

**SWISS PRIME SITE**

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# **2017 ANNUAL RESULTS**

**ZURICH, 1 MARCH 2018**

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# SWISS PRIME SITE

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- 1** Welcome address
- 2** 2017 highlights
- 3** Key metrics for 2017
- 4** Outlook

# Successful performance in 2017

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## Operating income

New high of CHF 1 154.8 million achieved (+10.0%)

## Profit

Profit before revaluations and deferred taxes climbs to record-high CHF 307.4 million (+11.5%)

## Property portfolio

Value increased to CHF 10.6 billion (+5.4%)

## Vacancy rate

Vacancy rate cut to 5.2% (-0.9 percentage points)

## Annual General Meeting

Board to recommend dividend of CHF 3.80 per share  
Dr. Barbara Frei-Spreiter and Thomas Studhalter to be proposed as new Board members

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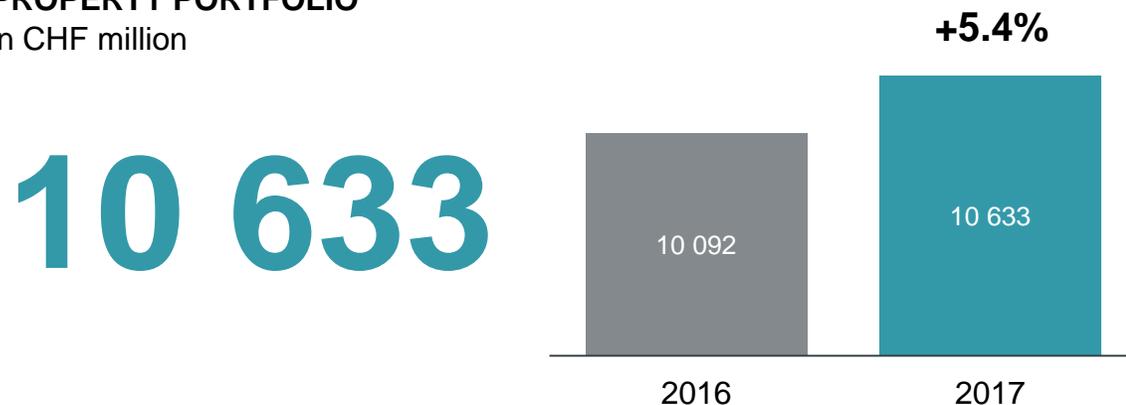
# SWISS PRIME SITE

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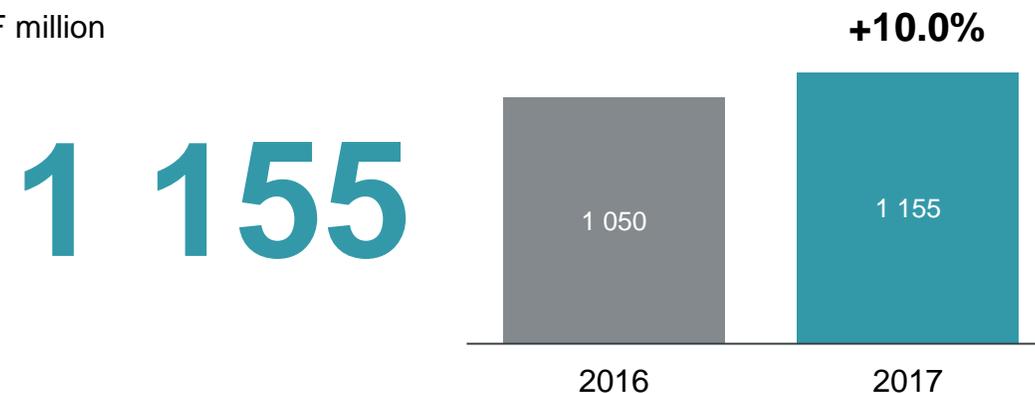
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# Growth across the board

