



Swiss Prime Site AG

CHF 250,000,000 0.5 % Bonds 2016–2025

(Tranche A: CHF 200,000,000, Tranche B: CHF 50,000,000)

(the “Bonds”)

Issuer's Name and Registered Office:	Swiss Prime Site AG, Frohburgstrasse 1, 4601 Olten, Switzerland (the “Issuer”)
Interest Rate:	0.5 % p.a., payable annually in arrears on 3 November, the first coupon is payable on 3 November 2017.
Issue Price:	The Syndicate Banks mentioned below have purchased the Bonds at 100.418 % (Tranche A) and at 100.000 % (Tranche B) of their nominal amount (before commission).
Placement Price:	The Placement Prices of the Bonds will be fixed in accordance with supply and demand.
Issue Date:	3 November 2016
Maturity Date:	3 November 2025, redemption at par
Further Issues:	The Issuer reserves the right to reopen the Bonds according to the Terms of the Bonds.
Denominations:	CHF 5,000 nominal and multiples thereof
Form of the Bonds:	The Bonds will be issued as uncertificated securities (<i>Wertrechte</i>) in accordance with art. 973c of the Swiss Code of Obligations and, upon registration in the main register (<i>Hauptregister</i>) of SIX SIS Ltd, will constitute intermediated securities (<i>Bucheffekten</i>). Bondholders do not have the right to request the printing and delivery of definitive Bonds. Printing of definitive Bonds is excluded.
Covenants:	Pari Passu, Negative Pledge, Cross Default, Change of Control, each in accordance with the Terms of the Bonds.
Listing:	The Bonds have been provisionally admitted to trading on the SIX Swiss Exchange with effect from 2 November 2016 until 30 October 2025 and application will be made for the Bonds to be listed in accordance with the Standard for bonds on the SIX Swiss Exchange.
Governing Law and Jurisdiction:	The Bonds are governed by, and construed in accordance with Swiss law. Place of exclusive jurisdiction for the Bonds and all related contractual documentation shall be Zurich.
Selling Restrictions:	In particular U.S.A., U.S. persons, European Economic Area, United Kingdom.
Security Number / ISIN:	Tranche A: 33 764 553 / CH0337645532 Tranche B: 33 764 559 / CH0337645599 until Issue Date 33 764 553 / CH0337645532 after Issuer Date

SELLING RESTRICTIONS

General

Save for having listed the Bonds at the SIX Swiss Exchange, no action has been or will be taken in any jurisdiction by the Issuer or the Syndicate Banks (as defined below) that would permit a public offering of the Bonds, or possession or distribution of any offering material in relation thereto, in or from any country or jurisdiction where action for that purpose is required. In addition to the specific selling restrictions set out below, each Syndicate Bank undertakes to comply with all applicable laws and regulations in each country or jurisdiction in which it purchases or in or from which it offers, sells or delivers the Bonds or has in its possession or distributes any offering material in respect of the Bonds.

United States of America and United States Persons

No substantial U.S. market interest: The Issuer reasonably believes that at the time the offering of the Bonds began, there was no substantial U.S. market interest in its debt securities in the meaning of Rule 902.(j) (2) of Regulation S under the Securities Act of 1933 of the United States of America.

A) The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States of America or to or for the account or benefit of United States persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Syndicate Bank has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Bonds constituting part of their allotment within the United States or to or for the account or benefit of United States persons except in accordance with Rule 903 of Regulation S under the Securities Act.

Each Syndicate Bank has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any selling efforts directed to the United States with respect to the Bonds.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

B) Each Syndicate Bank has represented, warranted and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Bonds, except with their affiliates or with the prior written consent of the Issuer.

European Economic Area

In relation to each Member State of the European Economic Area, which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Syndicate Bank has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Bonds to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds in that Relevant Member State:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Syndicate Banks; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Bonds referred to in (i) to (iii) above shall require the Issuer or the Syndicate Banks to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Bonds to the public” in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Syndicate Bank represents and agrees that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, the “FSMA”) received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

FORWARD-LOOKING STATEMENTS

This prospectus (the “Prospectus”) contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. They are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “predict”, “project”, “will” and similar terms and phrases, including references and assumptions. This applies, in particular, to statements in this Prospectus containing information on future earning capacity, plans and expectations regarding the Swiss Prime Site Group’s (as defined below) business and management, its growth and profitability, and general economic and regulatory conditions and other factors that affect it.

Forward-looking statements in this Prospectus are based on current estimates and assumptions that the Issuer makes to the best of its present knowledge. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results, including the Swiss Prime Site Group’s financial condition and results of operations, to differ materially from and be worse than results that have expressly or implicitly been assumed or described in these forward-looking statements. The Swiss Prime Site Group’s business is also subject to a number of risks and uncertainties that could cause a forward-looking statement, estimate or prediction in this Prospectus to become inaccurate. Accordingly, investors are strongly advised to read the section “Information on the Issuer”. This section includes more detailed descriptions of factors that might have an impact on the Swiss Prime Site Group’s business and the markets in which it operates.

In light of these risks, uncertainties and assumptions, future events described in this Prospectus may not occur. In addition, neither the Issuer nor the Syndicate Banks assume any obligation, except as required by law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

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NOTICE TO INVESTORS

This Prospectus shall be read and construed on the basis that the annexes hereto are deemed to be incorporated in, and to form part of, this Prospectus.

Each Syndicate Bank may have directly or indirectly participated, or may participate, in financing transactions and/or banking business with the Issuer, which are not disclosed herein.

Investors are advised to familiarise themselves with the entire content of this Prospectus.

Documents available

Copies of this Prospectus are available at Zürcher Kantonalbank, IHKT, P.O. Box, CH-8010 Zurich, Switzerland, or can be ordered by fax (+41-44-293 67 31) or by e-mail prospectus@zkb.ch.

Prospectus

This Prospectus is available in English language only and provides information about the Issuer and the Bonds. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Bonds.

No person has been authorised to give any information or make any representation in connection with the offering of the Bonds other than as stated herein and any other information or representation if given or made should not be relied upon as having been authorised by the Issuer or the Syndicate Banks. Neither the delivery of this Prospectus, nor the issue of the Bonds nor any sale thereof shall, in any circumstances, create any implication that there has been no material adverse change in the affairs of the Issuer since the date hereof.

INFORMATION ON THE BONDS

Authorisation

Pursuant to the resolutions of the Board of Directors of the Issuer dated 04 October 2016 and the Bond Purchase and Paying Agency Agreement dated 27 October 2016 between the Issuer and Zürcher Kantonalbank ("ZKB"), Credit Suisse AG and UBS AG, acting through its business division UBS Investment Bank (together with ZKB the "Syndicate Banks"), the Issuer has decided to issue 0.5% Bonds of CHF 250,000,000 (represented by Tranche A with an amount of CHF 200,000,000 and Tranche B with an amount of CHF 50,000,000) to be paid on 3 November 2016 and maturing on 3 November 2025.

Use of Net Proceeds

The net proceeds of the Bonds, being the total amount of CHF 249'911'000 for Tranche A and Tranche B (the "Net Proceeds") will be used by the Issuer for general corporate purposes and for the repayment of certain bank loans which may include repayment of loans granted by one or all Syndicate Banks or affiliates of one or all Syndicate Banks.

None of the Syndicate Banks shall have any responsibility for or be obliged to concern itself with the application of the Net Proceeds of the Bonds.

Notices

All notices in relation to the Bonds will be published in electronic form on the internet site of the SIX Swiss Exchange under the section headed Official Notices ("http://www.six-swiss-exchange.com/news/official_notices/search_en.html") or otherwise in accordance with the regulations of SIX Swiss Exchange, applicable law and/or regulatory requirements. In particular, the Issuer will publish and make available the annual and semi-annual report as well as any press releases on its website www.swiss-prime-site.ch. The website's content is not included by reference into this Prospectus.

Representation

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange, ZKB has been appointed by the Issuer as representative to lodge the listing application with the SIX Swiss Exchange.

INFORMATION ON THE ISSUER

Name, Registered Office, Incorporation, Duration, Reporting and Notices

The Issuer is a company limited by shares (*Aktiengesellschaft*), incorporated under the laws of Switzerland for an unlimited duration and first registered on 11 May 1999 in the Commercial Register of the Canton of Solothurn, Switzerland. The Issuer is currently registered with the Commercial Register of the Canton of Solothurn, Switzerland, under the number CHE-101.080.841. Its registered office is Olten, Canton of Solothurn, Switzerland, and its principal corporate office is located at Frohburgstrasse 1, CH-4600 Olten, Canton of Solothurn, Switzerland. The Articles of Association in their current version are dated as of 15 April 2014. Statutory publications of the Issuer are made in the Swiss Official Gazette of Commerce (*Schweizerisches Handelsamtsblatt*); notices to holders of Shares may be given by such publication or by letter sent to a holder's home address as last notified to the Issuer.

The Shares have been listed in Switzerland on the SIX Swiss Exchange since April 2000, after its initial public offering. Article 33 of the Articles of Association provides that the Issuer's financial year is determined by the Board of Directors. Currently, the Issuer's financial year corresponds to the calendar year.

Purpose

Article 2 of the Articles of Association provides as follows (unofficial translation of the original German text):

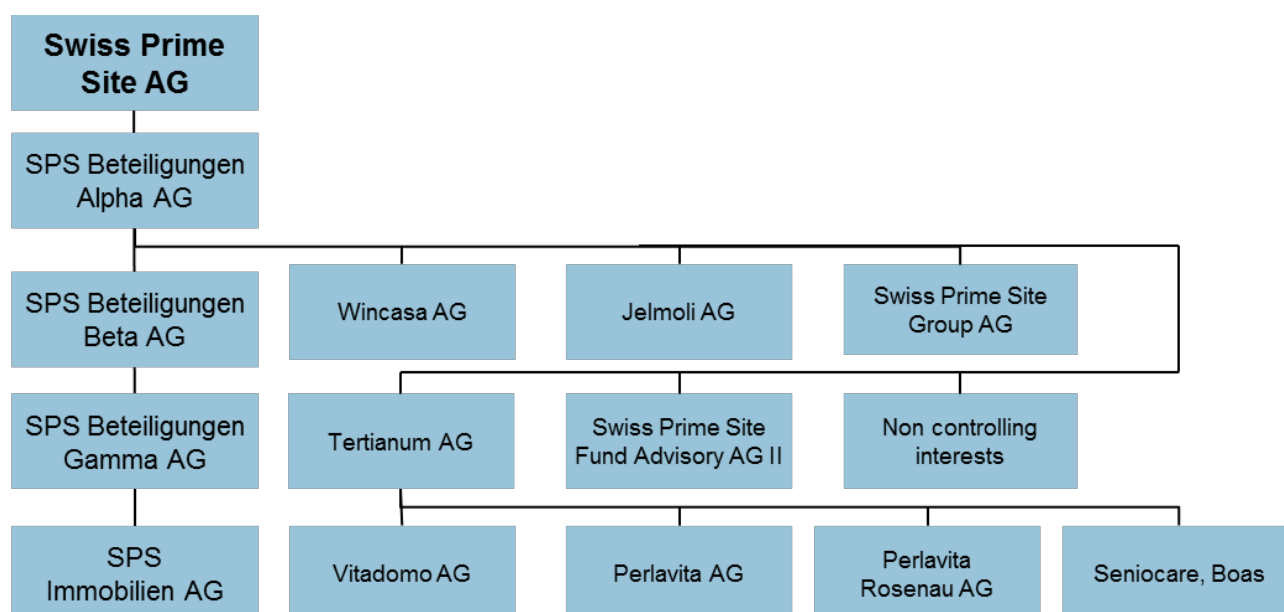
"¹The purpose of the company is the direct or indirect holding of investments in companies of any sort, in particular of companies domiciled in Switzerland. The purpose of the company also includes the direct or indirect holding of investments in companies domiciled abroad. The company may establish undertakings in Switzerland and abroad, take majority or minority holdings in existing companies and finance these companies.

²Furthermore, the company may carry out all commercial transactions and all legal acts that are intended or suitable to develop the company or to promote or facilitate the company's purpose. To achieve its purpose, the company may use third party financing.

