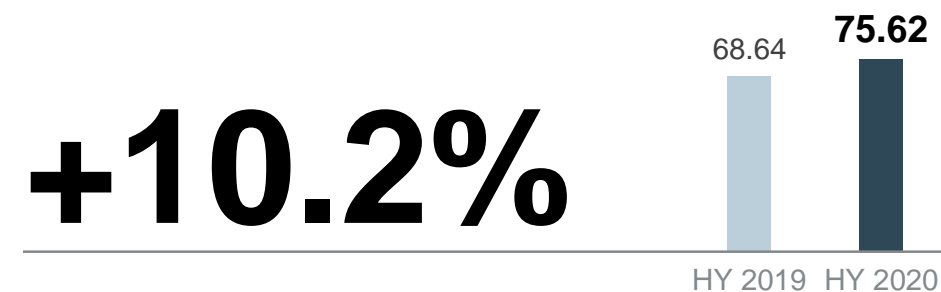
EARNINGS PER SHARE (EPS)*

in CHF



NET ASSET VALUE

in CHF after deferred taxes per share



* excluding revaluations and deferred taxes

Core real estate business: rental income increase

REAL ESTATE PORTFOLIO

in CHF m

	HY 2019*	HY 2020
Total	11 765.4	11 880.9
of which projects developments	684.5	794.3
Properties (number)	187	185
Income from rentals (Real Estate segment)	215.5	217.0
Revaluations	85.2	-47.3
Net property yield (in %)	3.5	3.3
Discount rate, real (in %), avg.	3.06	3.05

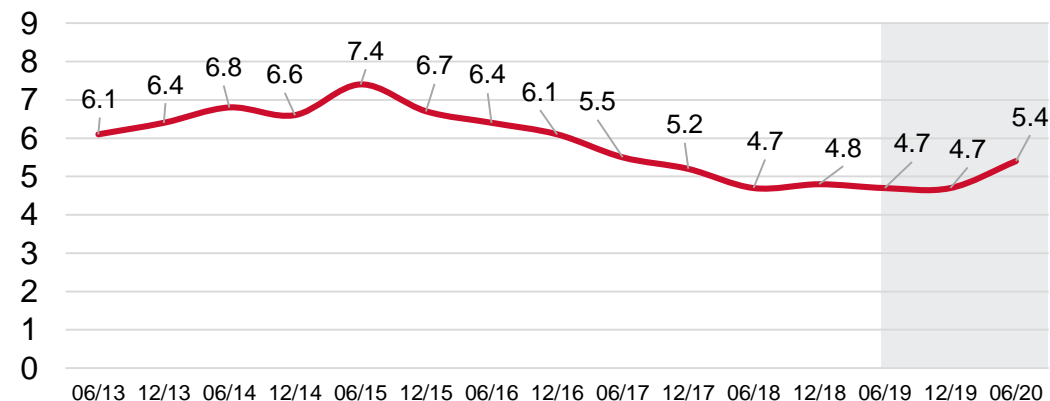
COMMENTS

- Revaluations:** CHF -47.3 million net (0.4% of portfolio value); this includes CHF 78.0 million of positive fair value adjustments (mainly from office properties and development projects) and negative fair value adjustments of CHF -125.3 million (primarily from retail)

* Balance sheet values / discounting as at end of 2019

VACANCY RATE

in % (Group)



COMMENTS

- Rise** in vacancy rate to 5.4% (previous year: 4.7%)
- Vacancy rate FY 2020:** temporarily above 5% in 2020 (corona pandemic)

Real estate: strong letting and transaction activity



COMMENTS

- **Letting success:** Spaces in Prime Tower, CBD Zurich and Opus Zug let to international and Swiss companies, in some cases lettings extended at better terms (total 41 194 m² / 2.6% of the rentable space)
- **Purchases:** Fully let office property in Zollikofen (Berne) and development plot in Uster (Zurich). Signed on logistics property in Buchs (Zurich), closing expected in Q4 2020.
- **Sales:** Small investment property in Berne
- **Projects for own portfolio:** Study for maaglive in Zurich; building permits for «2226» (Schlieren) and Tertianum Paradiso; start of construction of Tertianum Richterswil; move-in for Zühlke (Schlieren) and Lonza (Basel)
- **Projects for third parties:** Weltpost Park Berne successfully completed (fully let) and handed over to the investor

Services: increase in AuM at Wincasa and Solutions

GROUP COMPANIES



COMMENTS

- Assets under management rose by 2% to CHF 71.2 billion
- Development of residential letting advisory service
- Introduction of digital lease contract in 2020



- Several months of lockdown significantly impacted operating income and EBIT
- Introduction of new ERP system and re-launch online shop beginning of 2021
- Opening of new site in «The Circle» as of November 2020



- Assets under management rose by 5% to CHF 2.3 billion
- Swiss Prime Investment Foundation: confirmation of target investment yield of 3 – 4%
- Swiss Prime Investment Foundation: renovation of Leuenhof building (CBD Zurich) completed and moving in of anchor tenant

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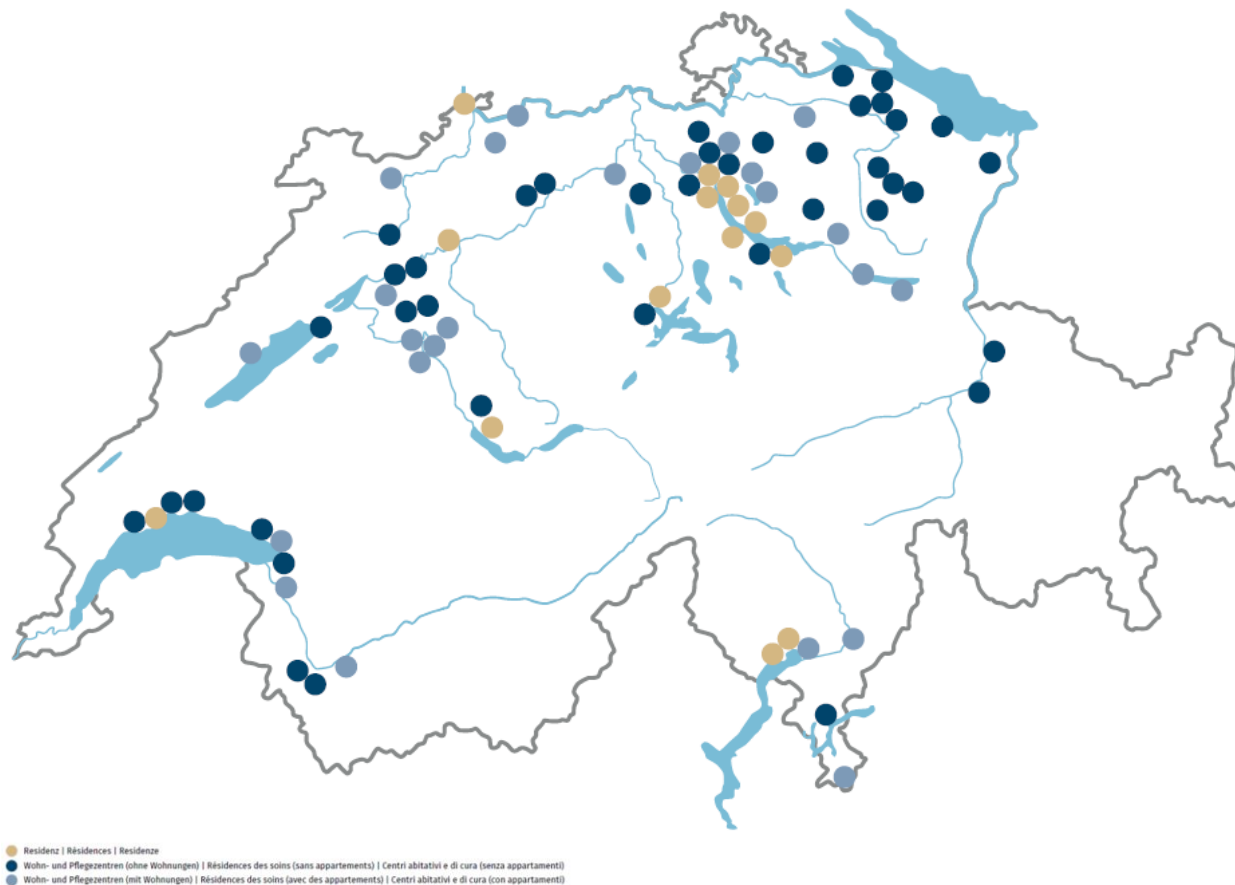
4 KEY FINANCIAL FIGURES