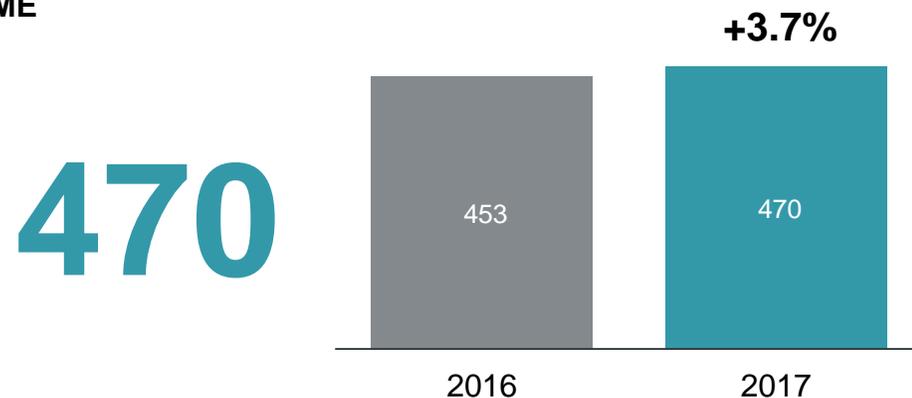
**PROPERTY PORTFOLIO**  
in CHF million



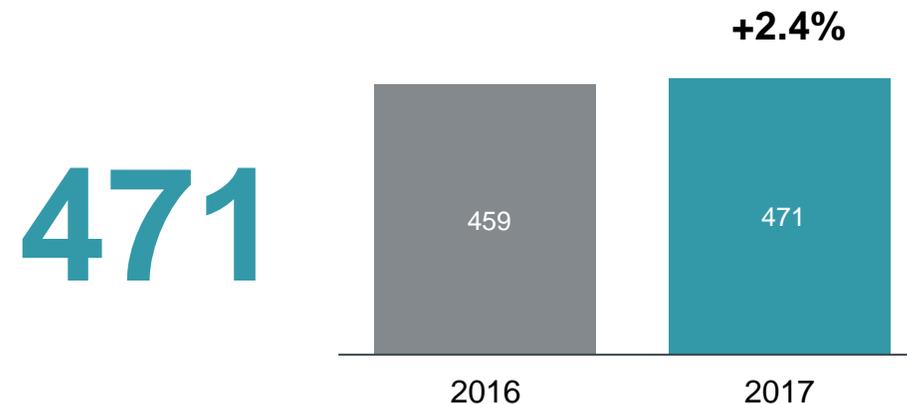
**OPERATING INCOME**  
in CHF million



**RENTAL INCOME**  
in CHF million

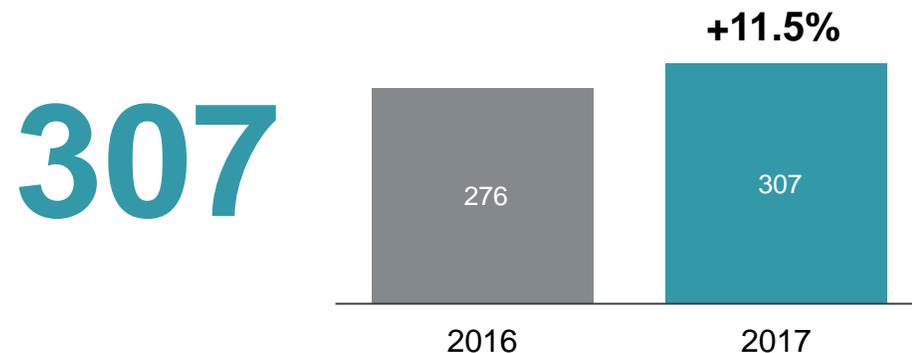


**EBIT**  
in CHF million

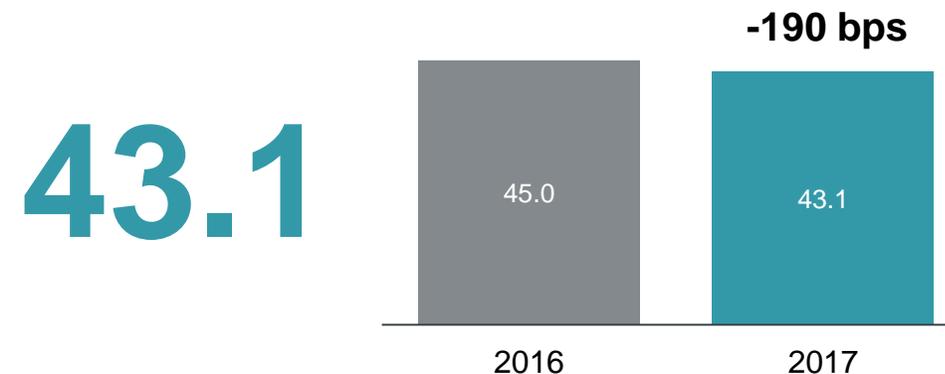


# EPS before revaluations and deferred taxes raised by 10%

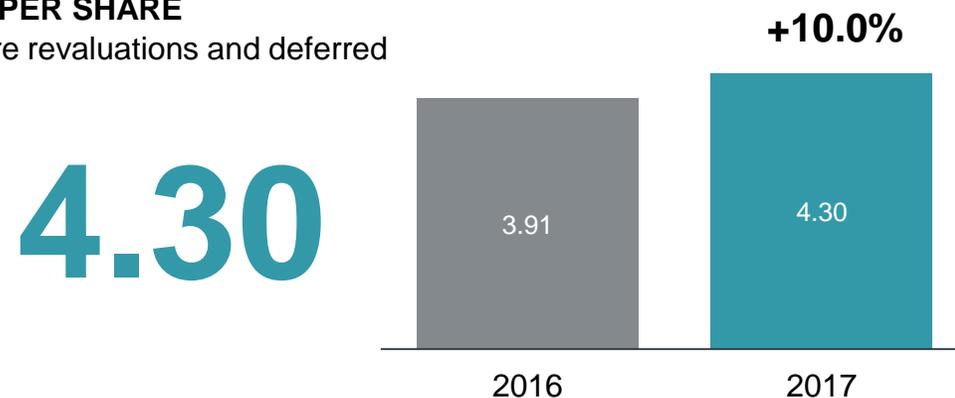
**PROFIT**  
in CHF million before revaluations and deferred taxes