³The company may establish branches in Switzerland and abroad."

The Swiss Prime Site Group

The Issuer is a holding company and does not conduct any direct business operations. The Group structure, as at the date of this Prospectus, presents itself as follows:



All entities are wholly owned, with the exception of the holding in Wohn- und Pflegezentrum Salmenpark AG (majority shareholding of 51 %), direct or indirect subsidiaries of the Issuer, except non-controlling interests in parkings, accounted using the equity method.

The real estate assets of the Group are predominantly held in SPS Immobilien AG.

Board of Directors and Executive Board as per 30 September 2016

Board of Directors

The Board of Directors, comprising of at least three members, currently consists of seven members:

Name	Year of Birth	Position	Elected until
Hans Peter Wehrli	1952	Chairman	2017
Elisabeth Bourqui	1975	Non-executive member	2017
Christopher M. Chambers	1961	Non-executive member	2017
Markus Graf	1949	Non-executive member	2017
Bernhard M. Hammer	1950	Non-executive member	2017
Rudolf Huber	1955	Non-executive member	2017
Mario F. Seris	1955	Non-executive member	2017
Klaus R. Wecken	1951	Non-executive member	2017

For more details on the Board of Directors and its members please see pages 9 to 15 of the Annual Report 2015 (Part 2, Corporate Governance) attached hereto as Annex A and Annex C. The members of the Board of Directors may be contacted at the registered office of the Issuer.

Executive Board

The Issuer's management board currently consists of six members:

Name	Year of Birth	Position
René Zahnd	1966	CEO
Markus Meier	1964	CFO
Peter Lehmann	1958	CIO
Oliver Hofmann	1970	CEO of Wincasa
Franco Savastano	1965	CEO of Jelmoli
Luca Stäger	1967	CEO of Tertianum

For more details on the Executive Board and its members please see pages 16 to 20 of the Annual Report 2015 (Part 2, Corporate Governance) attached hereto as Annex A. The members of the Executive Board may be contacted at the registered office of the Issuer.

In accordance with the new Swiss Ordinance Against Excessive Compensation in Listed Companies, members of the Board of Directors and its Chairman as well as Compensation Committee members are elected for a respective one-year term of office. Re-election is possible. The Board of Directors designates a Chairman of the Board of Directors and a secretary, who does not need to be a member of the Board of Directors. The Board of Directors is quorate, if the majority of the members of the Board of Directors is present and passes resolutions with the majority of cast votes. No such quorum is necessary for amendment and establishment resolutions in connection with share capital increases and subsequent fulfillment of partial paid-in capital (*Nachliberierung*). In case of a tie vote, the Chairman has the decisive vote. Resolutions may also be passed by way of telephone, or, in case no member of the Board of Directors requests a verbal debate, by way of circular resolutions in the form of letters, faxes, telegrams or e-mail. Such resolutions have to be included in the protocol of the Board of Directors' meetings. The signatory powers of the members of the Board of Directors follows the entry in the Commercial Register. Currently, the members of the Board of Directors have joint signatory powers.

Auditors

The Issuer's independent statutory auditors are KPMG AG, Badenerstrasse 172, 8004 Zurich, Switzerland ("KPMG"), since the Issuer's incorporation in 1999. KPMG has been re-elected for an additional term of one year at the Issuer's ordinary shareholders' meeting held on 12 April 2016. The principle of rotation applies to the lead auditor. The current auditor in charge is Jürg Meisterhans.

Capital

Issued Share Capital

The Issuer has, as of the date of this Prospectus, a fully paid-up issued share capital of CHF 1,065,668,470.20 consisting of 69,651,534 registered shares with a nominal value of CHF 15.30 each. Subject to the transfer restrictions as provided by the Articles of Association (see "Section 2: Information on the Shares – Transfer Restrictions"), each Share carries one vote in the Issuer's meeting of shareholders. The voting rights of the treasury shares are suspended for as long as they are held by the Issuer. The Shares rank *pari passu* in all respects with each other, including with respect to dividends, to a share in the liquidation proceeds in case of a liquidation of the Issuer, and to subscription rights (*Bezugsrechte*).

Authorized Share Capital

Article 3a of the Articles of Association (Authorized Share Capital) provides as follows (*unofficial translation of the original German text*):

The board of directors is authorised to increase the company's share capital according to art. 3 of the articles of association by a maximum amount of CHF 91,800,000.00 by the issuance of a maximum of 6,000,000 registered shares, to be fully paid up, with a nominal value of CHF 15.30 each at any point in time until 12 April 2018. Increases by way of firm underwriting as well as partial increases are permitted. The board of directors determines the issue price, the dividend entitlement and the manner of contribution for the shares. The new registered shares are subject to the transfer restrictions according to art. 5 of the articles of association. The board of directors can exclude the subscription right (*Bezugsrecht*) of the shareholders in favour of third parties, if the new registered shares are used for the acquisition of enterprises, parts of enterprises or participations in enterprises or real estate or for the financing and re-financing of such transactions. Shares for which the subscription right has not been exercised shall be used in the interest of the company.

If the board of directors exercises its right to issue bonds or other financial market instruments pursuant to art. 3b (conditional share capital), the board of directors will no longer be entitled to exercise its right in this respect to create share capital pursuant to art. 3a (authorised share capital) for the same amount, since share capital pursuant to art. 3a (authorised share capital) and art. 3b (conditional share capital) together may be raised only by a maximum of CHF 91,800,000.00

Conditional Share Capital

Article 3b of the Articles of Association (Conditional Share Capital) provides as follows (*unofficial translation of the original German text*):

1. The company's share capital will be increased by a maximum of CHF 91,800,000.00 by the issuance of a maximum of 6,000,000 registered shares, to be fully paid up, with a nominal value of CHF 15.30 each, of which
 - a) up to a maximum of CHF 68,697,000.00 through the exercise of option and/or conversion rights granted in connection with bonds or similar obligations of the company or affiliates;
 - b) up to a maximum of CHF 23,103,000.00 through the exercise of option rights granted to the shareholders.

If the board of directors exercises its right to issue bonds or other financial market instruments pursuant to art. 3a (authorized share capital), the board of directors will no longer be entitled to exercise its right in this respect to issue bonds or other financial market instruments pursuant to art. 3b (conditional share capital) for the same amount, since share capital pursuant to art. 3a (authorised share capital) and art. 3b (conditional share capital) together may be raised only by a maximum of CHF 91,800,000.00.

2. The subscription rights (*Bezugsrecht*) of shareholders is excluded. The acquisition of registered shares through the exercise of option or conversion rights and the further transfer of the registered shares are subject to the transfer restrictions according to article 5 of the articles of association.
3. The advance subscription right (*Vorwegzeichnungsrecht*) of shareholders may be limited or excluded by resolution of the board of directors for
 - a) the financing or re-financing of the acquisition of enterprises, parts of enterprises or participations in enterprises or of new investment projects of the company; or
 - b) the issuing of bonds with warrants or of convertible bonds on international capital markets.
4. To the extent that the advance subscription right is excluded,
 - a) bonds shall be placed with the public at market conditions;
 - b) the exercise period of option rights shall be fixed at a maximum of five years, and that of conversion rights at a maximum of ten years, starting from the time when the bonds are issued; and
 - c) the exercise price of new shares shall amount to at least the market price at the time when the bonds are issued.

Debt Capital Market Instruments

The Issuer

On 21 June 2011, the Issuer issued convertible bonds in the aggregate principal amount of CHF 190.350 million (the "2011 Bonds"). The 2011 Bonds have a coupon of 1.875 % p.a. and are due 21 June 2016. The 2011 Bonds with denominations of CHF 5,000 are convertible into Shares at any time at the option of the holder up to and including 7 June 2016 or five (5) Trading Days prior to an early redemption. The conversion price of the 2011 Bonds is currently CHF 82.89 for each Share.

On 11 July 2013, the Issuer issued bonds in the aggregate principal amount of CHF 115.000 million (the "2013 Bonds"). The 2013 Bonds with denominations of CHF 5,000 have a coupon of 1.125 % p.a. and are due 11 July 2018.

On 21 October 2013, the Issuer issued bonds in the aggregate principal amount of CHF 230.000 million (the "2013 II Bonds"). The 2013 II Bonds with denominations of CHF 5,000 have a coupon of 2.0 % p.a. and are due 21 October 2020.

On 16 April 2014, the Issuer issued bonds in the aggregate principal amount of CHF 300.000 million (the "2014 I Bonds"). The 2014 I Bonds with denominations of CHF 5,000 have a coupon of 1.75 % p.a. and are due 16 April 2021.

On 10 December 2014, the Issuer issued bonds in aggregate principal amounts of CHF 200.000.000 ("Tranche A") and CHF 100.000.000 ("Tranche B", together with Tranche A the "2014 II Bonds"). The 2014 II Bonds with denominations of CHF 5,000 have a coupon of 1 % p.a. (Tranche A) and 2 % (Tranche B).

On 16 June 2016, the Issuer issued convertible bonds in the aggregate principal amount of CHF 250 million (the "2016 Bonds"). The 2016 Bonds have a coupon of 0.25 % p.a. and are due 16 June 2023. The 2016 Bonds with denominations of CHF 5,000 are convertible into Shares at any time at the option of the holders up to and including 7 June 2023 or seven (7) Trading Days prior to an early redemption. The conversion price of the 2016 Bonds is currently CHF 105.39 per Share.

Business Activities and recent Business Performance

The Group is the largest publicly listed Swiss real estate investment company focusing on commercial real estate in Switzerland. Swiss Prime Site's investment strategy aims at achieving long-term capital and income growth by acquiring, developing, holding and selling selected commercial properties at prime locations in the main economic centers of Switzerland. These properties are mainly used as office or retail space by their tenants as well as in the fields of assisted living.

The Real Estate segment consists of the core real estate investments business on the one hand and the real estate services provided by Wincasa AG, Switzerland's leading real estate service provider, on the other hand. The Group holds a diversified and balanced portfolio of real estate properties. As of 31 December 2015, its real estate portfolio consisted of 182 properties with a total fair value of CHF 9,686.6 million. In 2015, this portfolio generated consolidated net rental income of CHF 445.9 million, of which 39% was generated from letting of office space and 34% from letting of retail sale space. The following breakdown of property locations illustrates the Group focus on Switzerland's economic centers: Measured by fair value as of 31 December 2015, 42% of its properties were located in Zurich region, 22% in the Geneva region and 14% in Northwestern Switzerland. As of the same date, the five largest external tenant groups accounted for 20.9% of future annual rental income and land lease income (segment view).

The Group also operates a retail business, including the Jelmoli department store. Roughly half of the total retail floor space of 23 800 square meters generates sales from third parties according to the shop-in-shop model. The rest of the floor space is self-managed by Jelmoli. The Group's consolidated net retail gross turnover for 2015 was CHF 152.3 million (CHF 136.8 million net). The Group's retail business field employed a staff of 585 employees as of 31 December 2015.

Since the acquisition of the Tertianum group in 2013, the Group's activities also include the Assisted Living segment. Tertianum Group is the leading private provider in the assisted living sector in Switzerland, Tertianum offers apartments for independent senior living and services for an individually designed lifestyle (premium segment). In addition, the Group has started in 2014 to develop the market for assisted living and geriatric care with à la carte services for the broad middle class under the new Vitadomo brand and in April 2015 opened its first senior center in Opfikon. In 2015 SENIOcare Group and in 2014 Boas Senior Care were acquired.

For further information on recent developments, please also refer to Annex B to this Prospectus.

Court, arbitral and administrative Proceedings

Except as disclosed in this Prospectus, the Issuer is not involved in court, arbitral or administrative proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had during the last twelve months from the date of this Prospectus, significant effects on the assets and liabilities or profit and losses of the Issuer.

Own Equity Securities (Treasury Shares)

As of the date of this Prospectus, the Issuer holds directly or indirectly 1 744 of its own registered shares.

Dividends in the last five Years

For each of the business years 2011 to 2015 an ordinary dividend of CHF 3.60 to CHF 3.70 per share was paid, in the form of withholding-tax exempt nominal value reductions or distributions from capital contribution reserves, respectively.