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6 OUTLOOK

Tertianum is Swiss Prime Site's largest tenant

GEOGRAPHIC OVERVIEW OF TERTIANUM (31.12.2019)



COMMENTS

- **Sale:** Closing took place on 28 February 2020
- **Purchaser:** Swiss private equity company Capvis
- **Sales agreement:** Includes the operation of residential and geriatric care centres as well as residences, with two projects under construction and two in development plus 15 properties remaining under ownership by Swiss Prime Site and let to Tertianum (a further 9 properties held by Swiss Prime Investment Foundation)
- **Network:** 80 residential and geriatric care centres as well as residences, ~4 900 employees, 3 149 nursing beds and 1 705 apartments
- **Rental agreement:** Making up 5.7% of rental income (as at 30 June 2020), Tertianum is the largest tenant in Swiss Prime Site's portfolio

Divestment strengthens balance sheet



COMMENTS

- **Implications for the Swiss Prime Site Group:** Drop in operating income of CHF ~500 million and EBIT of CHF ~34 million per annum respectively
- **Impact on the balance sheet:** Return of CHF 304.5 million in goodwill into shareholders' equity, thereby strengthening the balance sheet; cash inflow of CHF 600.4 million in total
- **Profit of sale:** EBIT contribution of CHF 204.2 million from divestment
- **Operating contribution HY 2020:** Tertianum is still included in two months of the 2020 results: rental income from leased properties of CHF 10.9 million, income from assisted living of CHF 72.4 million and EBIT contribution of CHF 2.2 million

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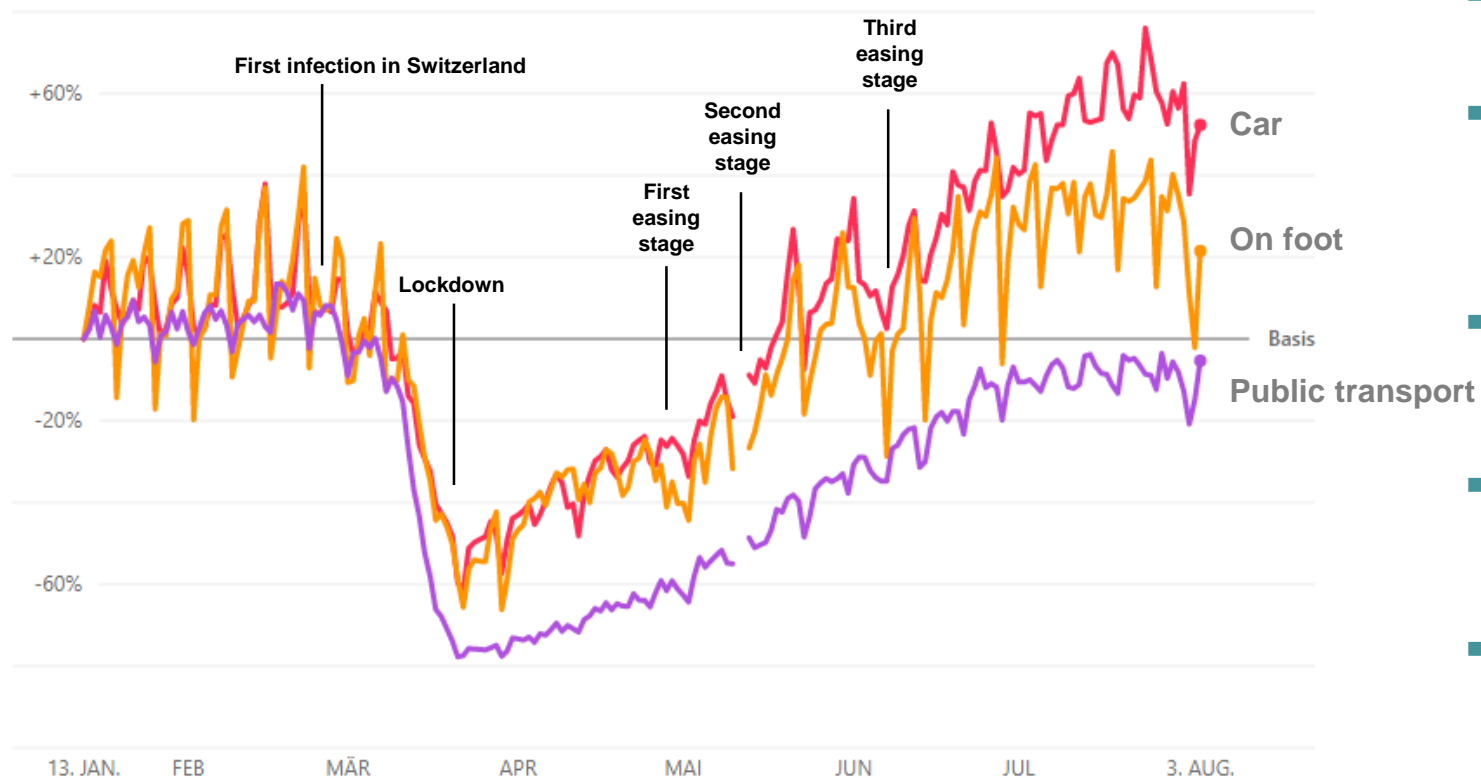
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6 **OUTLOOK**

Impact on the society and first normalisation trends

DEVELOPMENT OF MOVEMENT DATA IN SWITZERLAND



Source: www.apple.com/covid19/mobility

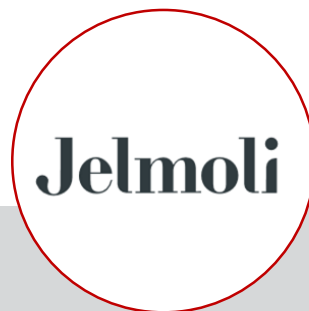
COMMENTS

- **Mobility in general:** Steep fall in all areas of mobility from the beginning of March
- **Commuter traffic:** Almost none due to home working, travel restrictions nationally and abroad, border closures and widespread short-time working
- **Easing stages:** The mobility of the population increased steadily before the relaxations were announced and primarily after
- **Post-lockdown:** overcompensation of mobility restrictions from June 2020, particularly due to the start of the holiday season
- **Work from home (WFH):** trend of WFH in addition to the office will remain, with a simultaneous increase in office space requirements due to social distancing measures