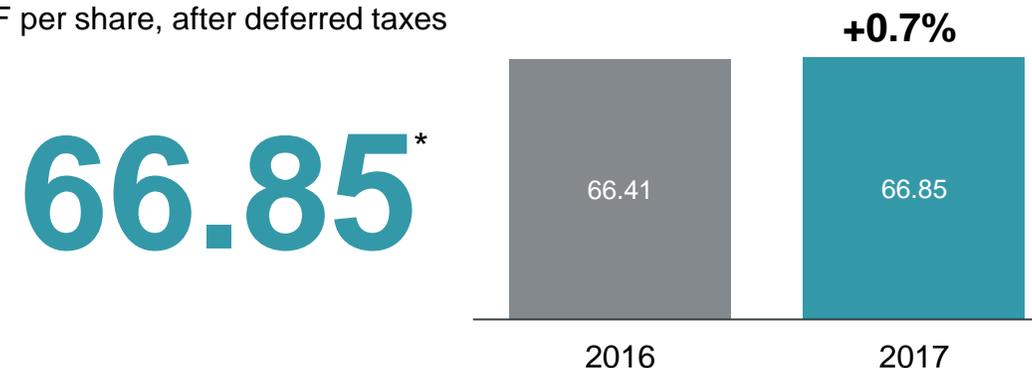
**EQUITY RATIO**  
in %



**EARNINGS PER SHARE**  
in CHF before revaluations and deferred taxes



**NET ASSET VALUE**  
in CHF per share, after deferred taxes



\* figure includes only the book value for the Services segment

## Strong performance in core Real Estate business (1/2)

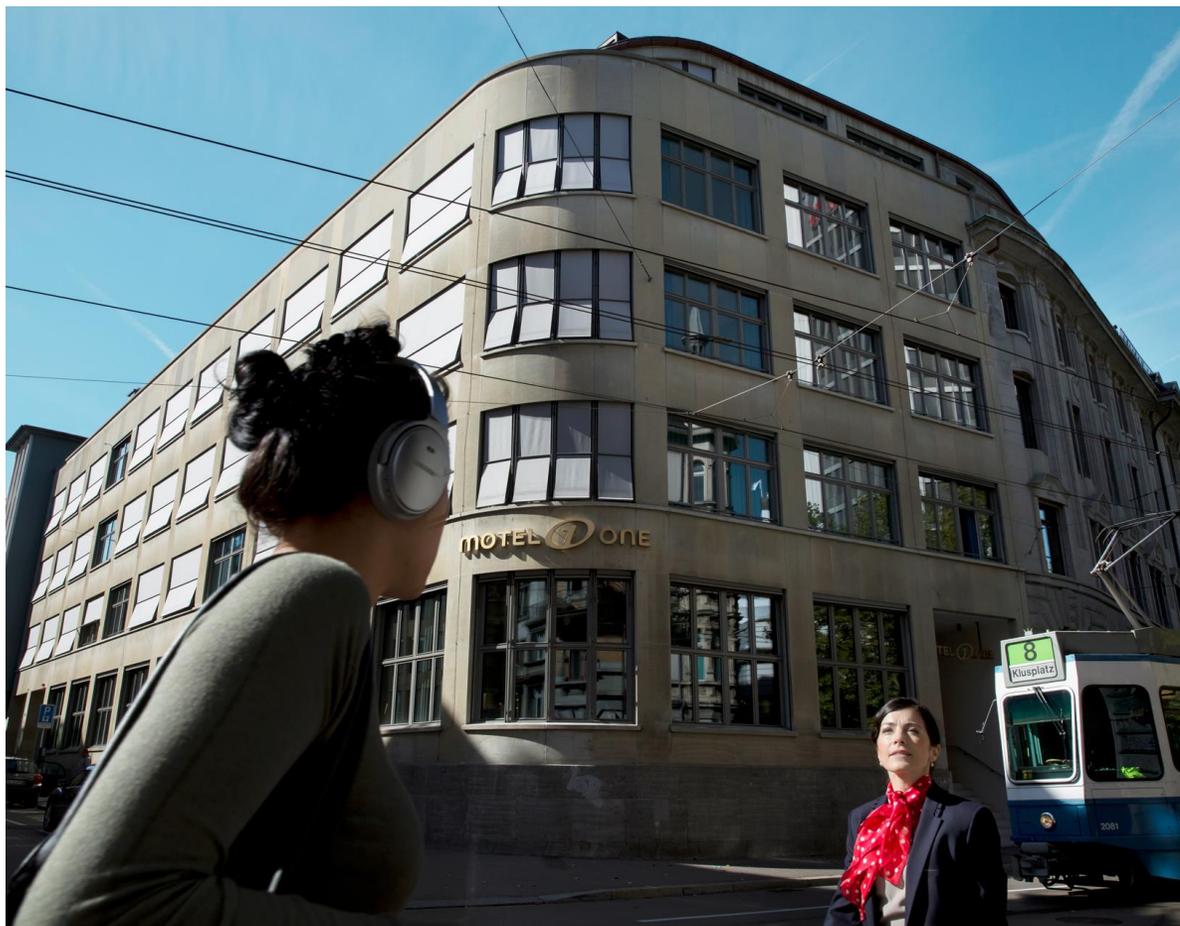


Image: Motel One, Zurich

### Real Estate

- **New leases/lease extensions** signed on floorspace totalling 200 000 m<sup>2</sup> or 12% of overall portfolio incl. 25 000 m<sup>2</sup> or 15% vacant properties re-let
- **Completion** of two projects in Zurich – Motel One (July 2017) and Etzelgut (November 2017)
- **Definitive construction permits** granted for YOND in Zurich, Espace Tourbillon in Geneva, the Schönburg and Weltpostpark sites in Berne as well as Stücki Park (new cineplex in existing structure) in Basel
- **Construction-permit applications** for Stücki Park (four new finger docks for laboratories, healthcare etc.), A1 Center (with Bauhaus as anchor tenant) and NZZ site (with Zühlke as anchor tenant)

## Strong performance in core Real Estate business (2/2)



Image: Tertianum, Paradiso

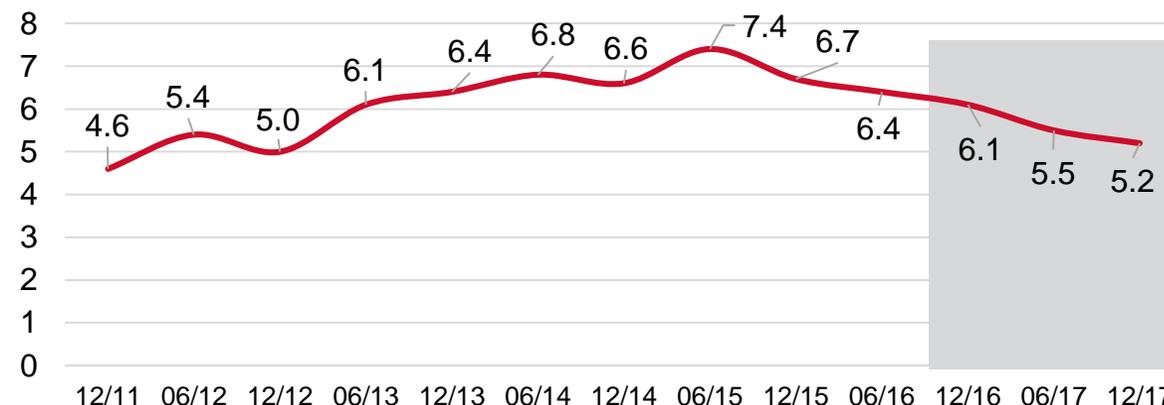
### Real Estate

- **Acquired** three additional properties for Assisted Living business (Richterswil, Paradiso, Morges)
- **Acquired** attractive large sites in Winterthur (three properties adjacent to Roter Turm tower) and Geneva (Pont-Rouge)
- **Acquired** large Iseli industrial site in Regensdorf (signing: 27 July 2017 – closing: 1 January 2018)
- **Sold** two buildings with an overall floorspace of ~35 000 m<sup>2</sup> in Espace Tourbillon project in Geneva, generating a pro-rata (percentage-of-completion) pre-tax profit of CHF 27.5 million