Material Changes since the most recent Financial Statements

Except as disclosed in this Prospectus, there has been no material adverse change in the assets and liabilities, financial position and profits and losses of the Issuer since 31 December 2015, which would materially affect its ability to carry out its obligations under the Bonds.

TAXATION

The following is a general description of certain tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds.

The below general description of certain tax considerations relating to the Bonds is based upon Swiss Tax Laws and Tax Practice as in effect on the date of this Prospectus. Please note that Swiss Tax Laws and Tax Practice might be subject to prospective and retroactive change. Prospective investors in the Bonds should consult their own professional advisors on the Swiss or other tax consequences of the purchase, beneficial ownership and disposition of Bonds.

Swiss Federal Withholding Tax

According to the present Swiss law and practice of the Swiss Federal Tax Administration, payments of interest on the Bonds and payments which qualify as interest for Swiss Issuer withholding tax purposes are subject to Swiss withholding tax at a rate of currently 35 per cent.

If the respective requirements are met, the holder of a Bond residing in Switzerland is entitled to a full refund or tax credit for the Swiss withholding tax whereas a holder of a Bond who is not resident in Switzerland may be entitled to claim a full or partial refund of the Swiss withholding tax by virtue of the provisions of an applicable double taxation treaty, if any, concluded between Switzerland and the country of residence of such holder, subject to qualifications mentioned below.

On 4 November 2015 the Swiss Federal Council announced a mandate to the Swiss Federal Finance Department to institute a group of experts tasked with the preparation of a new proposal for a reform of the Swiss withholding tax system. The new proposal is expected to include in respect of interest payments the replacement of the existing debtor-based regime by a paying agent-based regime for Swiss withholding tax similar to the one published on 17 December 2014 by the Swiss Federal Council and repealed on 24 June 2015 following the negative outcome of the legislative consultation with Swiss official and private bodies. Under such a new paying agent-based regime, if enacted, a paying agent in Switzerland may be required to deduct Swiss withholding tax on any payments or any securing of payments of interest in respect of an Instrument for the benefit of the beneficial owner of the payment unless certain procedures are complied with to establish that the owner of the Instrument is not an individual resident in Switzerland.

Transfer Stamp Tax

There is no transfer stamp tax liability in Switzerland in connection with the issue and redemption of the Bonds.

Bonds with a term of more than 12 months which are sold through a Swiss or a Liechtenstein domestic bank or any other Swiss or a Liechtenstein domestic securities dealer (as defined in the Swiss Federal Stamp Duty Law), are subject to the Swiss securities transfer stamp tax (turnover tax) of presently 0.15 per cent with some exceptions as detailed in the Swiss Federal Stamp Duty Law.

Taxes withheld by Switzerland for other countries

a) European Union Directive on Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income (the **"Savings Directive"**), Member States, subject to a number of conditions being met, are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The rate of the withholding is 35 percent. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other

countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 10 November 2015, the Council of the European Union adopted a Council Directive repealing the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Bonds as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing or complying with, or introduced in order to conform to, the Savings Directive.

On 26 October 2004, the European Community (now European Union) and Switzerland entered into an agreement on the taxation of savings income by way of a withholding tax system and voluntary declaration in the case of transactions between parties in the EU member states and Switzerland. On the basis of such agreement between the European Union and Switzerland, Switzerland has introduced a withholding tax on interest payments or other similar income paid by a paying agent within Switzerland to EU resident individuals as of 1 July 2005. The withholding tax is to be withheld at a rate 35 per cent. The beneficial owner of the interest payments may be entitled to a tax credit or refund of the withholding if certain conditions are met.

On 27 May 2015, the Swiss Federal Council initiated the consultation process on the agreement between the European Union and Switzerland regarding the introduction of the automatic exchange of information in tax matters which was signed on the same date, and by which, if approved and ratified, the existing agreement between the European Union and Switzerland on the taxation of savings income will be amended. It is currently expected that the agreement regarding the introduction of the automatic exchange of information in tax matters will come into effect on 1 January 2017 and the first set of data thereunder will be exchanged from 2018.

Prospective purchasers of these Bonds should consult their advisors concerning the impact of the Savings Directive and any other laws and agreements mentioned above. Notwithstanding the above, for the avoidance of doubt, should the Issuer, the Swiss Principal Paying Agent or any institution where the Instrument are deposited be required to withhold any amount as a direct or indirect consequence of the Savings Directive and any other laws and agreements mentioned above, then, there is no requirement for the Issuer to pay any additional amounts.

b) Bilateral Agreements Switzerland – United Kingdom and Austria

On 1 January 2013 treaties on final withholding taxes between Switzerland and the United Kingdom and between Switzerland and Austria entered into force. The treaties, inter alia, require a Swiss paying agent to levy final withholding tax at specified rates in respect of an individual resident in the United Kingdom or resident in Austria, as applicable, on interest or capital gain paid, or credited to an account, relating to the Bonds. Such a person may, however, in lieu of the final withholding tax opt for voluntary disclosure of the interest or capital income to the tax authority of his or her country of residence.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for all information contained in this Prospectus and has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading, whether of fact or opinion.

Olten, 27 October 2016

Swiss Prime Site AG

TERMS OF THE BONDS

The following is the text of the Terms of the Bonds which will govern the rights and obligations of the Issuer and of each Holder. Capitalised terms not otherwise defined in the Terms of the Bonds shall have the meanings ascribed to them in the Definitions section below.

The terms and conditions (each a **"Condition"**, and together the **"Terms of the Bonds"**) of the bonds (the **"Bonds"**), issued by Swiss Prime Site AG (the **"Issuer"**), are established pursuant to the Bond Purchase and Paying Agency Agreement. The Terms of the Bonds govern the rights and obligations of the Issuer and the Holders (as defined below) in relation to the Bonds and are as follows:

1. Amount and Reopening, Form of the Bonds, Denomination, Custodianship and Transfer of the Bonds

- (a) The initial aggregate principal amounts to Swiss francs 250,000,000 (two hundred and fifty million Swiss francs, the **Aggregate Principal Amount**, represented by Tranche A with an amount of CHF 200,000,000 and Tranche B with an amount of CHF 50,000,000) and is divided into bonds (each a **Bond** and collectively the **Bonds**) with denominations of CHF 5,000 (five thousand Swiss francs) per Bond.

The Issuer reserves the right to reopen (the **Reopening**) and increase the Aggregate Principal Amount at any time and without prior consultation of or permission of the Holders (as defined below) through the issuance of further bonds which will be fungible with the Bonds (i.e. identical especially in respect of the Terms of the Bonds, security number, final maturity and interest rate).

- (b) The Bonds are issued as uncertificated securities (*Wertrechte*) in accordance with art. 973c of the Swiss Code of Obligations.

Such uncertificated securities will then be entered by the Principal Paying Agent into the main register (*Hauptregister*) of SIX SIS AG as recognised intermediary for such purposes by the SIX Swiss Exchange. The Bonds will remain in the book-entry system of SIX SIS AG until their final redemption. So long as the Bonds are Intermediated Securities (*Bucheffekten*), the Bonds may only be transferred by the entry of the transferred Bonds in a securities account of the transferee.

- (c) The records of SIX SIS will determine the number of Bonds held through each participant in SIX SIS AG. In respect of Bonds held in the form of Intermediated Securities (*Bucheffekten*), the holders of such Bonds (the **Holders** and, individually, a **Holder**) will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their name, or in case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding the Bonds for their own account in a securities account (*Effektenkonto*) which is in their name.
- (d) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global note (*Globalurkunde*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor the Principal Paying Agent nor any third party shall at any time have the right to effect or demand the conversion of the uncertificated securities (*Wertrechte*) into, or the delivery of a permanent global note (*Globalurkunde*) or individually certificated securities (*Wertpapiere*). No physical delivery of the Bonds shall be made.
- (e) Once the uncertificated securities (*Wertrechte*) are registered in the main register (*Hauptregister*) of SIX SIS AG, the Bonds will constitute intermediated securities (*Bucheffekten*) in accordance with the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

2. Interest

The Bonds bear interest from 3 November 2016 (the **Payment Date**) at the rate of 0.5 % per annum, payable annually on 3 November (the **Interest Payment Date**) in arrears.

When interest is required to be calculated for a period of less than one year, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

Interest payments are subject to the Swiss withholding tax of currently 35 %.

3. Redemption and Purchases

Unless previously redeemed or purchased and cancelled as provided below, the Issuer undertakes to repay all the Bonds at par on 3 November 2025.

Upon receipt of the funds in Switzerland and under the same conditions as received, the Principal Paying Agent will arrange for payment to the Holders.

The Issuer undertakes that payments shall be made in freely disposable Swiss Francs without collection cost to the Holders, and, unless otherwise provided for by applicable law, without any restrictions and whatever the circumstances may be, irrespective of nationality, residence or domicile of the Holders and without requiring any affidavit or the fulfilment of any other formality, at the counters of the Principal Paying Agent in Switzerland.

The receipt by the Principal Paying Agent of funds in Swiss Francs in Switzerland from the Issuer shall release the Issuer from its obligations under the Bonds to the extent of the amounts received by the Principal Paying Agent.

Early Redemption at the Option of the Issuer

Subject to a period of not less than thirty (30) nor more than sixty (60) calendar days' prior notice to the Principal Paying Agent, the Issuer may redeem the Bonds at any time after the Payment Date and prior to the Maturity Date, in whole but not in part only, at the Aggregate Principal Amount plus accrued interest, if any, if less than fifteen (15) per cent in aggregate of the Aggregate Principal Amount of the Bonds are outstanding at the time of the notice. The Principal Paying Agent shall inform the Holders of any such notice in accordance with Condition 9 (Notices) below.

Purchases

The Issuer or any of its Subsidiaries may, either directly or indirectly, at any time purchase Bonds at any price, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, surrendered to the Principal Paying Agent for cancellation as set out below.

If purchases are made by public tender, such tender must be available to all Holders alike.

Cancellation

All Bonds which are redeemed or surrendered shall forthwith be cancelled. All Bonds so cancelled shall be forwarded to the Principal Paying Agent (as defined below) and cannot be reissued or resold.

4. Payments

Interest payments and amounts payable on the Bonds will be made available in good time in freely disposable Swiss Francs which will be placed with Zürcher Kantonalbank (**ZKB** or the **Principal Paying Agent**) in Switzerland on behalf of the Holders.

Upon receipt of the funds in Switzerland and under the same conditions as received, the Principal Paying Agent will arrange for payment to the Holders.

The Issuer undertakes that Bonds shall be payable upon their surrender in freely disposable Swiss Francs without collection cost to the Holders, without any restrictions and whatever the circumstances may be, irrespective of nationality, residence or domicile of the Holders and without requiring any affidavit or the fulfilment of any other formality at the counters in Switzerland of the Principal Paying Agent.

The receipt of the funds by the Principal Paying Agent in Swiss Francs in Switzerland shall release the Issuer of its obligations under the Bonds to the extent of the amounts paid.

5. Change of Control

(a) *"Change of Control" occurs when:*

- i) an offer to acquire shares of the Issuer (the **Shares**), whether expressed as a public takeover offer, a merger or similar scheme with regard to such acquisition, or in any other way, is made in circumstances where (A) such offer is available to (aa) all holders of Shares, (bb) all holders of Shares other than the offeror and any persons acting in concert with such offeror, or (cc) all holders of Shares other than persons who are excluded from the offer by reason of being connected with one or more specific jurisdictions, and (B) such offer having become or been declared unconditional with respect to acceptances, the Issuer becomes aware that the right to cast more than fifty (50) per cent of all the voting rights (whether exercisable or not) of the Issuer has become or will become unconditionally vested in the offeror and any persons acting in concert with the offeror; or
- ii) the Issuer consolidates with or merges into any other company, save where, following such consolidation or merger, shareholders of the Issuer immediately prior to such consolidation or merger, have the right to cast fifty (50) per cent or more of the voting rights (where exercisable or not) of such other company; or
- iii) the Issuer becomes aware that the right to cast more than fifty (50) per cent of all voting rights (where exercisable or not) of the Issuer has become unconditionally vested directly or indirectly in any person (or in persons acting in concert with each other); or
- iv) the legal or beneficial ownership of all or substantially all of the assets owned by the Issuer or a Subsidiary, either directly or indirectly, are acquired by one or more other persons.