Impact on the Swiss Prime Site Group



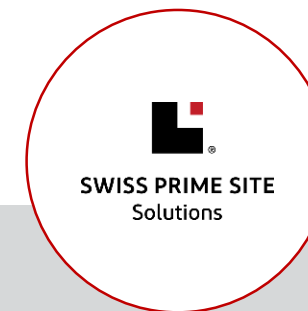
- Closure of retail and gastronomy spaces
- Parking had a significant (indirect) impact
- Around 500 requests for rent deferrals and high processing time
- Delay in transactions
- More difficult to let spaces



- Closure of site in Zurich (17 March – 11 May 2020)
- FOOD MARKET was the only open space during lockdown (20 March – 11 May 2020)
- Short-time work scheme for majority of employees applied
- Tenant requests for rent deferrals



- More complicated working conditions due to work from home and split work
- High number of tenant requests (>2 000), with client teams responding to each one
- Out of 90 shopping centres, 30 completely and 60 partially closed
- Postponement of construction projects

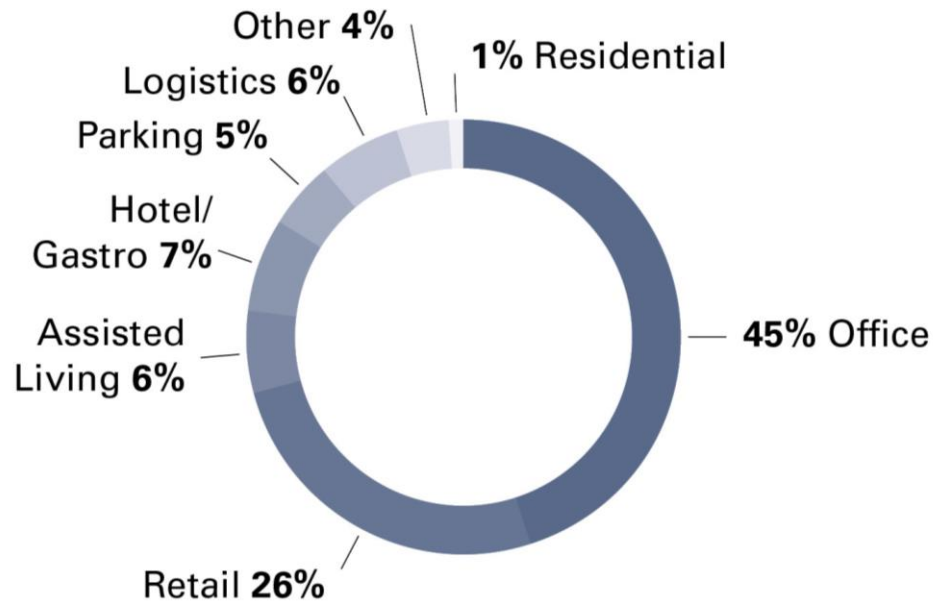


- Slower growth of assets under management
- Delays in capital increase, transactions and developments
- Client Swiss Prime Investment Foundation received approx. 100 tenant requests
- Delay in launching projects abroad
- More difficult to market spaces

Moderate financial implications 2020

REAL ESTATE PORTFOLIO

Basis: Net rental income as at 30.06.2020



TENANT REQUESTS

- A total of approx. 500 tenant requests for rent deferral and waivers, amicable solutions found for ~320

FINANCIAL IMPACT AS AT 30 JUNE 2020

- Impairments totalling CHF 14.0 million recognised as expenses
- CHF 1.1 million of already granted and confirmed rent waivers primarily for SME and self-employed tenants in addition to CHF 2.5 million of lower turnover based rents and parking are included in the rental income

OUTSTANDING RENT MARCH – JUNE 2020

- First half-year 2020: total CHF 10.7 million of outstanding rent (5% of rental income), i.e. rent collection was 95% in HY 2020
- Rent collection Q2 2020: 92%

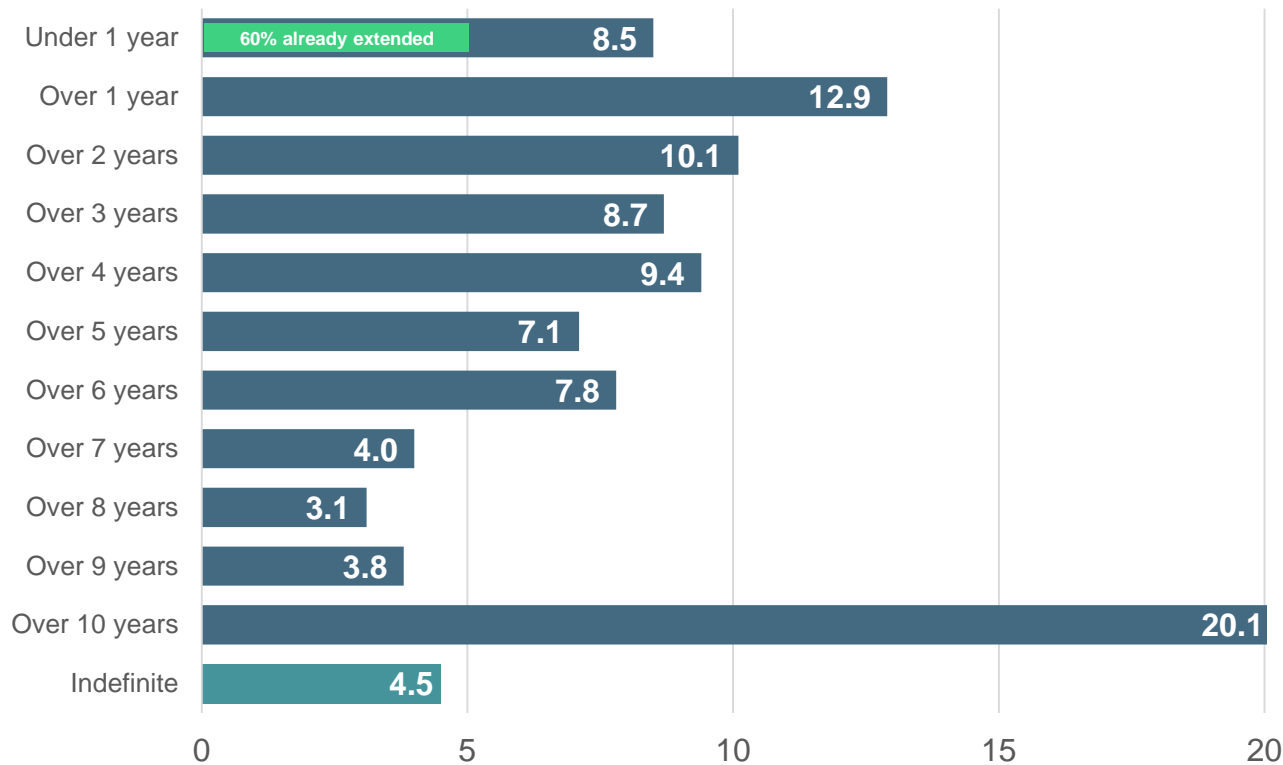
FINANCIAL IMPACT 2020E

- Total of CHF ~20 million in rent loss expected in 2020

Maturities of existing rental agreements

MATURITIES OF RENTAL AGREEMENTS*

in % as at 30 June 2020



* Based on future rental income

COMMENTS

- **Structure:** Balanced maturity of existing rental contracts in the portfolio with a value of CHF 11.9 billion
- **Maturities 2020:** >80% of the rental contracts have already been extended
- **WAULT:** 6 years
- **Risks:** No cluster risks over the next 10 years
- **Top tenants in the portfolio (total 25.7%):**