# Real Estate: reduces vacancy rates by 0.9 percentage point to 5.2%

Property portfolio in CHF million	2016	2017
Total	10 092.1	10 633.1
of which projects   developments	307.3	412.9
Number of properties	184	188
Rental income from properties	453.0	469.9
Revaluation gains	69.3	65.9
Net property yield (in %)	3.7	3.7
Discount rate (in %), Ø	3.47	3.35

Vacancy rate in % (Group)



## Comments

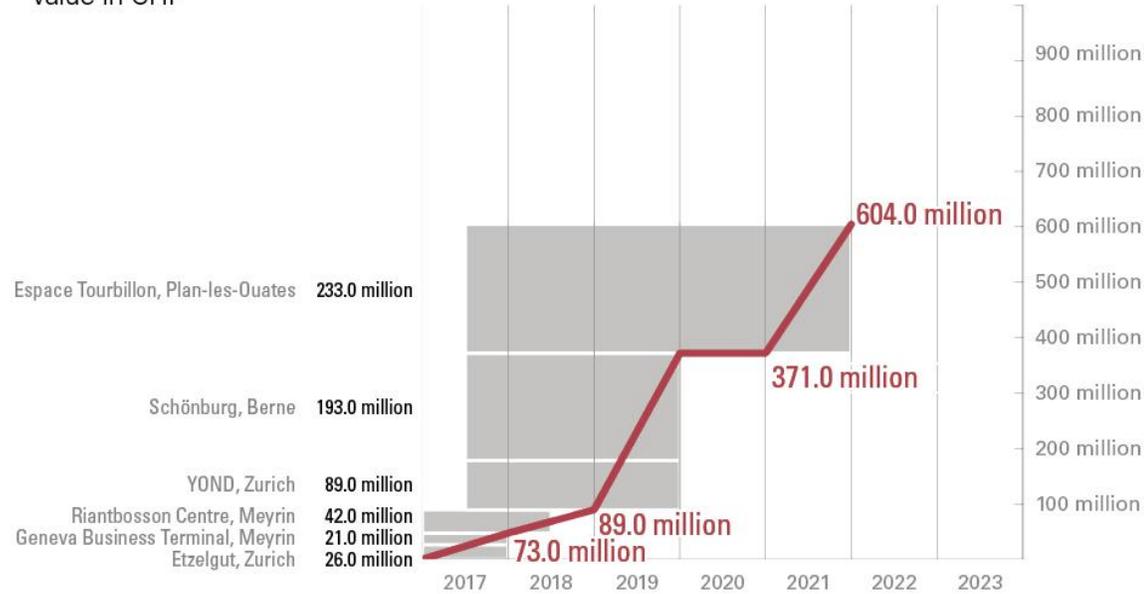
- **Value** of property portfolio raised to CHF 10.6 billion, attractive net yield of 3.7%
- **Revaluation gains** of CHF 14.9 million on existing properties and CHF 51.0 million on development properties and property conversions

## Comments

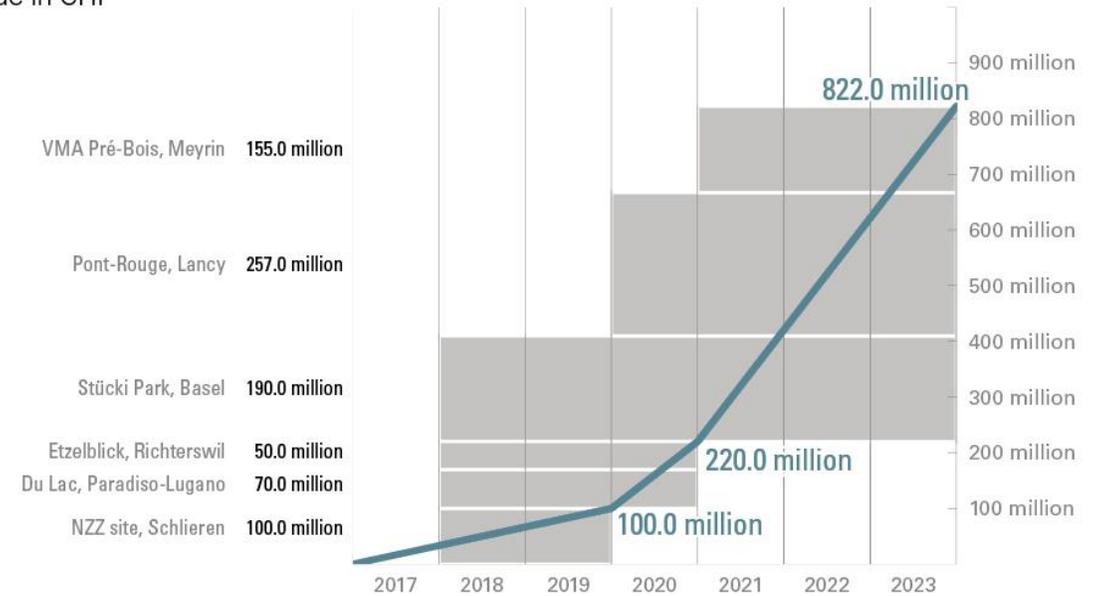
- Marked **reduction** in vacancy rate to 5.2%
- Approaching **base vacancy rate**
- Further **improvements** expected in 2018