(b) *Upon a Change of Control*

The Issuer shall give notice of the fact that a Change of Control occurred to the Holders (the **Change of Control Notice**) in the form set out in Condition 9 (Notices). The Change of Control Notice shall:

- i) inform the Holders of their right to require redemption of the Bonds pursuant to Condition 5(c) at par;
- ii) specify the date (the **Change of Control Redemption Date**), being not more than sixty (60) and not less than forty-one (41) calendar days after giving such notice on which the Bonds may be redeemed at the option of the Holders pursuant to Condition 5(c); and
- iii) provide details concerning the Change of Control.

(c) *Early Redemption at the Option of Holders upon Change of Control*

Upon the occurrence of a Change of Control, the Issuer will at the option of a Holder, redeem such Bond on the Change of Control Redemption Date at its principal amount plus accrued interest, if any, as of the Change of Control Redemption Date. To exercise such option, a Holder must present, by not later than ten (10) Trading Days prior to the Change of Control Redemption Date, at the Specified Office a duly completed Redemption Notice in a form satisfactory to the Principal Paying Agent (a **Change of Control Redemption Notice**), together with clearing instructions in a form satisfactory to the Principal Paying Agent allowing for the transfer of the relevant Bond(s) through SIX SIS AG to the Principal Paying Agent. No Change of Control Redemption Notice so deposited may be withdrawn without the consent of the Issuer.

6. Status of the Bonds and Negative Pledge

(a) *Status*

The Bonds constitute direct, unconditional, and (subject to Condition 6(b)), unsecured obligations of the Issuer and (subject as aforesaid) rank and will rank *pari passu* among themselves and with all other unsecured and unsubordinated obligations of the Issuer, except for such preferences as are provided for by any mandatorily applicable provision of law.

(b) *Negative Pledge*

So long as any Bonds remain outstanding, the Issuer will not and will procure that no Material Subsidiary will, create or have outstanding any mortgage, charge, pledge, lien or other form of encumbrance or security interest, other than a Permitted Security, upon the whole or any part of its assets or revenues, present or future, to secure any Relevant Debt or to secure any guarantee or indemnity in respect of any Relevant Debt unless, at the same time or prior thereto, the Issuer's obligations under the Bonds (i) are secured equally and rateably therewith by such encumbrance or security interest or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be or, (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Holder's Representative in its discretion.

For the purposes of this Condition, **Relevant Debt** means any present or future indebtedness of the Issuer and its Subsidiaries represented or evidenced by notes, bonds, debentures or other securities which are for the time being, or are capable of being quoted, listed or ordinarily dealt with on any stock exchange, over-the-counter-market or other securities market.

For the purposes of this Condition, a **Permitted Security** is a security (existing or to be created) in the form of any mortgage, charge, pledge, lien or other form of encumbrance or security interest created to secure Relevant Debt (whether or not also securing other indebtedness or obligations), provided, however, that the consolidated amount of the Relevant Debt secured by such Permitted Security may not exceed sixty-five (65) per cent of the market value of the real estate portfolio/investment properties as set out in the most recently published report (annual, semi-annual or quarterly) of the Issuer (the **Portfolio Value**).

7. Events of Default

If any of the following events (each event an **Event of Default**) shall have occurred and be continuing, ZKB in its capacity as Holders' representative (the **Holders' Representative**) has the right, but not the obligation, on behalf of the Holders, to declare all outstanding Bonds immediately due and repayable at par plus accrued interest:

- (a) *Non payment*: the Issuer fails to pay any amount of principal in respect of the Bonds on the due date for payment thereof or fails to pay any amount of interest in respect of the Bonds on the due date for payment thereof, and such failure continues in the case of principal for a period of ten (10) Business Days; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other material obligations under or in respect of the Bonds and such default continues for a period of fifteen (15) calendar days following the service by the Holders' Representative on the Issuer of notice requiring such default to be remedied; or
- (c) *Cross Default of Issuer or Material Subsidiary*:
 - (i) any indebtedness of the Issuer or any Material Subsidiary is not paid when due or (as the case may be) within any originally applicable grace period; or
 - (ii) any such indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness, unless the relative indebtedness, either alone or when aggregated with other indebtedness relative to all, if any, other such events which shall have occurred and are continuing shall at any time have an outstanding nominal value of at least two (2) per cent of the Issuer's consolidated shareholders' equity attributable to shareholders of the Issuer as set out in the most recently published audited consolidated annual accounts of the Issuer; or
 - (iii) any mortgage, lien or other encumbrance, present or future, created or assumed by the Issuer, or a Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) provided that the aggregate amount of the relevant indebtedness in respect of which such mortgage, lien or other encumbrance was created or permitted to subsist equals or exceeds two (2) per cent of the Issuer's consolidated shareholders' equity attributable to shareholders of the Issuer as set out in the most recently published audited consolidated annual accounts of the Issuer; or

- (iv) the consolidated third party indebtedness of the Issuer and its Subsidiaries exceeds sixty-five (65) per cent of the Portfolio Value and such excess continues for a period of six (6) months, or without any grace period, if such indebtedness exceeds seventy (70) per cent of the Portfolio Value; or
- (d) *Insolvency, Standstill Agreement:* the Issuer or any Material Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes a stay of execution, or a postponement of payments (Stillhaltervereinbarung), a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium or postponement of payments is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any Material Subsidiary; or
- (e) *Bankruptcy, Liquidation, others:* the Issuer or a Material Subsidiary alters its legal or commercial structure through bankruptcy, liquidation, disposal of all or a substantial part of its assets, changes the objects of the company and/or commercial activities or merges, in so far as the relevant action has or may have a material adverse effect on the capacity of the Issuer to meet its obligations in connection with the Bonds now or in the future, unless in the sole opinion of the Holders' Representative the situation of the Holders as a consequence of the securities created or other steps taken by the Issuer include adequate protection of the Holders; or
- (f) *Dissolution or Merger:* a dissolution or merger involving the Issuer as a result of which the Issuer is not the surviving company.

The Issuer has undertaken to inform the Holders' Representative without delay that any event mentioned under paragraphs (a) through (f) has occurred and to provide the Holders' Representative with all necessary documents. The Issuer accepts responsibility for the information contained in those documents.

If an Event of Default occurs, the Holders' Representative has the right, but not the obligation, to serve a written notice of default (a **Default Notice**) upon the Issuer, such notice having the effect that the Bonds shall become immediately due and repayable at the Aggregate Principal Amount plus accrued interest, if any, on the day the Default Notice is given.

Upon the occurrence of an Event of Default, the Holders' Representative may invite the Holders in accordance with art. 1157 seq. of the Swiss Code of Obligations to a Holders' meeting for the taking of a resolution on the serving of a Default Notice, provided the Holders' Representative has not served such Default Notice itself. The legally valid resolution of the Holders' meeting to serve a Default Notice, shall replace the right reserved by the Holders' Representative according to these Terms of the Bonds to serve a Default Notice on behalf of the Holders. If the Holders' meeting votes against the serving of a Default Notice, the right to serve such Default Notice shall revert to the Holders' Representative whereby the Holders' Representative shall not be bound by the resolution of the Holders' meeting if and to the extent that new circumstances arise or become known which require a revised assessment of the facts.

8. Substitution of the Issuer

The Issuer may without the consent of the Holders, at any time substitute itself in respect of all rights and obligations arising under or in connection with the Bonds with any Swiss Subsidiary of the Issuer (the **New Issuer**), provided that:

- (a) the New Issuer is in the opinion of the Holders' Representative in a position to fulfil all payment obligations arising from or in connection with the Bonds in freely convertible and transformable legal tender of Switzerland without any need to deduct or withhold any taxes or duties at source and to transfer without restriction all amounts required to be paid under the Bonds to the Principal Paying Agent,
- (b) the New Issuer has obtained all necessary governmental authorisations of the country of its domicile or its deemed residence for tax purposes, and
- (c) the Issuer has issued an irrevocable and unconditional guarantee as per art. 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Bonds in form and content satisfactory to the Holders' Representative.

Any substitution shall be published in accordance with Condition 9 (Notices).

In the event of such substitution, any reference to the Issuer shall be deemed to refer to the New Issuer.

9. Notices

All notices regarding the Bonds shall be published by ZKB on behalf and at the expense of the Issuer (i) on the internet site of the SIX Swiss Exchange (where notices are currently published under the address www.six-exchange-regulation.com/publications/published_notifications/official_notices_en.html) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange.

10. Prescription

Claims against the Issuer in respect of Bonds will become void unless presented for payment within a period of presently ten (10) years in the case of the principal and five (5) years in the case of interest from the relevant due date, by virtue of the statute of limitations of Swiss law.

11. Listing

The Issuer will use its reasonable efforts to have the Bonds listed on the SIX Swiss Exchange and to maintain such listing until (and including) three (3) Trading Days prior to the Maturity Date or in case of an early redemption of the Bonds to the date of the early redemption.

12. Governing Law and Jurisdiction

The Bonds and these Terms of the Bonds, shall in every respect (including without limitation questions of form, content and interpretation) be subject to and governed by Swiss law.

Any dispute which might arise based on the Terms of the Bonds and the Bonds shall be settled in accordance with Swiss law and shall fall within the jurisdiction of the Ordinary Courts of the Canton of Zurich, Switzerland, venue being Zurich 1.

The above-mentioned jurisdiction is also exclusively valid for the declaration of cancellation of Bonds.

13. Amendment to the Terms of the Bonds

The Terms of the Bonds may be amended by agreement between the Issuer and the Holders' Representative on behalf of the Holders provided that such amendment is of a formal, minor or technical nature, is made to correct a manifest error and is not prejudicial to the interests of the Holders. Notice of any such amendment shall be published in accordance with Condition 9 (Notices).

14. Role of ZKB

ZKB has been appointed by the Issuer as the Principal Paying Agent and as the Listing Agent with respect to the Bonds and it will or may also act on behalf of or for the benefit of the Holders as Holders' Representative, but only in such cases stated explicitly in these Terms of the Bonds. In any other cases, the Holders' Representative is not obliged to take or to consider any actions on behalf of or for the benefit of the Holders.

15. Severability

If at any time one or more of the provisions of the Terms of Bonds is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

16. Definitions

Business Day means any day (other than Saturday or Sunday) on which banks in Zurich are open for the whole day for business.

Material Subsidiary means any operating Subsidiary of the Issuer whose assets, net revenues, operating profit or profit after tax at any time, represent five (5) per cent or more of the consolidated assets, the consolidated sales, the consolidated operating profit or profit after tax, as the case may be, of the Issuer and its consolidated Subsidiaries at any time, and for this purpose:

- a) the assets, net sales, operating profit and profit after tax of any such Subsidiary shall be ascertained by reference to:
 - i) the financial statements of such Subsidiary at the date to which the last audited consolidated financial statements of the Issuer and its consolidated Subsidiaries have been prepared;
 - ii) if such corporate body becomes a Subsidiary of the Issuer after that date, the latest financial statements of such Subsidiary adjusted to take into account subsequent acquisitions and disposals or other changes in circumstances;
- b) the consolidated assets, consolidated net sales, consolidated operating profit and profit after tax of the Issuer shall be ascertained by reference to the last audited consolidated financial statements of the Issuer and its consolidated Subsidiaries; and
- c) once a corporate body has become a Material Subsidiary, it shall be considered one until it has been demonstrated to the reasonable satisfaction of the Principal Paying Agent that it has ceased to be a Material Subsidiary, a written report from the Issuer's auditors to this effect being sufficient for this purpose.

SIX SIS AG means SIX SIS Ltd, the Swiss clearing and settlement organisation, Baslerstrasse 100, CH-4600 Olten, or any successor organisation accepted by the SIX Swiss Exchange.

SIX Swiss Exchange means SIX Swiss Exchange Ltd, Selnaustrasse 30, CH-8001 Zurich (P.O. Box 1758, CH-8021 Zurich) or any successor regulatory body.