Tertianum	5.7%
Coop	5.6%
Swisscom	4.8%
Globus	4.7%
Zurich Insurance	2.5%
Swiss Post	2.4%

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Key events and their impact on the financial figures



SALE OF TERTIANUM

Sale of operation of 80 residential and geriatric care centres as well as residences; drop of CHF ~500 million in operating income and CHF ~34 million in EBIT



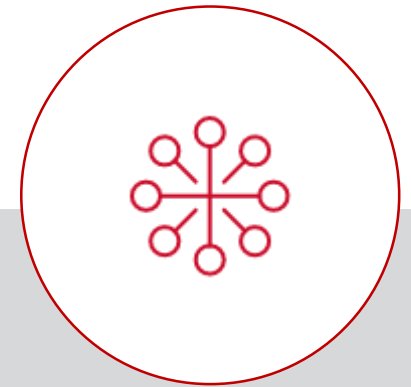
TAXES

High tax income of CHF 158.1 million (non-cash) in HY 2019 due to the release of deferred tax liabilities from cantonal tax rate reductions; HY 2020 CHF 6 million



REVALUATIONS

Impact of the COVID-19 pandemic on the market rental potential of retail spaces and therefore on the value of some properties; HY 2020 net revaluations of CHF -47.3 million



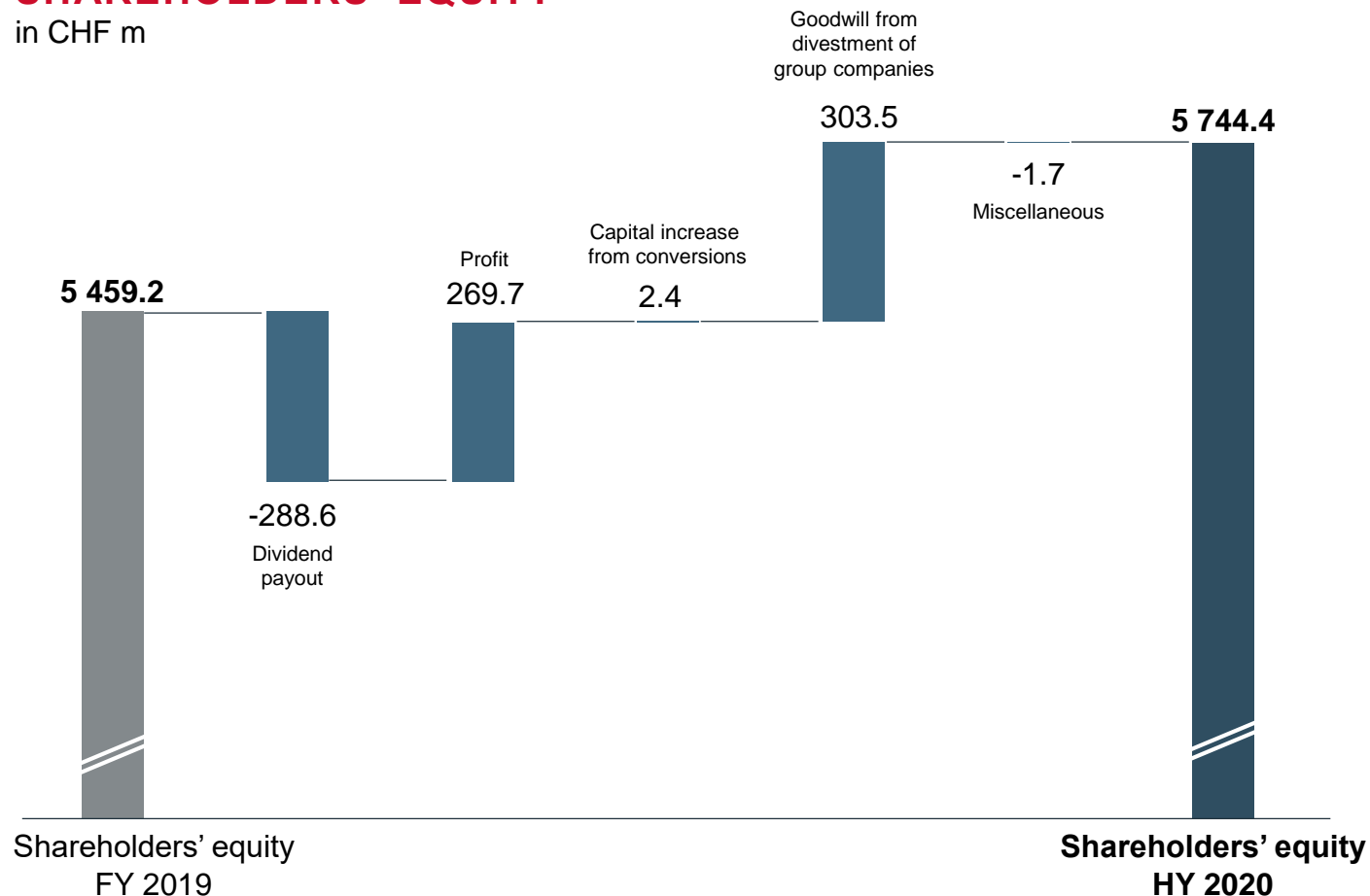
COVID-19

Pandemic with impact on the operational business activities at Jelmoli and expenses in the group companies Swiss Prime Site Immobilien, Wincasa and Swiss Prime Site Solutions