# Real Estate: 6 major projects under construction, 6 in planning phase

Projects under construction  
Value in CHF



Projects in planning phase  
Value in CHF



Land bank

Investments: CHF ~600 million

Total site area: 129 000 m<sup>2</sup>

Floorspace: 175 000 m<sup>2</sup>

# Real Estate: expects CHF 83 million of additional rental income by 2025

Projects	Realisation Investment volume*	Rental floorspace Rental income**	Gross yield (on cost) Net yield (on cost)
<b>under construction</b> (capex 2018 – 2021: CHF 313 m)	<ul style="list-style-type: none"> <li>2017 – 2021</li> <li>CHF ~600 million</li> </ul>	<ul style="list-style-type: none"> <li>101 800 m<sup>2</sup></li> <li>CHF 37 million</li> </ul>	<ul style="list-style-type: none"> <li>6.1%</li> <li>5.4%</li> </ul>
<b>in development</b> (capex 2018 – 2025: CHF ~700 m)	<ul style="list-style-type: none"> <li>2018 – 2025</li> <li>CHF ~900 million</li> </ul>	<ul style="list-style-type: none"> <li>120 000 m<sup>2</sup></li> <li>CHF 46 million</li> </ul>	<ul style="list-style-type: none"> <li>5.5%</li> <li>4.7%</li> </ul>
<b>land bank</b> (site area: 129 000 m <sup>2</sup> )	<ul style="list-style-type: none"> <li>&gt;2021</li> <li>CHF ~600 million</li> </ul>	<ul style="list-style-type: none"> <li>175 000 m<sup>2</sup></li> <li>CHF 33 million</li> </ul>	
<b>Total projects for own property portfolio</b>	<ul style="list-style-type: none"> <li>Investments: CHF 2.1 billion</li> </ul>	<ul style="list-style-type: none"> <li>396 800 m<sup>2</sup> floorspace</li> <li>CHF 116 m rental income</li> </ul>	<ul style="list-style-type: none"> <li>Average net yield: 5.0% (current portfolio: 3.7%)</li> </ul>
<b>Total projects for sale</b>	<ul style="list-style-type: none"> <li>Projected proceeds: CHF ~300 million</li> </ul>	<ul style="list-style-type: none"> <li>49 196 m<sup>2</sup> rental floorspace</li> </ul>	<ul style="list-style-type: none"> <li>Projected pre-tax profit: CHF ~100 million</li> </ul>

\*estimates incl. land \*\*assuming full letting after completion

# Development projects (1/4): new Stücki Park centre for North Basel



## Highlights

- **New workplaces** Project will create a new centre employing 1 700 staff
- **Success factors** Meets the need for laboratory and office space and also creates positive synergies with other users (in fields of innovation, health, wellness, shopping)
- **Investment volume** CHF 190 million<sup>1</sup>, completion in 2020/2023
- **Yield** (on cost): 5.4%

<sup>1</sup> including land

## Development projects (2/4): innovative new YOND facility for Zurich



### Highlights

- **Rationale** Rapidly available, flexible floorspace for small, medium and large service providers and manufacturers
- **Success factors** Innovative design based on lean construction principles with clear focus on flexibility and simplicity
- **Investment volume** CHF 89 million<sup>1</sup>, completion in 2019
- **Yield** (on cost): 5.0%

<sup>1</sup> including land

## Development projects (3/4): Espace Tourbillon, Plan-les-Ouates



### Highlights

- **Rationale** Multifunctional industrial & manufacturing park with high-end logistics and approx. 95 000 m<sup>2</sup> of space
- **Success factors** Tailor-made premises for 4 000 new workplaces
- **Partial sale** with two buildings purchased by Hans Wilsdorf Foundation
- **Investment volume** CHF 233 million<sup>1</sup>, completion in 2021/2022
- **Yield** (on cost): 7.3%

<sup>1</sup> including land

# Development projects (4/4): Pont Rouge in Lancy – gateway to PAV



## Highlights

- **Rationale** Superb location, excellent reinvestment opportunity
- **Success factors** Location comparable to Hardbrücke in Zurich and scope for mixed-use development for services, retail and residential lettings
- **Investment volume** CHF 257 million<sup>1</sup>, completion in 2023
- **Yield** (on cost): 4.0%

<sup>1</sup> including land

# Roter Turm Winterthur unites elements that belong together



## Highlights

- **Rationale** Creates small business hub for Winterthur with significant potential synergies
- **Success factors** Fully let building within walking distance of railway station
- **Fair value** CHF 195.4 million,
- **Yield:** 3.9%

## Service segment achieving good results

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### Wincasa

- Assets under management reach new CHF 66 billion record
- Mixed-Use Site Management and Customer Value Centre units established

### Jelmoli

- Turnover increased despite challenging retail climate and fewer shopping days
- Strong operational performance brings net result close to breakeven

### Tertianum

- Network expanded to 76 locations, uniform brand profile adopted
- Three new centres opened in 2017: Gommiswald, Tenero and Etzelgut Zurich

### Swiss Prime Site Solutions

- Assets under management increased to CHF 1.4 billion

### Services segment

- Operating income: CHF 754.6 million (+7.2%), EBIT: CHF 48.6 million (+25.7%)
- Disproportionately large EBIT increase confirms segment's operational-efficiency gains

# Sustainability reporting milestones in 2017



## Stakeholders

Our first stakeholder dialogue enabled us to evaluate and augment the materiality of our roadmap topics.



## Sustainable investments and services

Maintaining the primary structures of the Schönburg project in Berne resulted in a documented saving of 26 750 MWh of grey energy.



## Financial excellence

The Group achieved and partially exceeded the targets announced at the beginning of the reporting year.



## Protecting the environment

A comprehensive reporting and data-recording concept was developed and implemented. Resource utilisation by individual Group companies is now being evaluated for the first time.



## Compliance and social commitment

Group-wide IT guidelines were introduced which also incorporate the basis for a comprehensive data-protection concept for 2018.



## Attractive working environment

81 employees attended our executive training course in leadership. Around 400 apprentices and 78 interns completed their vocational training.