Subsidiary of the Issuer means a company the financial statements of which are, in accordance with applicable law or generally accepted accounting principles, consolidated with those of the Issuer.

Specified Office means the office specified by the Principal Paying Agent for the servicing of the Bonds (*Zahlungsdienst*) under the Terms of the Bonds: Zürcher Kantonalbank, Bahnhofstrasse 9, CH-8001 Zurich, Switzerland, or any successor regulator body.

ZKB means Zürcher Kantonalbank, Bahnhofstrasse 9, CH-8001 Zurich, Switzerland (P.O. Box, CH-8010 Zurich, Switzerland).

STRATEGY AND MANAGEMENT REPORT



PEOPLE AND PROPERTIES



SWISS PRIME SITE

GROUP KEY FIGURES

Key financial figures	in	2011 ¹	2012 ¹	2013	2014	2015	Change to prior year in %
Rental income from properties	CHF m	410.8	408.8	420.1	443.1	445.9	0.6
Income from sale of trading properties	CHF m	–	–	–	–	105.1	n.a.
Income from real estate services ²	CHF m	–	14.1	98.6	100.1	109.0	8.9
Income from retail ³	CHF m	155.1	159.0	156.2	151.9	136.8	–9.9
Income from assisted living ⁴	CHF m	–	–	85.7	153.3	184.2	20.2
Operating income	CHF m	569.3	584.6	764.7	852.7	995.2	16.7
Revaluation of investment properties, properties under construction and development sites	CHF m	178.1	187.3	186.7	113.2	124.6	10.1
EBITDA	CHF m	618.2	531.5	565.9	497.9	582.6	17.0
Operating profit (EBIT)	CHF m	604.1	514.4	539.2	462.8	553.4	19.6
Profit ⁵	CHF m	355.1	311.3	343.9	286.7	355.1	23.9
Comprehensive income ⁵	CHF m	365.1	323.5	378.2	288.2	377.1	30.8
Cash flow from operating activities	CHF m	327.2	213.9	–74.0	729.7	388.4	–46.8
Shareholders' equity	CHF m	3 434.9	3 913.9	4 107.3	4 201.8	4 956.0	17.9
Equity ratio	%	39.9	42.4	39.1	39.6	46.4	17.1
Borrowed capital	CHF m	5 174.3	5 323.1	6 404.8	6 400.3	5 734.6	–10.4
Return on equity (ROE)	%	10.6	8.9	9.1	7.0	7.6	8.6
Return on invested capital (ROIC)	%	5.8	4.8	4.6	3.7	4.3	16.2

Financial figures excluding revaluation effects⁶

EBITDA	CHF m	440.1	344.3	379.2	384.7	458.0	19.1
Operating profit (EBIT)	CHF m	426.0	327.1	352.5	349.6	428.9	22.7
Profit ⁵	CHF m	250.8	198.2	222.8	236.0	280.8	19.0
Comprehensive income ⁵	CHF m	250.8	202.4	241.3	207.6	273.6	31.8
Return on equity (ROE)	%	7.7	5.9	6.1	5.9	6.1	3.4
Return on invested capital (ROIC)	%	4.5	3.5	3.4	3.2	3.6	12.5

Real estate portfolio⁷

Fair value of real estate portfolio	CHF m	8 165.1	8 600.3	9 339.5	9 785.0	9 686.6	–1.0
of which projects/development properties	CHF m	96.9	210.5	518.4	327.1	346.7	6.0
Number of properties	Number	186	188	193	190	182	–4.2
Rental floor space ⁸	m ²	1 421 472	1 492 442	1 525 493	1 620 131	1 455 126	–10.2
Vacancy rate	%	4.6	5.0	6.4	6.6	6.7	1.5
Average discount rate	%	4.38	4.16	4.01	3.88	3.66	–5.7

Key figures per share

Share price as at balance sheet date	CHF	70.55	76.35	69.05	73.00	78.50	7.5
Shares issued	Number	54 368 714	60 011 611	60 503 081	60 820 602	69 651 534	14.5
Earnings per share (EPS)	CHF	6.53	5.67	5.70	4.72	5.30	12.3
Market capitalisation	CHF m	3 835.7	4 581.9	4 177.7	4 439.9	5 467.6	23.1
Distribution per share	CHF	3.60	3.60	3.60	3.70	3.70 ¹⁰	–
Cash yield ⁹	%	5.1	4.7	5.2	5.1	4.7 ¹⁰	–7.8
Performance (total return) p.a.	%	6.1	14.9	–5.1	10.9	13.7	25.7

Employees

Number of employees as at balance sheet date	Persons	771	1 462	3 105 ¹¹	3 097	4 446	43.6
Full-time equivalents as at balance sheet date	FTE	547	1 239	2 321 ¹¹	2 370	3 311	39.7

¹ adjusted due to IAS 19 rev., 2011 shareholders' equity only; ² acquisition of Wincasa AG as at 25.10.2012; ³ sale of operating business of hotel Ramada Encore, Geneva, as at end-2013. Transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015; ⁴ acquisition of Tertianum AG as at 12.07.2013, sale of Permed AG as at 17.03.2014, acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015; ⁵ including non-controlling interests; ⁶ revaluations and deferred taxes; ⁷ including owner-occupied properties and condominium units designated for sale; ⁸ excluding parking places/car parks; ⁹ based on year-end closing price; ¹⁰ according to proposal to the Annual General Meeting of 12.04.2016; ¹¹ adjusted according to new, standardised employee reporting

SWISS PRIME SITE AT A GLANCE

THE GROUP

PROFILE

Swiss Prime Site AG is Switzerland's leading real estate investment company and has been listed on the SIX Swiss Exchange since April 2000. The Group's high-quality real estate portfolio is valued at roughly CHF 10.0 billion and is distinguished by the first-class prestige of its locations and properties, comprising primarily commercial properties situated in prime economic locations in Switzerland. Real estate-related business fields round out the business model.

FOCUS

Swiss Prime Site's strategic focus is directed at investments in high-quality Swiss properties harbouring a high return potential as well as long-term opportunities for achieving growth and boosting value. The risk-optimised investment strategy is based on strict and proven investment criteria. The focal point is on sustainable value creation: performance for shareholders as well as advantages for tenants, their employees and customers. With active management of the real estate and business field portfolios, Swiss Prime Site is focused on ensuring and further expanding its competitive capabilities in the respective business fields.

PROFIT BEFORE REVALUATION EFFECTS

in CHF m

280.8



OPERATING PROFIT (EBIT) BEFORE REVALUATIONS

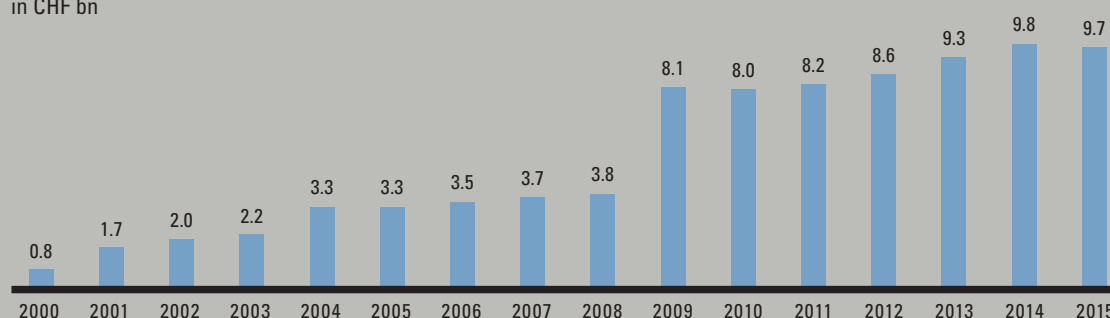
in CHF m

428.9



FAIR VALUE OF THE REAL ESTATE PORTFOLIO

in CHF bn



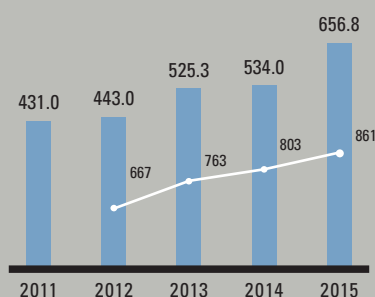
THE BUSINESS FIELDS

REAL ESTATE

The Real Estate business field comprises the core business of real estate investments as well as Wincasa AG, Switzerland's leading provider of real estate services. Swiss Prime Site's investment focus is directed at high-quality properties situated in prime locations, primarily with commercially utilised floor space as well as development projects.

OPERATING INCOME¹

in CHF m | Number of employees



¹ acquisition of Wincasa AG as at 25.10.2012

KEY FIGURES

in CHF m

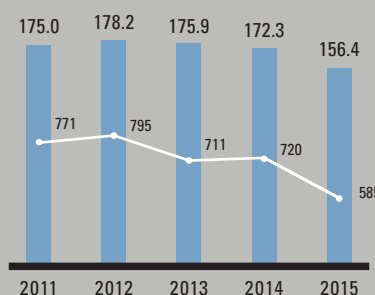
	2014	2015
Operating income	534.0	656.8
Investments	357.0	201.5
Operating profit (EBIT)	491.9	586.2
Number of employees	803	861

RETAIL

The Retail business field consists of Jelmoli – The House of Brands in Zurich, the leading premium department store in Switzerland. Roughly half of the total retail floor space of 23800 square metres generates sales from third parties according to the shop-in-shop model. The rest of the floor space is self-managed by Jelmoli.

OPERATING INCOME

in CHF m | Number of employees



KEY FIGURES

in CHF m

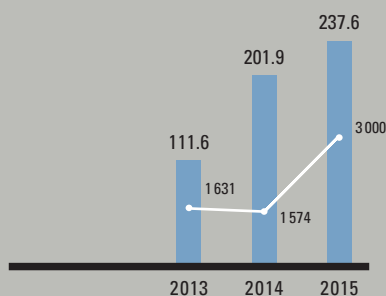
	2014	2015
Operating income	172.3	156.4
Investments	7.2	7.6
Operating profit (EBIT)	0.9	-2.9
Number of employees	720	585

ASSISTED LIVING

The business field comprises Tertianum Group with the brands «Tertianum residences», «Perlavita geriatric care facilities», «Vitadomo senior centres», «SENIOcare residences and geriatric care facilities» as well as «BOAS Senior Care», Tertianum Group is the leading private provider in the assisted living sector in Switzerland.

OPERATING INCOME¹

in CHF m | Number of employees



¹ acquisition of Tertianum AG as at 12.07.2013

KEY FIGURES

in CHF m

	2014	2015
Operating income	201.9	237.6
Investments	4.4	247.6
Operating profit (EBIT)	9.0	8.2
Number of employees	1574	3000

GLOSSARY

AuM (assets under management)

Market value of assets managed by a service provider

Cash yield

Distribution in percent of market price at the end of the reporting year

Convertible bond

Bond that can be converted into shares or participation certificates of the relevant company under certain prerequisites and conditions

Cost

Sum of all costs incurred relating to the acquisition of properties (e.g. acquisition price, notary and ownership transfer costs, sales commissions, value-added investments as well as borrowed capital costs for properties under construction and development sites and trading properties, etc.)