Jump in the equity ratio to 46.0%

SHAREHOLDERS' EQUITY

in CHF m



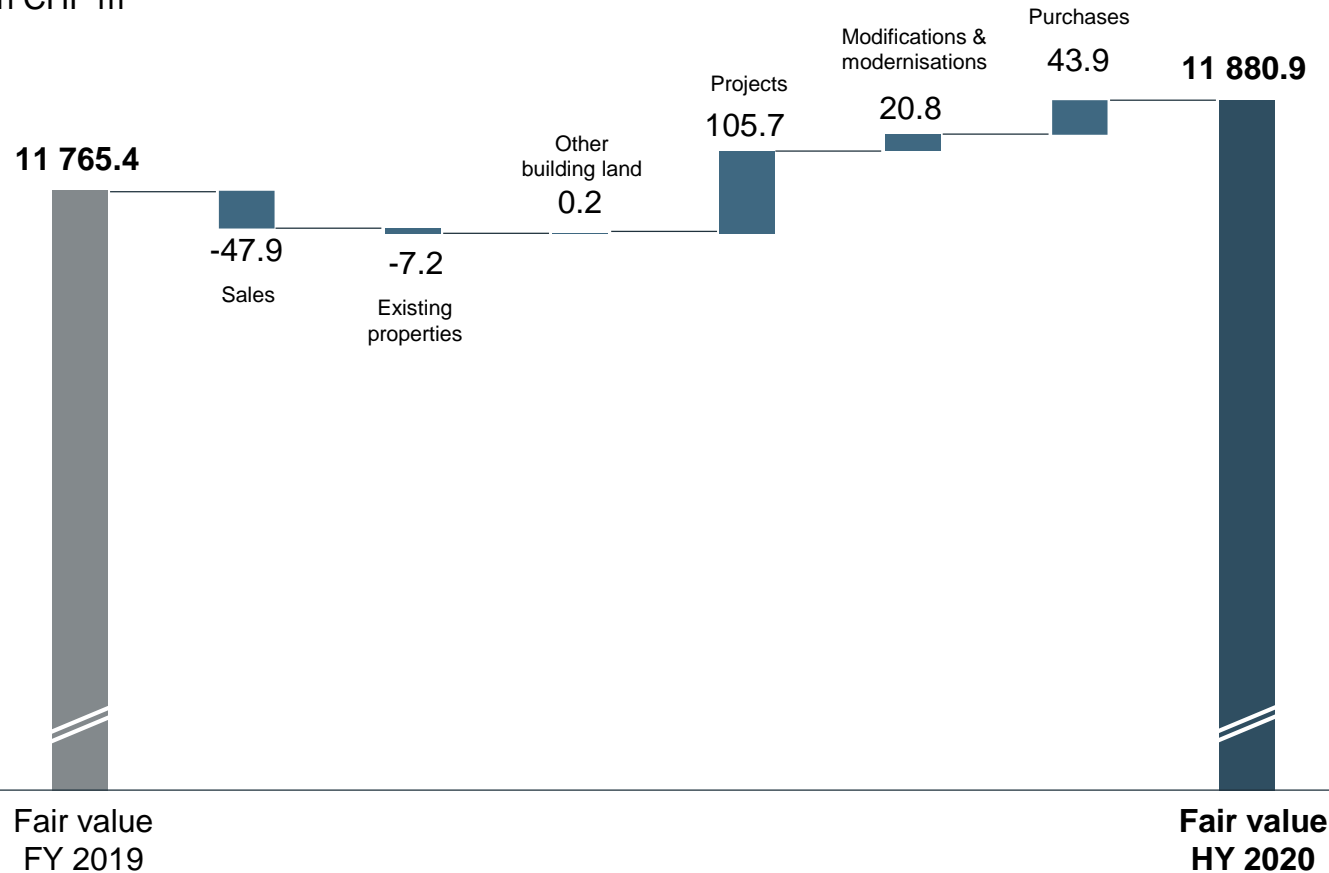
COMMENTS

- NAV increase to CHF 75.62 per share; +10.2% year-on-year and +5.2% compared to the end of 2019
- Dividend payout was overcompensated by the return of goodwill from the Tertianum sale and profit for HY
- Conversions of convertible bonds increase the total of shares issued to 75 970 364 (end of 2019: 75 946 349) and shareholders' equity by CHF 2.4 million
- Equity ratio of 46.0% (target: ~45%) and ROE of 9.6% (target: 6-8%) are above Swiss Prime Site's long-term goals

Real estate portfolio grows to CHF 11.9 billion

REAL ESTATE PORTFOLIO (FAIR VALUE)

in CHF m



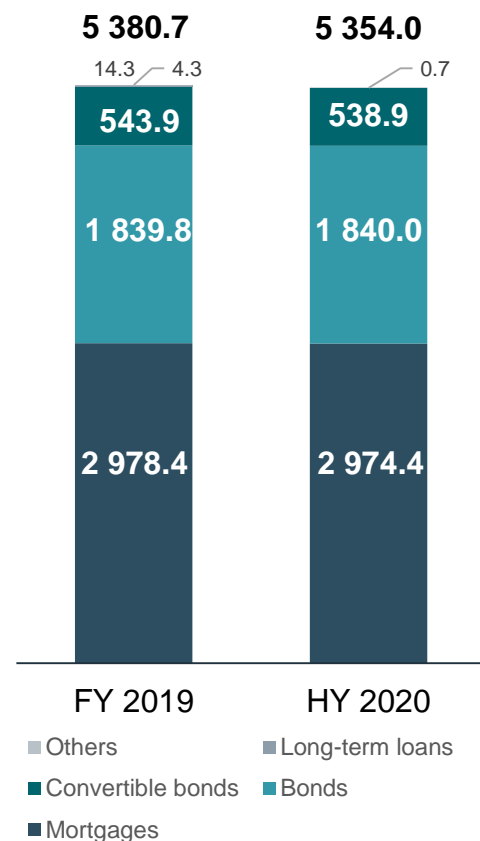
COMMENTS

- Real estate portfolio grew by 1% compared to the end of 2019
- Total 185 properties (end of 2019: 187) with a total value of CHF 11.9 billion
- Existing properties with negative revaluations of CHF 48.2 million and development properties with positive revaluations of CHF 0.9 million
- Attractive net property yield of 3.3% in the market for prime investment properties
- Increased vacancy rate of 5.4% (previous year: 4.7%)

Interest rate on liabilities improved to 1.2% and duration extended

FINANCING STRUCTURE

in CHF m



FINANCIAL LIABILITIES

	HY 2019	HY 2020
Ø interest rate (in %)	1.4	1.2
Ø residual term to maturity (in years)	4.3	4.6
Loan-to-value (in %)	46.6	45.1

in CHF m	FY 2019	HY 2020
Short-term	1 259.9	1 463.1
Long-term	4 120.8	3 890.9
Total	5 380.7	5 354.0

COMMENTS

- Total of 10 bonds outstanding, totalling CHF ~2.4 billion with maturity dates until 2031
- Next bond maturities: CHF 230 million on 21 October 2020 (coupon: 2.00%) and CHF 300 million on 16 April 2021 (coupon: 1.75%). CHF 378 million of outstanding obligations from total contractor agreements
→ Refinancing of all obligations and maturities secured using cash as well as collateralised and currently unused credit lines
- Interest rate on financial liabilities of 1.2% with a residual maturity of 4.6 years
- Loan-to-value at target level of ~45%

Highest ever half-year profit (excl. revaluations & deferred taxes)

INCOME STATEMENT SWISS PRIME SITE GROUP

in CHF m

	HY 2019	HY 2020
Operating income	607.7	425.2
Revaluation of investment properties	85.2	-47.3
Income from investments in associates	0.5	0.5
Result from investment property sales	5.6	5.7
<i>Profit on real estate developments (net)*</i>	7.0	8.1
Result from sale of participations	0.0	204.2
Operating expenses	-413.0	-274.5
EBIT**	286.1	313.6
Financial expenses	-36.6	-31.4
Financial income	1.2	0.9
Income taxes	+105.9	-13.5
Profit	356.5	269.7
Profit excluding revaluations and deferred taxes	151.3	320.0

* pro-rata profit from partial sale of Espace Tourbillon and Weltpost Park based on PoC method