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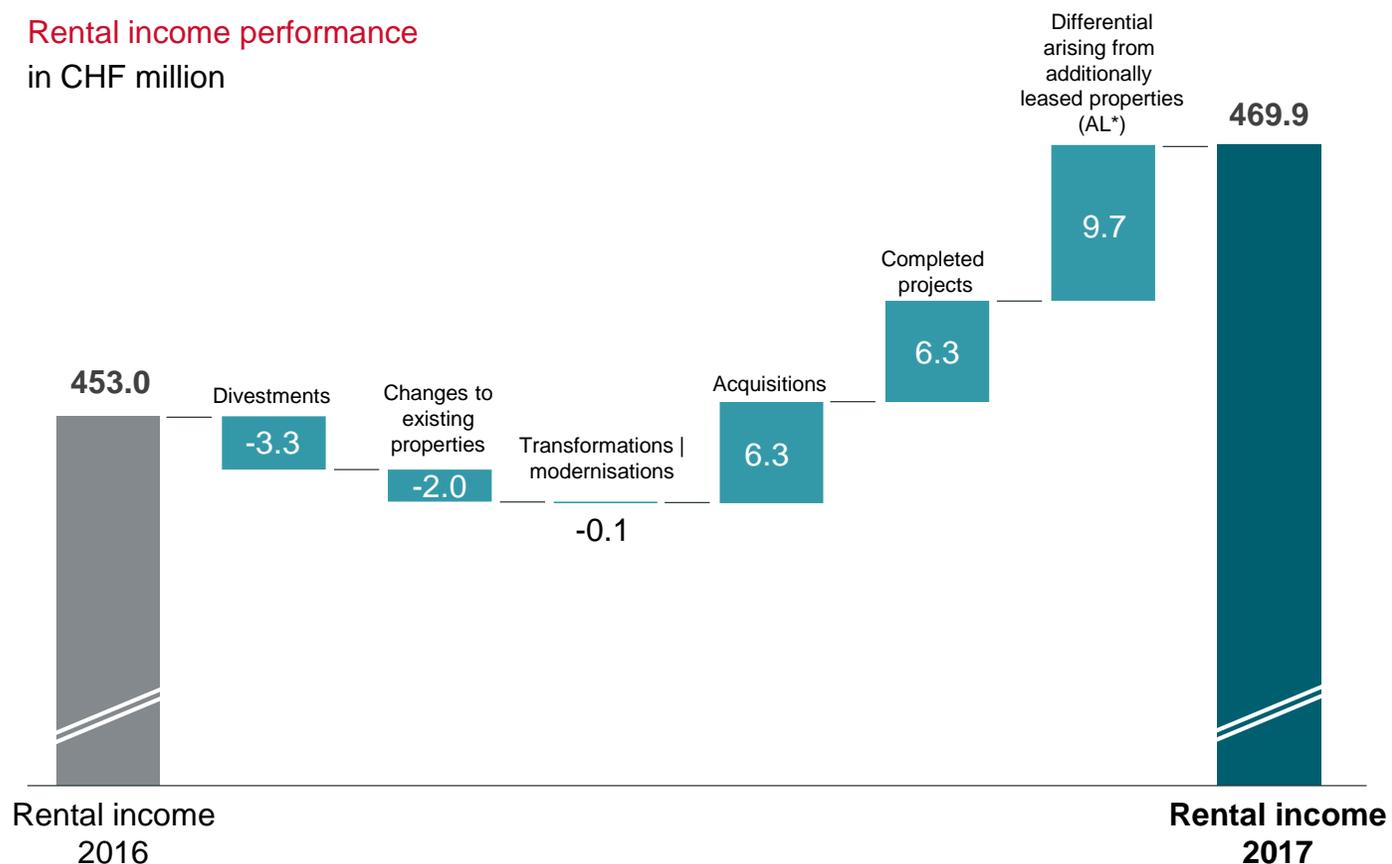
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# Rental income rises by 3.7%

Rental income performance  
in CHF million



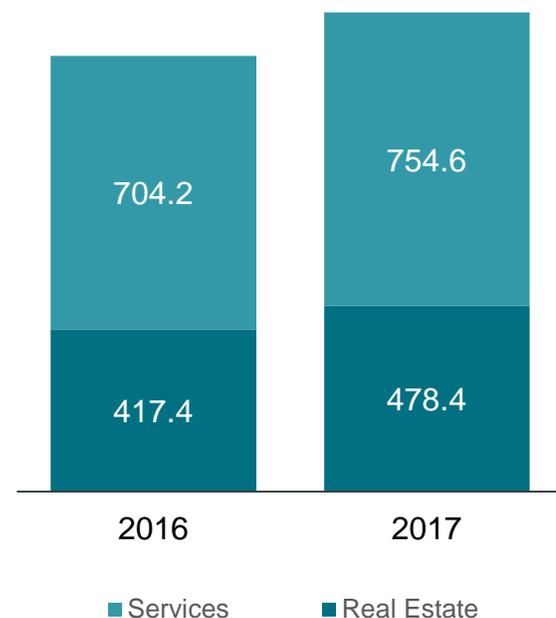
## Facts

- Rental income increased due to full-year effect of 2016 acquisitions (e.g. Gotthard building in Lucerne)
- Growth also driven by operations commencing at Motel One projects in Basel and Zurich, Medienpark in Zurich-Albisrieden opening to tenants
- BOAS Senior Care acquired in February 2016, new Assisted Living locations opened
- CHF 61.5 million rental income from leased Tertianum properties included

\*Assisted living

# Operating income raised by 10.0%

Operating income by segment  
in CHF million



EBIT by segment  
in CHF million

	2016	2017
Real Estate	420.8	422.0
Services	38.7	48.6
<b>EBIT</b>	<b>459.4</b>	<b>470.6</b>

Services segment EBIT by Group company

	2016	2017
Tertianum	20.0	25.2
Wincasa	20.9	19.8
Jelmoli	-11.2	-1.8
Swiss Prime Site Solutions	9.0	5.4
<b>EBIT</b>	<b>38.7</b>	<b>48.6</b>

## Facts

- EBIT in core Real Estate segment in line with 2016, lower revaluation gains
- Substantial 25% increase in EBIT at Tertianum due to expansion strategy
- Wincasa posts good result despite substantial digitalisation investment costs
- Jelmoli with operational and strategic improvements and growth in EBIT
- Swiss Prime Site Solutions achieves good result despite reduced purchase commissions