CRM (customer relationship management)

Systematic structuring of the customer relationship process; a company's consistent orientation toward its clients

DCF (discounted cash flow)

Method of calculation for determining fair values of real estate, under which the fair value of a property is derived by means of the total future expected net earnings discounted to the valuation date (before interest, taxes, depreciation and amortisation), taking into account investment costs

Diluted earnings per share

Earnings adjusted for the effect of convertible bonds, divided by the weighted average number of shares

EBIT

Earnings before interest and taxes

EBITDA

Earnings before interest, taxes, depreciation and amortisation

EC/OO (energy controlling/operational optimisation)

Energy data are measured and digitally reproduced for all existing buildings in the portfolio, which are optimally configured by means of reporting, enabling sustainable reduction of energy consumption

Equity ratio

The ratio of shareholders' equity to total shareholders' equity and borrowed capital

Energy Strategy 2050

Strategy developed by the Swiss Federal Council envisaging a gradual modification of Switzerland's energy system by the year 2050, based on revised energy prospects (including fundamental decision to exit nuclear energy step-by-step)

EPRA

European Public Real Estate Association

EPS (earnings per share)

Earnings per share is defined as the mathematical proportion of the realised annual profit or group profit relative to one share, calculated from the profit attributable to shareholders divided by the weighted number of outstanding shares

Fair value

Corresponds to the particular price that an independent market participant would likely receive for the sale of an asset under normal market conditions at the relevant valuation date (i.e. exit price). Fair value measurement is generally determined by means of the discounted cash flow method (DCF), without factoring in transaction costs

FTE (full-time equivalent)

Number of employees in full-time positions

GRESB (Global Real Estate Sustainability Benchmark)

A joint initiative from some of the world's largest institutional investors, renowned scientists and major real estate companies; GRESB annually compiles a global ranking of real estate funds and real estate companies that are the most strongly committed to sustainability and the environment

GRI (Global Reporting Initiative)

Develops guidelines through a participatory process for compiling sustainability-relevant reports from major corporations, small- and medium-sized enterprises (SMEs), governments and NGOs

Gross return

Calculated from rental income (excluding ancillary costs) in percent of a property's fair value

GSBC (DGNB)

German Sustainable Building Council

HC (headcount)

Number of employees in absolute figures (part- and full-time positions)

IFRS (International Financial Reporting Standards)**Investment volume**

Total property and construction costs at acquisition values (for new buildings, including borrowing costs)

LEED

Leadership in Energy and Environmental Design

Like-for-like rental income growth

Change in income from rental properties based on a constant real estate portfolio compared with the beginning of the period

LTV (loan-to-value)

Ratio of interest-bearing real estate liabilities to real estate assets; loan-to-value ratio of the property portfolio

Maintenance and repair expenses

Sum of all costs necessary for the restoration or preservation of a property's target condition that are borne by the owner, including repair and service costs

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PEOPLE AND PROPERTIES

Swiss Prime Site presents in this year's Strategy and Management Report – featuring fascinating topics with the motto «people and properties» – four people and their diverse interaction with some of the Company's properties.

STRUCTURE OF THE ANNUAL REPORT

Swiss Prime Site's Annual Report is divided into three parts, all of which are available for download as PDF files via the website www.swiss-prime-site.ch.

Part
01

**STRATEGY AND
MANAGEMENT REPORT**

Part
02

**CORPORATE GOVERNANCE
AND COMPENSATION REPORT**

Part
03

FINANCIAL REPORT

NOTES FOR READERS

[] Previous year's figures are enclosed in brackets.

MILESTONES 2015

Swiss Prime Site looks back on a successful and eventful year. Fascinating projects as well as profitable acquisitions were just a few of the milestones in 2015.

QUARTER

01

Strengthening the shareholders' equity base: Swiss Prime Site's convertible bond converted at a rate of more than 90%



Restructuring of Retail business field announcement
Candrian Catering AG acquires restaurant operating business Clouds in Prime Tower on 1 July 2015

Swiss Prime Site presents robust 2014 annual results and a new concept for the Annual Report as well as the relaunch of its website

Swiss Prime Investment Foundation obtains authorisation from the Swiss Supervisory Commission for Occupational Pensions

QUARTER

02

René Zahnd becomes designated CEO of Swiss Prime Site AG

Vitadomo senior centre Bubenholz opens its doors



Maaghof project completed

Capital increase of CHF 413.3 million executed

Markus Meier becomes new CFO of Swiss Prime Site AG

..... QUARTER

03

Acquisition of SENIOcare, Switzerland's leading provider in the geriatric care sector



Launch of investment group «SPIF Real Estate Switzerland» of Swiss Prime Investment Foundation with CHF 550 million

Swiss Prime Site executes sale of CHF 411.5 million real estate package to Swiss Prime Investment Foundation

Sale of all 83 condominiums at the Maaghof, achieving a total gross profit of CHF 42 million

..... QUARTER

04

Riverside Zuchwil: start-up operations of most powerful photovoltaics facility in Switzerland

Acquisition of BOAS Senior Care, the leading provider in the assisted living sector in Western Switzerland



Acquisition of NZZ printing facility in Schlieren for conversion into an innovative educational centre

Successful leasing of Flurpark/Media Park property in Zurich-Altstetten to Ringier Axel Springer Switzerland AG

FOREWORD

Swiss Prime Site succeeded in boosting its operating profit (EBIT) by 19.6% to CHF 553.4 million and increasing its profit by 23.9% to CHF 355.1 million in the financial year 2015. This earnings strength reveals that Swiss Prime Site's strategy and business model proved successful even amid a more volatile environment. The real estate-related business fields were gradually expanded, paving the way for a broadening of the earnings base and contributing 42.2% to the Group's operating income in the reporting year.

Dear Shareholders,
Dear Ladies and Gentlemen,

The Swiss real estate market was affected by a series of positive factors in 2015, including low interest rates, a persistently strong trend in immigration and robust economic momentum. Dampening effects emerged particularly from the adverse impact on domestic industry and the Swiss retail trade sector caused by the strong Swiss franc, resulting from the abolition of the minimum CHF/EUR exchange rate in January 2015.

In the commercial sector of the real estate market, demand for high-quality properties situated in first-class locations remained stable. Tenants and potential tenants are applying increasingly stringent decision-making criteria and focusing on an adequate cost-benefit ratio. Swiss Prime Site was able to reap rewards from this trend in the reporting year.

ROBUST EARNINGS GROWTH

Operating profit (EBIT) climbed by 19.6% versus 2014, from CHF 462.8 million to CHF 553.4 million. Profit jumped by 23.9% from CHF 286.7 million to CHF 355.1 million, which is attributable to the successful sales of condominiums at the Maaghof residential building complex and property sales in the reporting year. Revaluations amounted to CHF 124.6 million [CHF 113.2 million]. The equity ratio improved from 39.6% to 46.4%, which was attributable to conversions of the CHF 300 million convertible bond with maturity date of 20 January 2015, as well as to the capital increase by CHF 413.3 million on 29 May 2015 (98.8% of the subscription rights were exercised).

SUCCESSFUL PERFORMANCE BY BUSINESS FIELDS

All three business fields turned in a very positive performance overall, albeit with varying momentum. The Real Estate business field, with the core real estate investment business, posted a 0.2% increase in rental income from properties to CHF 432.0 million [CHF 431.3 million]. Projects such as SkyKey in Zurich and EspacePost in Berne (both completed in 2014) provided a significant contribution to the stable trend in earnings. The Wincasa real estate services sub-business field succeeded in acquiring new clients for its integrated real estate services, expanding its presence throughout Switzerland and boosting income by 9.0% to CHF 109.5 million. The Tertianum Group, which constitutes the Assisted Living business field, increased its income by 20.4% to CHF 185.0 million. In October 2015, the Assisted Living business field was expanded with the acquisition of SENIOcare, the market leader in the geriatric care sector in Switzerland. In addition, Tertianum Group completed its geographic coverage in Switzerland in 2015 with the announced acquisition of BOAS Senior Care. In the Retail business field,



01 RENÉ ZAHND
Chief Executive Officer
from 01.01.2016

02 HANS PETER WEHRLI
Chairman of the Board
of Directors

03 MARKUS GRAF
Chief Executive Officer
until 31.12.2015

Jelmoli – The House of Brands on Bahnhofstrasse in Zurich underpinned its position as Switzerland's leading premium department store.

EXCELLENT REAL ESTATE PORTFOLIO

Swiss Prime Site's real estate portfolio proved to be robust and profitable even under the challenging market conditions of the reporting year. As at 31 December 2015, the portfolio comprised 182 properties valued at CHF 9.7 billion. Noteworthy in this context is that a real estate package consisting of eight properties valued at roughly CHF 411.5 million was sold to the «SPIF Real Estate Switzerland» investment group of the Swiss Prime Investment Foundation in the fourth quarter of 2015, in addition to the divestment of various strategically non-conforming properties. Swiss Prime Site realised pre-tax profits of CHF 24.9 million from this one-off transaction. The Group also realised a gross profit of CHF 42.2 million from sales of condominiums at the Maaghof real estate complex in Zurich-West. With the lease of 10 000 square metres of floor space at Flurpark/Media Park to Ringier Axel Springer Switzerland AG, Swiss Prime Site successfully concluded an extensive modification and modernisation project, placing it on the market in December 2015.

ATTRACTIVE SHARE PERFORMANCE AND CASH YIELD

The Swiss Prime Site share once again lived up to its reputation as a star performer amid the low, and even negative, interest rate environment of 2015. With a performance (total return) of +13.7% in the reporting year, the stock has gained in value by 45.9% in the past five years. In view of the solid business performance and positive prospects for 2016, the Board of Directors is proposing to the Annual General Meeting of 12 April 2016 an unchanged distribution of CHF 3.70 per share. This distribution corresponds to an attractive cash yield of 4.7%, based on the closing share price of CHF 78.50 at year-end.

CORPORATE STRATEGY PROVES SUCCESSFUL

Swiss Prime Site's strategy, with an investment focus aimed at high-quality properties situated in prime locations as well as active portfolio management, successfully proved in the reporting year. The investments carried out in recent years in the real estate-related Assisted and Living Retail business fields, as well as the real estate services sub-business field, have more broadly underpinned the earnings base and reduced dependency on revenues from leasing commercial properties. Swiss Prime Site is developing another attractive source of revenue with corporate management and asset management, commissioned by the Swiss Prime Investment Foundation.

SUSTAINABILITY-ORIENTED MANAGEMENT

Sustainability as a business principle has formed an integral part of Swiss Prime Site's corporate management for years and was strategically further developed at the end of 2015. At the same time, six core themes have been identified that play a significant role for the Group, covering all the key aspects of sustainability for Swiss Prime Site's business model. Targets, measures and quantitative figures have been developed for each of the six core themes. Based on these factors, transparent reporting will be provided for all business fields in the future through the execution of sustainability-oriented corporate management, thereby further developing the respective businesses.

OUTLOOK

While migration is continuing to hover at a high level and the economy is still growing moderately, the Swiss franc strength and implementation of the so-called «Against Mass Immigration» initiative could have a dampening effect on the demand for rental properties. Consequently, this is leading to heightened risks of weaker employment levels in the office sector as well as regional oversupply of office properties. Demand for retail properties should also diminish under the impact of mounting shopping volumes in neighbouring foreign countries and online trade.

Swiss Prime Site anticipates that the Group will only be moderately affected by these trends thanks to its focus on high-quality properties situated in first-class, ideally developed urban locations. Swiss Prime Site believes it is also very well positioned in the real estate-related business fields to forge ahead on the path toward robust earnings-based growth.

On the basis of the course of business to date, Swiss Prime Site's forecast for 2016 calls for rental income and total operating income that surpass the previous year's levels, respectively. The vacancy rate should hover between 6% and 7%. Based on the expected operating result for 2016, a constant high dividend to shareholders is ensured.

PERSONNEL CHANGES AND THANKS

In April 2015, the Board of Directors appointed René Zahnd (1966) as successor to Markus Graf as Chief Executive Officer (CEO). With an educational background in the field of law, qualification as an attorney-at-law and a proven track record as a real estate expert with years of extensive experience in the sector, René Zahnd is excellently qualified for the position. Previously, he had been a member of the group management at Implenia since 2010 and head of its Modernisation & Development business unit since 2014. René Zahnd assumed his new position as CEO of Swiss Prime Site on 1 January 2016.

In June 2015, the Board of Directors appointed Markus Meier (1964) as new Chief Financial Officer (CFO). He has worked at Swiss Prime Site since 2009 and was previously responsible for the areas of Finance, Accounting and Investor Relations.

We would like to thank the entire Board of Directors, the Executive Board and all the employees for their constructive collaboration and considerable commitment, as well as the shareholders for the trust they have placed in our Company and the tenants for their valued partnership.