** whereof Tertianum CHF 2.2 Mio. for two months

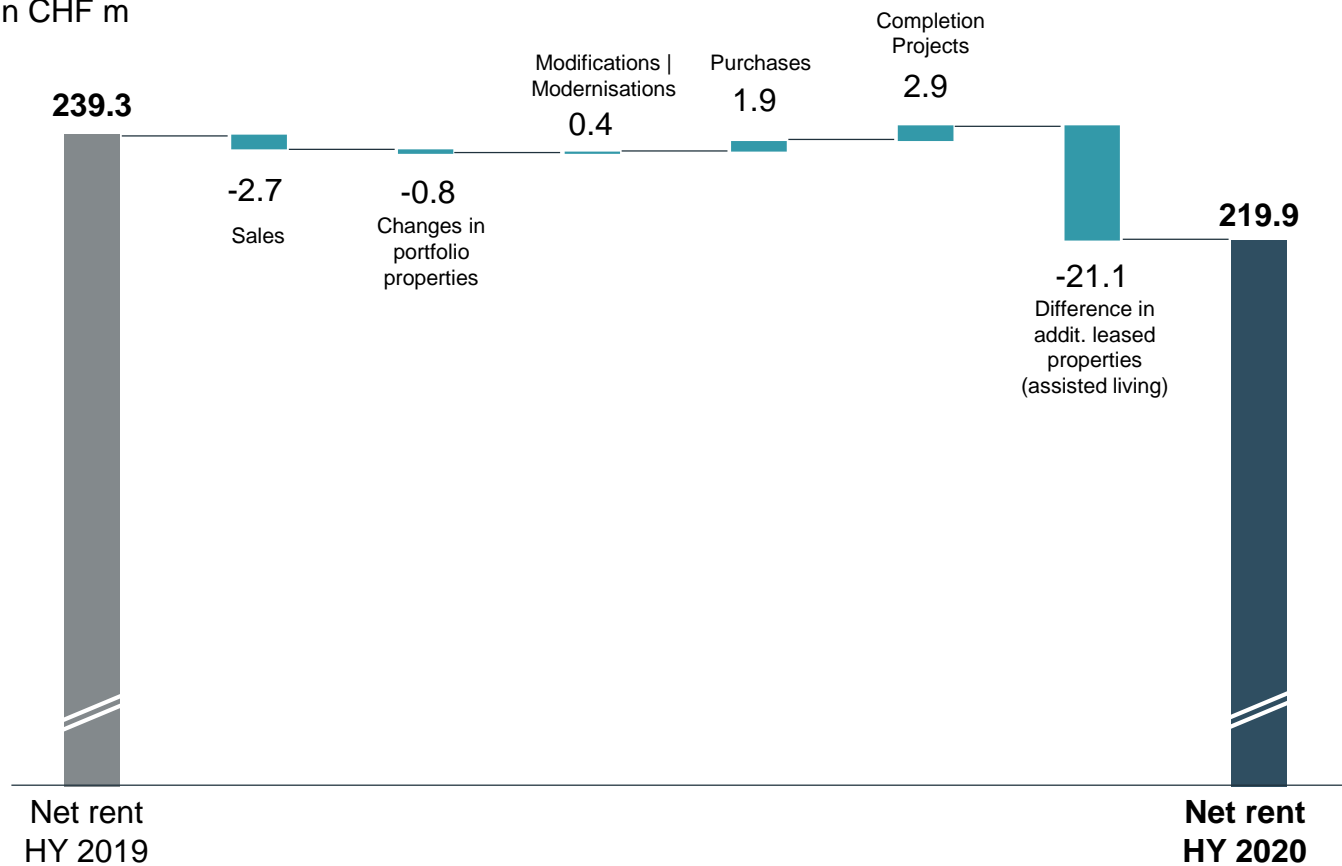
COMMENTS

- Income from real estate developments (recurring) and profit from the sale of investment properties totalling CHF 13.7 million (pre-tax)
- High profit of CHF 204.2 million from the Tertianum sale
- A drop in operating expenses mainly due to lower personnel costs after the sale of Tertianum
- Positive impact on income taxes due to release of deferred tax liabilities totalling CHF 6.0 million from cantonal tax rate reductions (previous year: CHF 158.1 million)
- COVID-19 pandemic: revaluations of CHF -47.3 million on the real estate portfolio of CHF 11.9 billion (0.4% of portfolio); impairments of CHF 14.0 million are included in operating expenses

Rental income growth in the core real estate business

CHANGE IN GROUP NET RENTAL INCOME

in CHF m



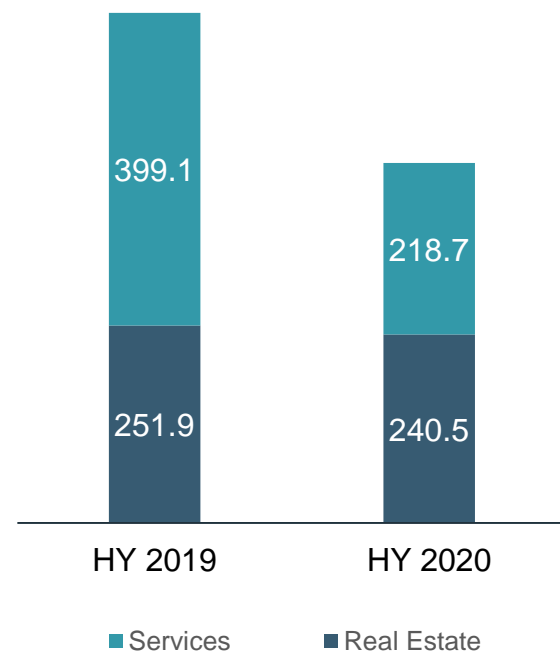
COMMENTS

- Core real estate business with rental income growth of CHF 217.0 million (+0.7%)
- EPRA-like-for-like changes: -0.9%, excl. impact Corona -0.3% (HY 2019 -0.6%)
- Positive impact on rental income from acquisitions (including office property in Zollikofen)
- In addition, growth from opening of completed projects YOND and Schönburg
- Drop in rental income due to modernisation of buildings, sales and the sale of Tertianum
- Corona pandemic: drop in turnover based rents and parking of CHF 2.5 million taken into account as well as CHF 1.1 million of already granted and confirmed rent waivers

EBIT increase of 9.6%; excluding revaluations of 79.8%

OPERATING INCOME BY SEGMENT

in CHF m



EBIT BY SEGMENT

in CHF m

	HY 2019	HY 2020
Real Estate	263.5	114.8
Services	22.6	198.8
EBIT	286.1	313.6

Services segment per group company

	HY 2019	HY 2020
Wincasa	7.1	3.7
Jelmoli	-5.4	-13.4
Swiss Prime Site Solutions	6.4	2.1
Tertianum	14.5	206.4
EBIT	22.6	198.8

COMMENTS

- Real Estate segment reported a lower EBIT excluding revaluations of CHF 162.1 million [2019: CHF 177.8 million] due to pandemic (CHF -14.0 million)
- Profit from the sale of Tertianum of CHF 204.2 million leads to a jump in EBIT in the Services segment
- Lockdown lasting several months results in a significant drop in EBIT at Jelmoli; not possible to compensate in the second half-year
- Wincasa (additional costs due to pandemic and digitalisation) and Swiss Prime Site Solutions (fewer transactions) report lower EBIT
- Operational EBIT of CHF 2.2 million at Tertianum included until the end of February 2020