# Profit before revaluations & deferred taxes climbs to record-high

Swiss Prime Site Group income statement  
in CHF million

	2016	2017
Operating income	1 049.5	1 154.8
Revaluation of investment properties	69.3	65.9
Result from investments in associates	8.6	2.0
Result from investment property sales	24.9	0.3
<i>Profit on real estate development sales (net)*</i>	-	27.5
Operating expenses	-693.0	-752.0
<b>EBIT</b>	<b>459.4</b>	<b>470.6</b>
Financial expenses	-86.0	-77.8
Financial income	4.9	2.0
Income taxes	-67.2	-89.3
<b>Profit</b>	<b>311.1</b>	<b>305.5</b>
<b>Profit before revaluations/deferred taxes</b>	<b>275.6</b>	<b>307.4</b>

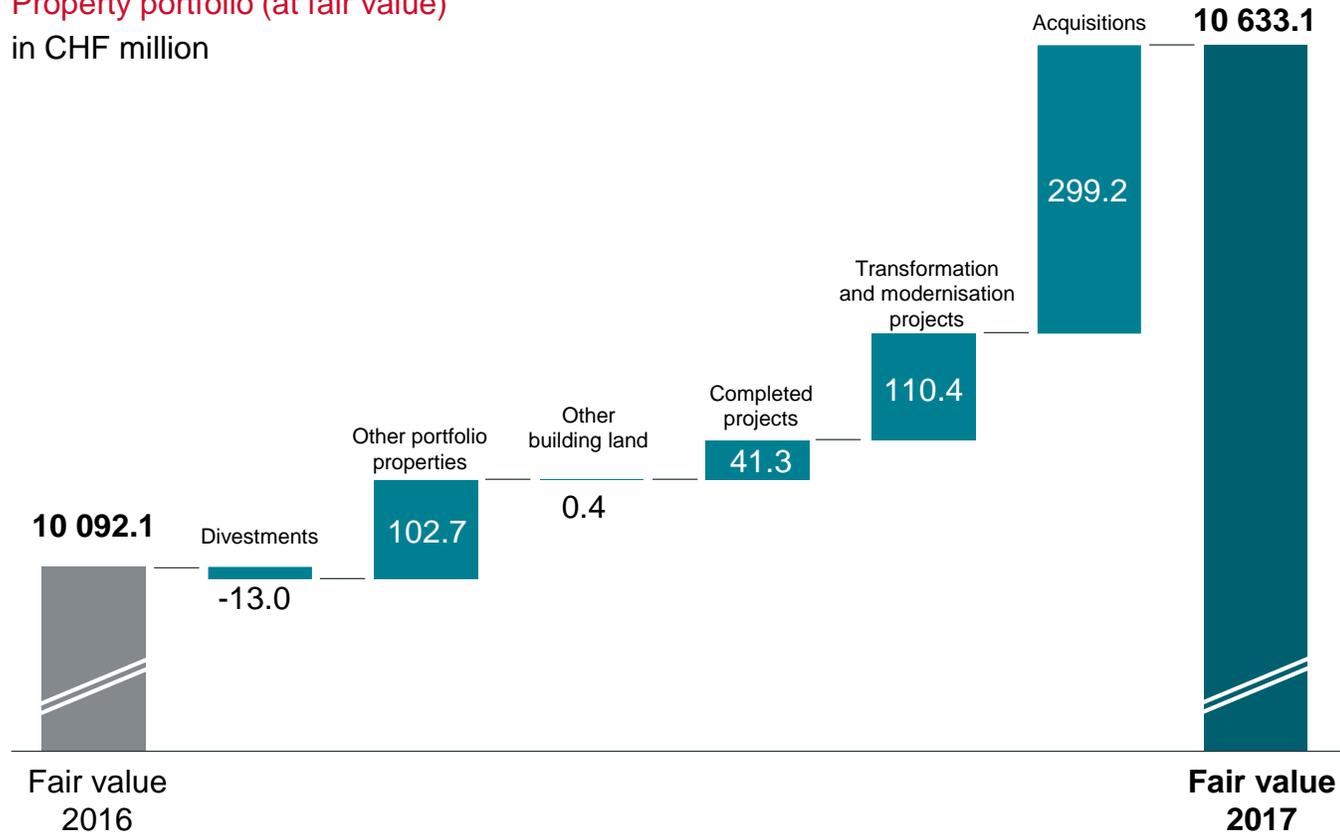
\* Pro-rata profit on sale of part of Espace Tourbillon project calculated according to POC method

## Facts

- Operating income rose +14.6% in core Real Estate segment and +7.2% in Services
- Revaluation gains principally driven by large development sites and renewed leases
- Net profit on real estate development sales exceed results from investment property sales in 2016
- Financial expenses markedly reduced thanks to refinancing on significantly better terms