HANS PETER WEHRLI
Chairman of the Board of Directors



RENÉ ZAHND
Chief Executive Officer





BOARD OF DIRECTORS

01 **MARIO F. SERIS**

lic. phil. I

Member since 27.04.2005

**Member of the Investment
Committee**

**Member of the Compensation
Committee**

05 **CHRISTOPHER M. CHAMBERS**

Member since 22.10.2009

Member of the Audit Committee

**Member of the Compensation
Committee**

02 **BERNHARD HAMMER**

Dr. iur., Attorney at Law
and Notary

Member since 29.04.2002

**Chairman of the Investment
Committee**

Member of the Audit Committee

06 **HANS PETER WEHRLI**

Prof. Dr. oec. publ.

Member since 29.04.2002

Chairman

03 **THOMAS WETZEL**

Dr. iur., Attorney at Law

Member since 11.05.1999

Vice-Chairman

**Chairman of the Compensation
Committee**

**Member of the Investment
Committee**

07 **KLAUS R. WECKEN**

Member since 22.10.2009

**Member of the Investment
Committee**

04 **RUDOLF HUBER**

Dr. oec. publ.

Member since 29.04.2002

Chairman of the Audit Committee

All members of the Board of Directors are elected to a one-year term of office until the Annual General Meeting 2016.

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01

02

03



04

05

06

07

EXECUTIVE BOARD

01 LUCA STÄGER

Dr. oec.

Member since 01.01.2014
**Chief Executive Officer
of Tertium AG**

05 MARKUS MEIER

Member since 01.06.2015
**Chief Financial Officer
of Swiss Prime Site AG**

02 FRANCO SAVASTANO

Member since 01.01.2012
**Chief Executive Officer
of Jelmoli AG**

06 PETER LEHMANN

Member since 01.03.2002
**Chief Investment Officer
of Swiss Prime Site AG**

03 MARKUS GRAF

Member from 01.12.2000
until 31.12.2015
**Chief Executive Officer
of Swiss Prime Site AG**

07 OLIVER HOFMANN

Member since 01.06.2013
**Chief Executive Officer
of Wincasa AG**

04 RENÉ ZAHND¹

Member since 01.11.2015
**Designated Chief Executive
Officer of Swiss Prime Site AG**

¹ CEO of Swiss Prime Site AG from 01.01.2016

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SUCCESS STORY

Since its listing on the Swiss stock exchange in 2000, Swiss Prime Site AG's share price provides the best evidence for the Company's day-to-day endeavours aimed at realising an attractive performance for the shareholders based on sustainable value creation. The share price performance is closely correlated to the achievement of significant milestones, stringently executed inorganic growth opportunities and gradual build-up of a first-class real estate portfolio marked by a strong earnings base. Complementing the business model with real estate-related business fields has contributed to diversifying the earnings base and risks, thereby sustainably underpinning the Company's success story.

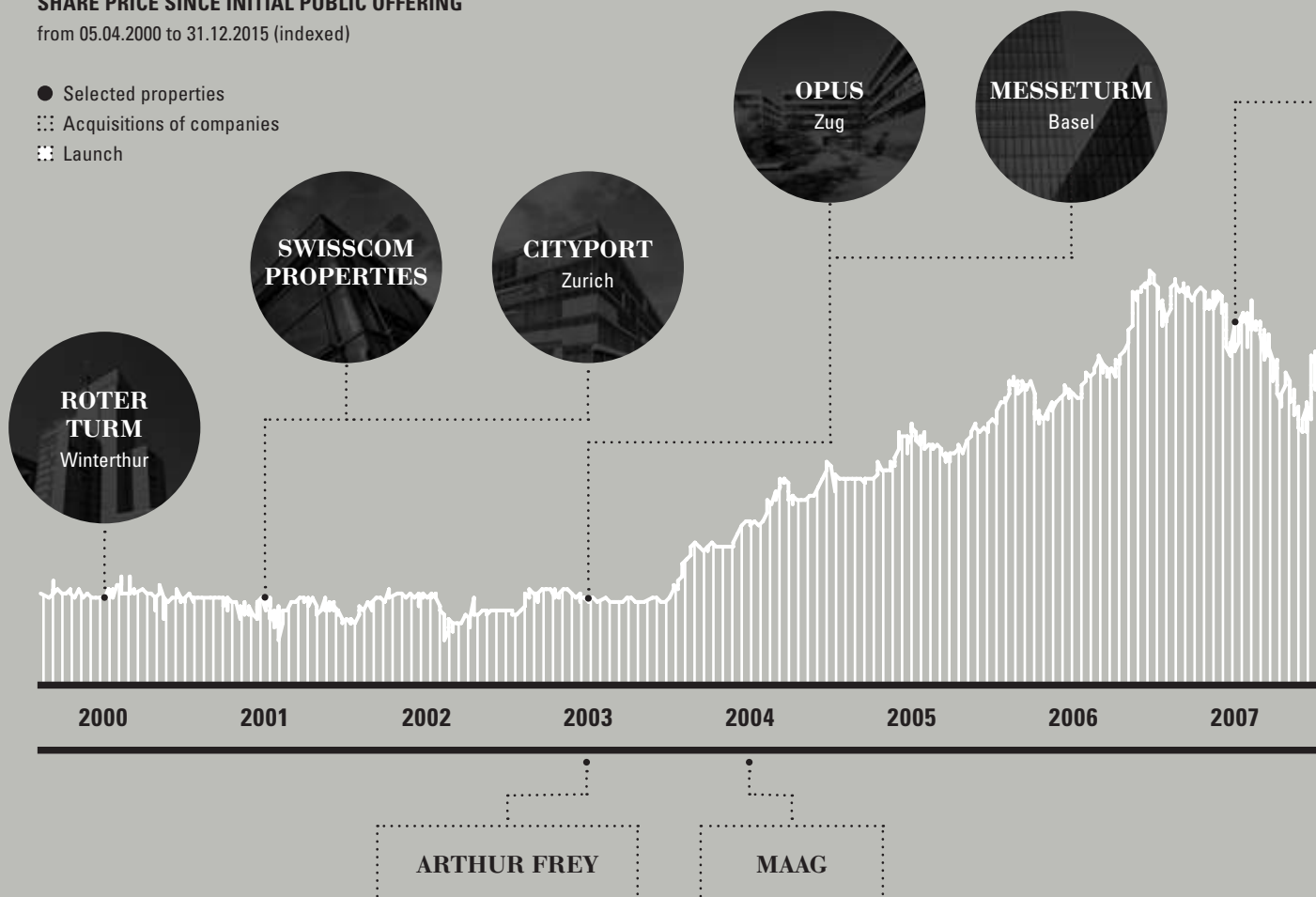
SHARE PRICE SINCE INITIAL PUBLIC OFFERING

from 05.04.2000 to 31.12.2015 (indexed)

● Selected properties

□ Acquisitions of companies

✱ Launch



¹ Swiss Prime Site share 24.2%



.....

“Success is never absolutely guaranteed.
A company should know the relevant facts and draw
the right conclusions therefrom.”

MARKUS GRAF

..... Chief Executive Officer of
Swiss Prime Site AG until 31.12.2015

When and how was the cornerstone of Swiss Prime Site AG laid?

The foundation of Switzerland's first specialised real estate investment company in 1999 was the starting point. Our approach was based on cherry picking real estate. At that time, we almost exclusively acquired individual properties or real estate projects. The selection was vast, the prices moderate.

Did you imagine at the time that such a success story would emerge?

I always believed in the real estate asset class as well as Swiss Prime Site's business model. However, the point when success would ultimately come was not so clearly foreseeable. Real estate investments are obviously a long-term business. But success materialised quickly.

What is the greatest achievement in the history of Swiss Prime Site AG, in your view?

There was not merely one achievement. Rather the sum of the achievements paved the way for Swiss Prime Site AG's development into a sustainable success story. The acquisition of the Swisscom real estate portfolio as well as the acquisitions of Maag, Jelmoli, Wincasa and Tertianum were certainly very important chapters in this success story. Among the individual properties, I would especially like to highlight Sihlcity, Prime Tower, Messeturm and EspacePost as successful projects.

In your opinion, what is the key to success?

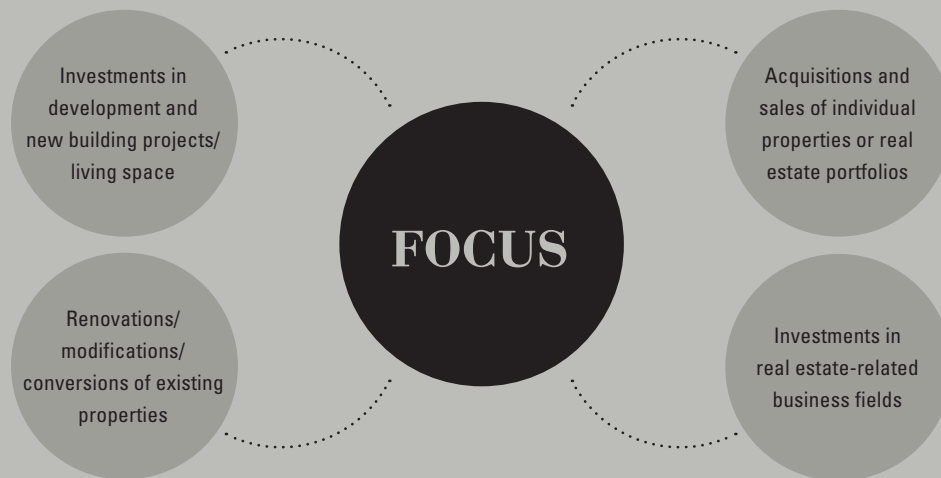
Success is never absolutely guaranteed. A company should know the relevant facts and draw the right conclusions therefrom. This requires profound experience and foresight, as well as innovative ideas and the will to set trends, stay ahead of competitors and stand up for projects.



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STRATEGY

Swiss Prime Site's strategic focus is on investments in high-quality Swiss properties harbouring a high return potential, as well as on long-term opportunities for achieving growth and boosting value. The acquisitions follow strict investment criteria. Investments in real estate-related business fields complement the strategic focus.



FOCUSING ON REAL ESTATE COMPETENCIES

- > Portfolio management
- > Asset management
- > Real estate acquisitions and sales
- > Real estate development/development of living space
- > Construction (management)
- > Finance and controlling
- > Business field management
- > Transaction management
- > Real estate research