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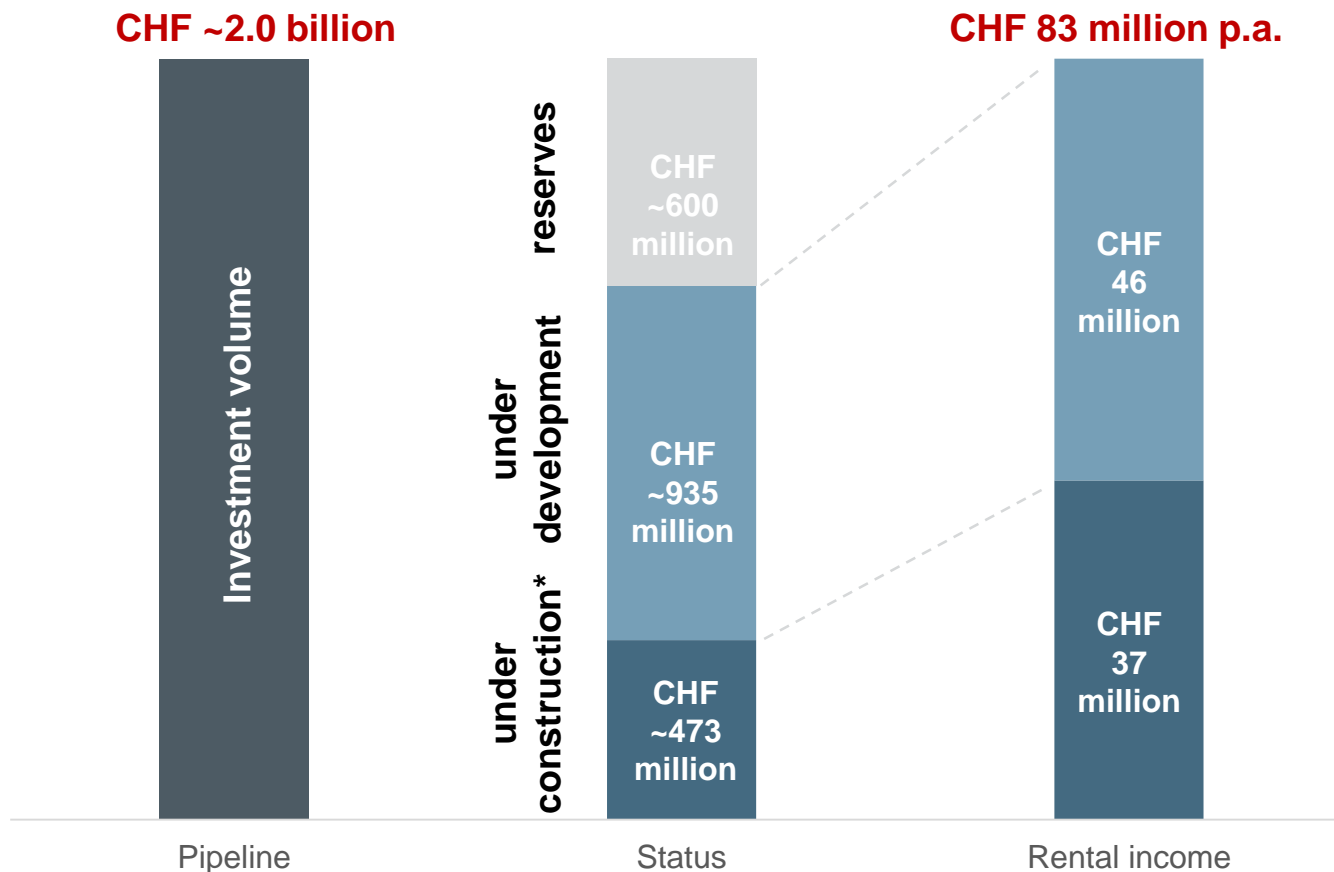
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6 **OUTLOOK**

Net yields significantly above portfolio average

PROJECT PIPELINE OVERVIEW

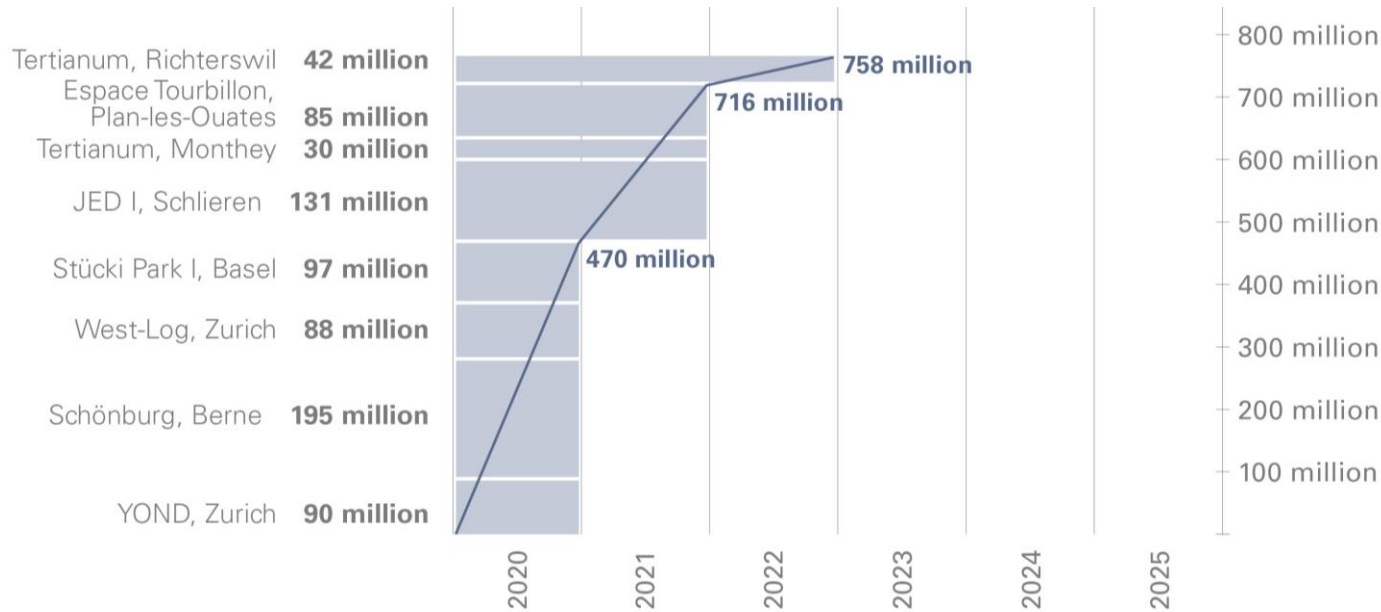


* excl. Schönburg and YOND projects, which were handed over to tenants in Q1 2020

COMMENTS

- **Investment volume:** Size of the project pipeline has remained stable at around CHF 2.0 billion over the last few years
- **Projects under construction:** Many projects under construction are close to completion, totalling CHF 473 million* and with rental income of CHF 37 million, producing a net yield (on cost) of ~4.5%, above the existing portfolio average
- **Projects in development:** Attractive development prospects of around CHF 935 million due to many issued building permits and an expected rental income of CHF 46 million and a net yield of ~4.5% (on cost)
- **Reserves:** Around CHF 600 million development potential of existing land reserves

Projects under construction (1|4): Overview



Tertianum, Richterswil	42 million
Espace Tourbillon, Plan-les-Ouates	85 million
Tertianum, Monthey	30 million
JED I, Schlieren	131 million
Stücki Park I, Basel	97 million
West-Log, Zurich	88 million
Schönburg, Berne	195 million
YOND, Zurich	90 million