# Property portfolio successfully expanded

Property portfolio (at fair value)  
in CHF million



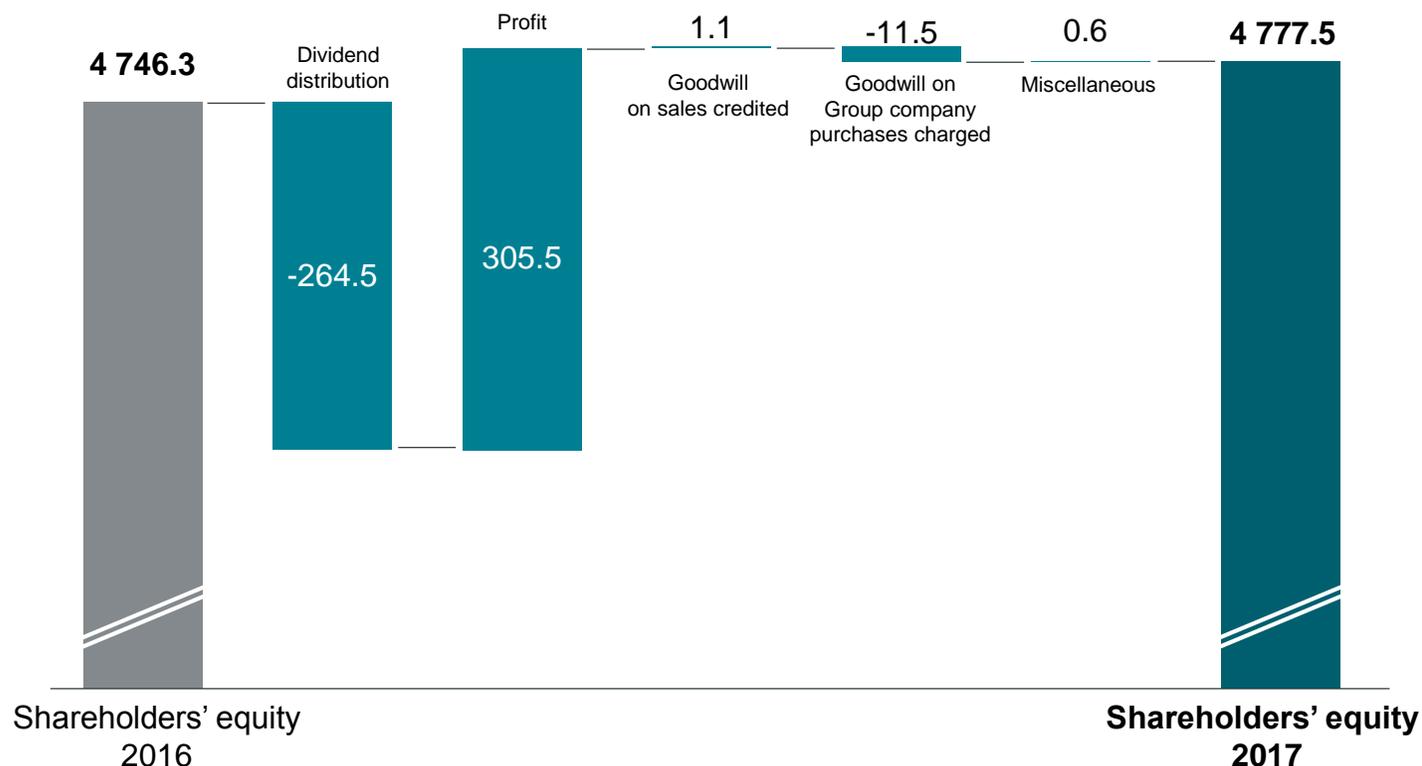
## Facts

- Four additional properties bring total investment property portfolio to 188
- Value of completed properties and development projects increases
- Increased operational income thanks to successful portfolio management leads to further revaluations while net yield remains stable at 3.7%
- Vacancy rate reduced by 0.9 percentage point to 5.2%

# Equity ratio remains robust at 43.1%

## Shareholders' equity

in CHF million

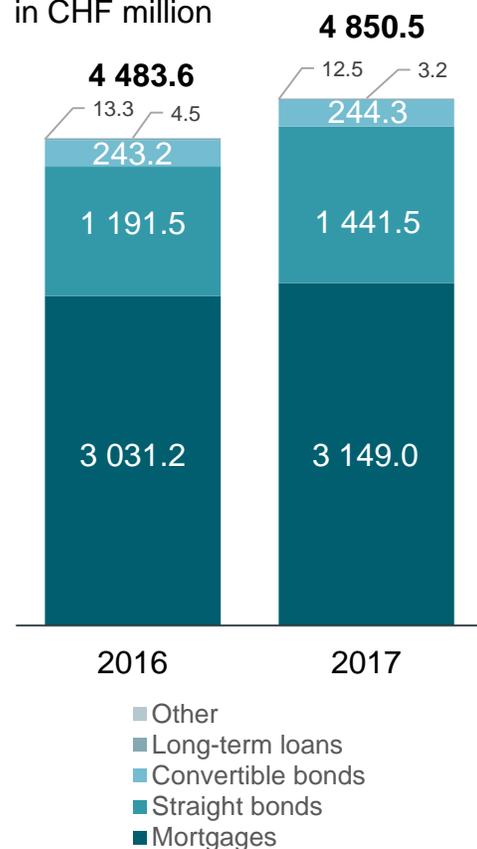


## Facts

- One-off reduction in shareholders' equity of CHF 430.3 million at year-end 2016 due to restatement following adoption of Swiss GAAP FER accounting standards
- Dividend distribution of CHF 3.70 per share on 20 April 2017
- Target equity ratio of approx. 45%
- Return on equity of 6.4% within long-term target range

# Long-term financing on attractive terms

Financing structure  
in CHF million



Financial liabilities

	31.12.2016	31.12.2017
Ø interest rate (in %)	1.8	1.5
Ø maturity (in years)	4.5	4.7
Loan-to-value (in %)	44.4	45.6

in CHF million	31.12.2016	31.12.2017
Short-term	678.1	621.6
Long-term	3 805.5	4 228.9
<b>Total</b>	<b>4 483.6</b>	<b>4 850.5</b>

## Facts

- Interest rate on liabilities cut by 30 basis points
- Average term to maturity extended by 0.2 years
- Healthy net interest spread of 2.2% (= net yield ./ borrowing costs)
- 9-year, 0.825% bond issue raises CHF 250 million (H1 2017)
- Loan-to-value ratio of ~46%

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# Key indicators for property market 2018 and beyond

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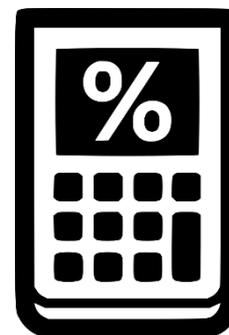
## ECONOMY

Robust growth expected in Switzerland, Europe and the US



## POPULATION

Moderate population growth expected to continue, with number of households increasing



## CAPITAL MARKET

Long-term interest rates have now started to rise, further moderate trend expected



## POLITICS

Decisions on regulatory environment (Lex Koller) and Federal tax policies imminent (TP 17)

# Projections for 2018

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## Top line

- Increase in operating income

## Profitability

- Higher EBIT before revaluations (including income from real estate development)

## Vacancy management

- Lower vacancy rates

## Portfolio

- Further expansion thanks to projection completions and acquisitions

## Dividend policy

- Payout to remain attractive

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## Analyst and investor contact

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## Corporate calendar

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<b>Annual General Meeting</b>	27 March 2018
<b>Results for 1st half of 2018</b>	9 August 2018

## Headquarters

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