**Investments
incl. land (CHF)**

**Target rental income*
p.a. (CHF)**

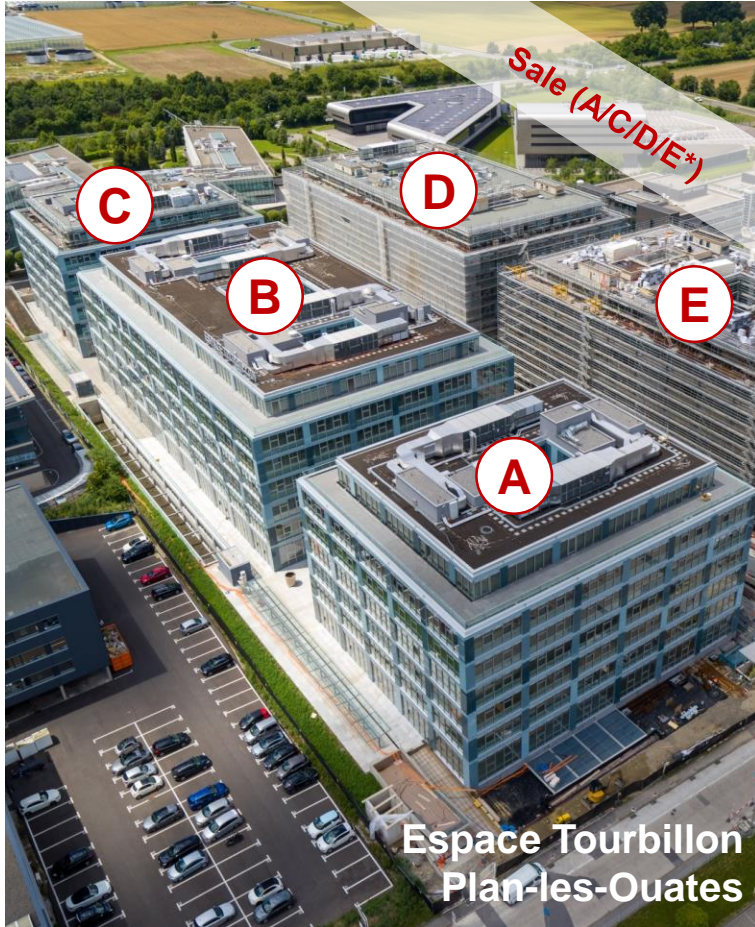
42 million	2.1 million
85 million	7.2 million
30 million	1.3 million
131 million	6.6 million
97 million	5.3 million
88 million	3.2 million
195 million	6.1 million
90 million	4.8 million

* assuming full letting

Projects under construction (2|4): Zurich and Berne



Projects under construction (3|4): Geneva, Zurich and Basel

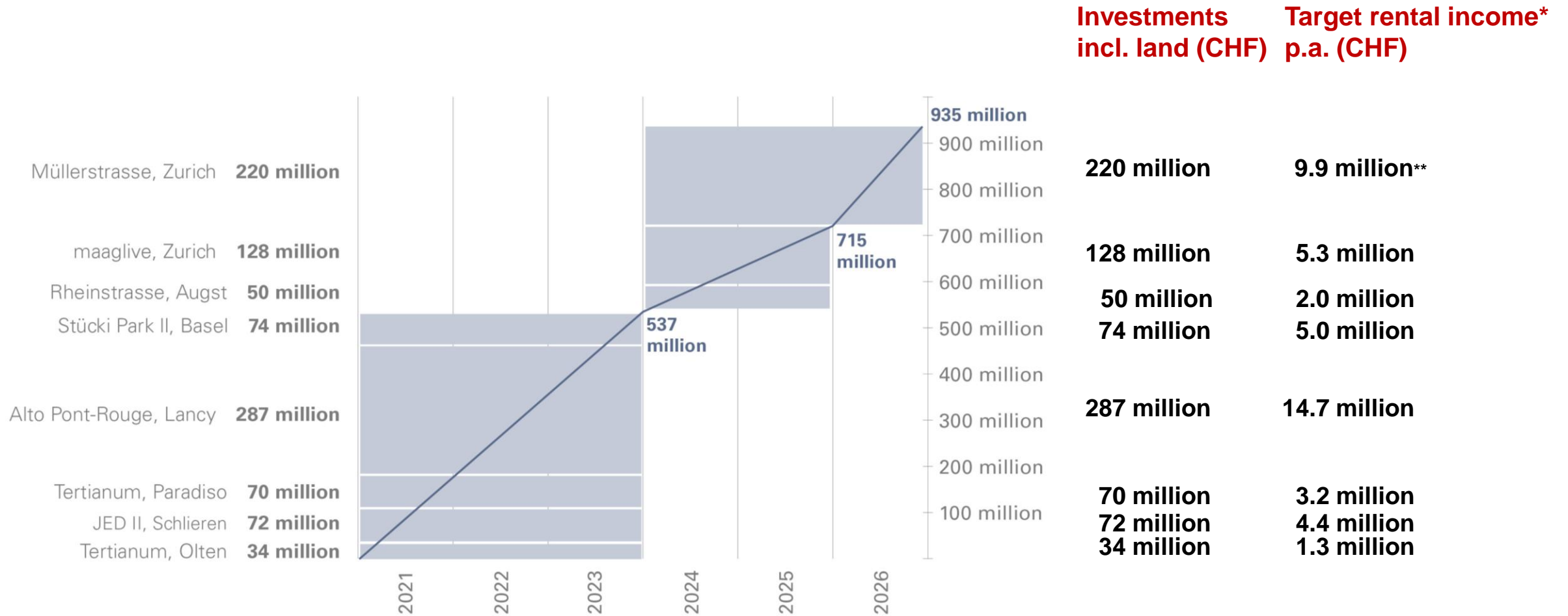


* C & D: sold to Hans Wilsdorf Foundation; A & E: in sales process

Projects under construction (4|4): Valais and Zurich







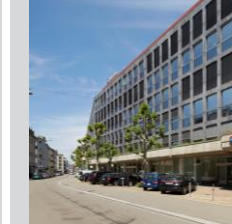
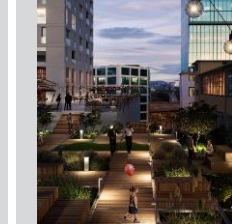

Projects in development (1|2): Overview



*assuming full letting **existing property let until middle of 2021 with rental income of CHF 6.6 million p.a.

Projects in development (2|2): Status

PROJECTS

							
	Tertianum Paradiso & Olten	Alto Pont-Rouge Lancy	JED II Schlieren	Stücki Park II Basel	Müllerstrasse Zurich	maaglive Zurich	Rheinstrasse Augst
Design plan	published (Olten)					architecture competition	zone plan granted
Planning application					submitted		
Building permit	granted (Paradiso)	granted	granted	granted			
Pre-letting status	100%	under negotiation	under negotiation	under negotiation	100%	interim letting	interim letting

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Guidance 2020



ECONOMY

GDP: SECO is expecting the economy to shrink by 6.2% in 2020

Global economy: a slow recovery is expected



POPULATION | RATES

Migration: expected to fall in 2020

Interest rates: Swiss National Bank continues their expansive policy



POLITICS

«Limitation initiative»: vote on 27 September 2020

«COVID-19 Business Rent Law»: proposal to parliament by Sept. 2020



SWISS PRIME SITE

Expected profit (excl. revaluations and deferred taxes) above previous year due to the profit from the sale of Tertianum confirmed

Impact of the coronavirus pandemic on rental income expected to be CHF ~20 million

**Target vacancy rate <5%;
FY 2020: temporarily above 5%**

AFFECTED BY FURTHER DEVELOPMENT OF THE CORONAVIRUS PANDEMIC

SWISS PRIME SITE

Analyst and investor contact



Markus Waeber
Investor Relations

Head Group Investor Relations
Business: +41 58 317 17 64
Mobile: +41 79 566 63 34
markus.waeber@sps.swiss

Media contact



Mladen Tomic
Media Relations

Head Group Communications
Business: +41 58 317 17 42
Mobile: +41 79 571 10 56
mladen.tomic@sps.swiss

Company calendar

Results 2020	25 February 2021
Annual General Meeting	23 March 2021

Headquarters

Swiss Prime Site AG
Frohburgstrasse 1
CH-4601 Olten
Phone: +41 58 317 17 17
www.sps.swiss

Zurich office

Swiss Prime Site AG
Prime Tower, Hardstrasse 201
CH-8005 Zurich

Geneva office

Swiss Prime Site AG
Rue du Rhône 54
CH-1204 Geneva

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SWISS PRIME SITE

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