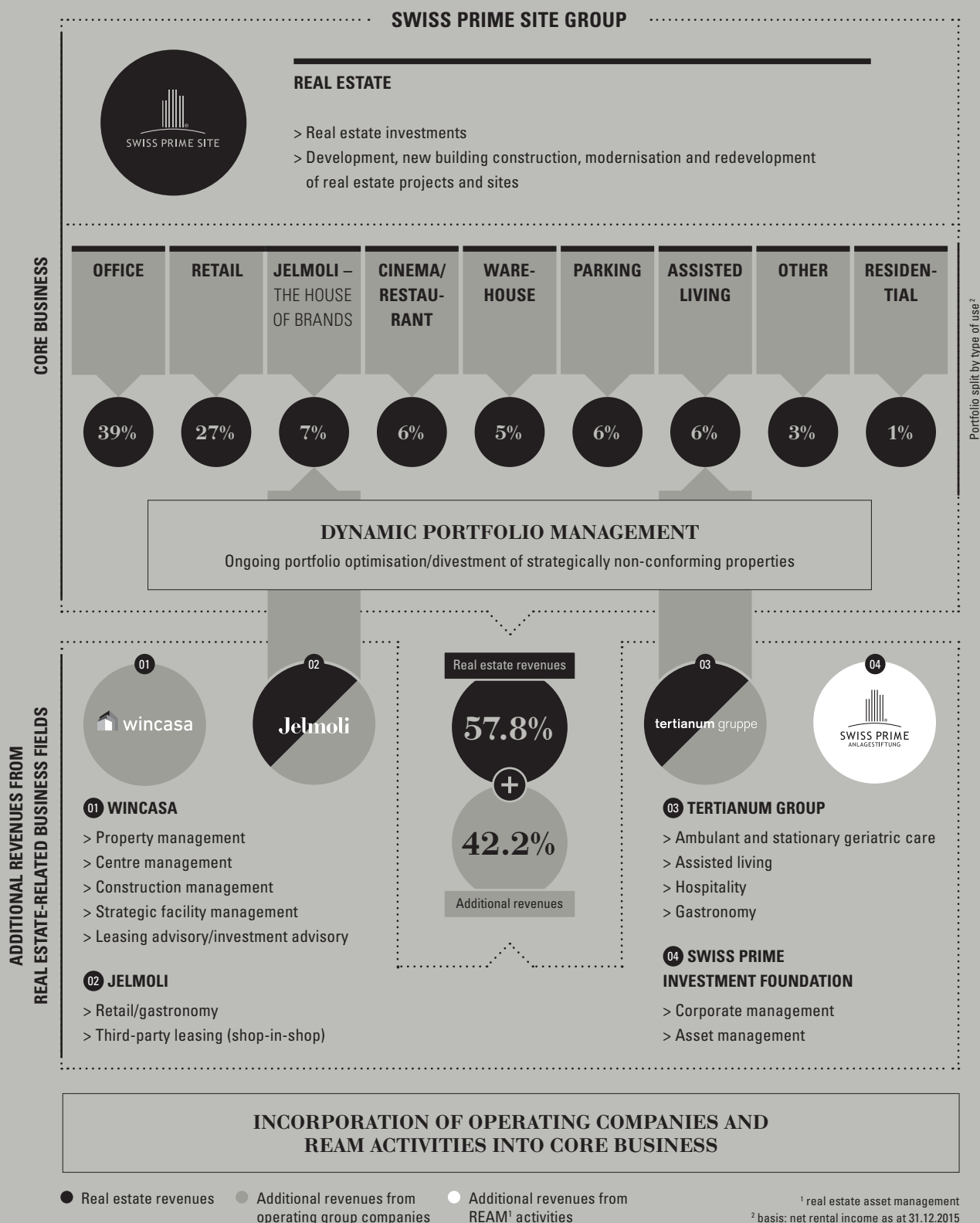
OUTSOURCING OF SUPPORTING REAL ESTATE ACTIVITIES

- > Construction
- > Asset/facility management
- > Property asset management
- > Construction services
- > Property valuations
- > Macroeconomic analyses

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations, primarily with commercially floor space, as well as on project developments. The investment focus is on properties and projects with sustainable, attractive returns and long-term value-boosting potential. The real estate portfolio is actively managed. Swiss Prime Site also operates in complementary real estate-related business fields aimed at strengthening and broadening the earnings base, in addition to diversifying risks.

BUSINESS MODEL

Swiss Prime Site's innovative business model is focused on sustainable value creation. The strong earnings continuity is based on revenue generating properties from the core real estate business, additional revenues from the operating group companies and REAM¹ activities.





..... REAL ESTATE PORTFOLIO

REAL ESTATE PORT FOLIO

OVERVIEW AND KEY FIGURES



ZURICH REGION

Fair value	CHF 3788 million
Rental income	CHF 154 million
Yield	3.7%
Floor space	473 549 m ²
Vacancy rate	5.8%

BERNE REGION

Fair value	CHF 834 million
Rental income	CHF 44 million
Yield	4.5%
Floor space	224 693 m ²
Vacancy rate	3.4%

GENEVA REGION

Fair value	CHF 2 139 million
Rental income	CHF 91 million
Yield	3.5%
Floor space	247 447 m ²
Vacancy rate	6.0%

NORTHWESTERN SWITZERLAND

Fair value	CHF 1 371 million
Rental income	CHF 74 million
Yield	4.0%
Floor space	283 998 m ²
Vacancy rate	12.4%

from Real Estate business field perspective, excluding third-party rents from own and additionally leased owner-occupied properties

KEY DATA

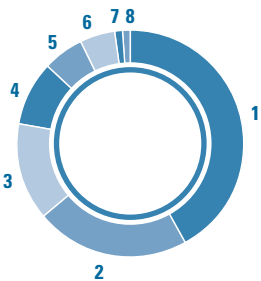
	in	2011	2012	2013	2014	2015	Change to prior year in %
Fair value of real estate portfolio	CHF m	8 165.1	8 600.3	9 339.5	9 785.0	9 686.6	– 1.0
of which under construction	CHF m	96.9	210.5	518.4	327.1	346.7	6.0
Number of properties	Number	186	188	193	190	182	– 4.2
of which new building projects	Number	3	5	7	6	4	– 33.3
Rental floor space ¹	m ²	1 421 472	1 492 442	1 525 493	1 620 131	1 455 126	– 10.2
Rental income (Group)	CHF m	410.8	408.8	420.1	443.1	445.9	0.6
Vacancy rate	%	4.6	5.0	6.4	6.6	6.7	1.5
Net property yield	%	4.8	4.5	4.2	4.1	3.9	– 4.9

¹ excluding parking places/car parks

PORTFOLIO SPLIT BY REGION

Basis: Fair value as at 31.12.2015

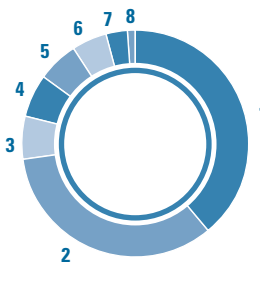
1 Zurich	42%	[42%]
2 Geneva	22%	[21%]
3 Northwestern Switzerland	14%	[15%]
4 Berne	9%	[9%]
5 Eastern Switzerland	6%	[6%]
6 Central Switzerland	5%	[5%]
7 Southern Switzerland	1%	[1%]
8 Western Switzerland	1%	[1%]



PORTFOLIO SPLIT BY TYPE OF USE¹

Basis: Net rental income as at 31.12.2015

1 Office	39%	[40%]
2 Retail	34%	[32%]
3 Assisted living	6%	[5%]
4 Cinema/restaurant	6%	[6%]
5 Parking	6%	[6%]
6 Storage	5%	[6%]
7 Other	3%	[4%]
8 Residential	1%	[1%]

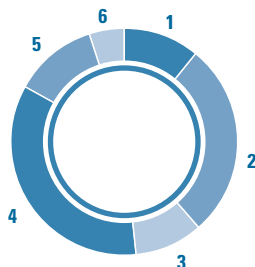


¹ Real Estate business field

RENTAL FLOOR SPACE BY AGE CATEGORY¹

(year of construction/renovation)

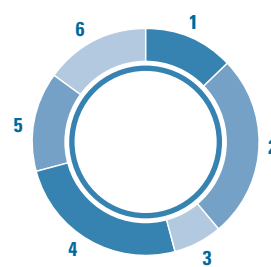
1 2011–2015	11%
2 2001–2010	28%
3 1991–2000	10%
4 1951–1990	34%
5 1901–1950	12%
6 Older than 1900	5%



FAIR VALUE BY AGE CATEGORY¹

(year of construction/renovation)

1 2011–2015	13%
2 2001–2010	26%
3 1991–2000	7%
4 1951–1990	25%
5 1901–1950	14%
6 Older than 1900	15%



¹ excluding development properties, properties under construction and building land





BRIEF DESCRIPTION

Jelmoli – The House of Brands premium department store has belonged to Swiss Prime Site's real estate portfolio since the acquisition of Jelmoli AG in 2009. The property is located in Zurich's district 1, just a few minutes away from Paradeplatz and the main railway station. Jelmoli – The House of Brands is one of the top properties in the real estate portfolio and is renowned far beyond Switzerland's borders. The premium department store boasts a fascinating assortment of roughly two million articles from the most popular brands worldwide, spanning eight floors. Comprehensive services round out the exceptional spectrum of offerings.

The prestigious building, dating back to the year 1898, has undergone multiple partial renovations and modernisation. The new Food Market opened its doors at the end of 2014 as Zurich's exclusive address for the finest culinary delights. The cheese humidor constitutes one of the most unique highlights anywhere in Switzerland. In 2015, Jelmoli Living was expanded, additionally creating a high-value, premium range of products revolving around household interior accessories and first-class lifestyle products.

01 Jelmoli – The House of Brands
seen from Zurich's Bahnhofstrasse

03 Jelmoli – eight floors featuring more
than two million articles from
the most popular brands worldwide

02 Morten Jensen hard at work in
the retail space

04 The Food Market opened its doors
in 2014 and features delicacies from
all around the world – for directly
savouring or for shopping

FACTS AND FIGURES

FAIR VALUE

in CHF m

807

FLOOR SPACE

in m²

36 771

Address	Jelmoli – The House of Brands, Seidengasse 1, Zurich
Fair value	CHF 807 million
Construction date	1898/2010 partial renovation
Floor space	36 771 m ²
Number of employees	585
Use	Premium department store

SUSTAINABILITY

The tradition-rich building is continuously upgraded to meet state-of-the-art energy standards. In 2016, all the light bulbs were substituted with LED lighting. In addition, an extensive renovation of the façade was carried out with additional insulation measures. This renovation will sustainably reduce the building's overall energy consumption.

JELMOLI – THE HOUSE OF BRANDS, ZURICH

.....

“Jelmoli is like a family to me.”

MORTEN JENSEN

..... Head of Facility Management
and Shopfitting, Jelmoli AG







BRIEF DESCRIPTION

The building is ideally well-connected to the transportation network, located directly near the railway platforms at the gateway to Berne. Lavishly dimensioned atriums connected to the inviting reception hall lend the building an open and spacious flair.

Swiss Post employees took up residence in their new headquarters building in Berne Wankdorf in 2015. The EspacePost services building really stands out with its very efficient floor space. With roughly 34 000 m² of floor space spanning eight upper floors and two subterranean levels, the building provides space for a total of around 2 000 workstations. In addition to a prestigious conference centre on the first floor, EspacePost also houses a staff restaurant on the ground floor with seating for 450 persons.

01 View of the spacious reception hall with two atriums

03 Brief meeting in «Aquarium» – a conference room designed according to the New Work approach

02 The building, located in the Berne-Wankdorf district, represents one of the latest building blocks in Swiss Prime Site's portfolio

04 The New Work approach offers various spatial modules and work opportunities

FACTS AND FIGURES

FAIR VALUE

in CHF m

165

FLOOR SPACE

in m²

33 650

Address	Wankdorfallee 4, Berne
Fair value	CHF 165 million
Construction date	2014
Floor space	33 650 m ²
Number of employees	approx. 2 000
Use	Commercial building

SUSTAINABILITY

EspacePost was the first office property in Switzerland to obtain the international certificate in the gold category from the German Sustainable Building Council (DGNB) as well as the quality seal of approval from the Swiss Sustainable Building Council (SGNI). EspacePost therefore fulfils the highest and most comprehensive sustainability standards.

ESPACEPOST, BERNE

.....

“ I enjoy working in this modern building and
appreciate the short distances for interaction
with other departments. ”

NICOLE SCHMID

.....
Property Manager
Swiss Post AG
.....







BRIEF DESCRIPTION

The shopping and recreational centre La Praille Centre commercial & de loisirs (CCL) in Grand-Lancy near Geneva offers a vast array of facilities spanning 36 000 m²: 65 shops, a multiplex cinema, a bowling centre with 26 lanes, «Orchestra Land» day-care centre, a fitness and wellness club, 960 indoor parking places, more than ten restaurants and self-service counters, as well as numerous services, in addition to a hotel and sports stadium in direct proximity.

01 The inviting main entrance to La Praille shopping and recreational centre

04 Yvan Meyer on one of his daily tours

02 Yvan Meier enjoying his coffee in one of the centre's ten restaurants

05 The centre is divided into a shopping level and an entertainment level

03 The range of facilities comprises shopping, fitness, entertainment and cinema spanning more than 36 000 m² under one roof

FACTS AND FIGURES

FAIR VALUE

in CHF m

273

FLOOR SPACE

in m²

36 095

Address	Route des Jeunes 10/CCL La Praille, Grand-Lancy
Fair value	CHF 273 million
Construction date	2002
Floor space	36 095 m ²
Number of employees	34
Use	Urban entertainment centre

SUSTAINABILITY

The photovoltaics system on the roof of the centre constitutes the sustainability-relevant highlight, which started up operations at the end of 2012 as part of the future-oriented property strategy. Based on positive experience, the photovoltaics system was expanded in 2015 and also serves as a model for the construction of Switzerland's largest photovoltaics facility in Zuchwil. La Praille is also very well connected to the public transportation network, thereby providing significant relief to road traffic.

LA PRAILLE, GENEVA

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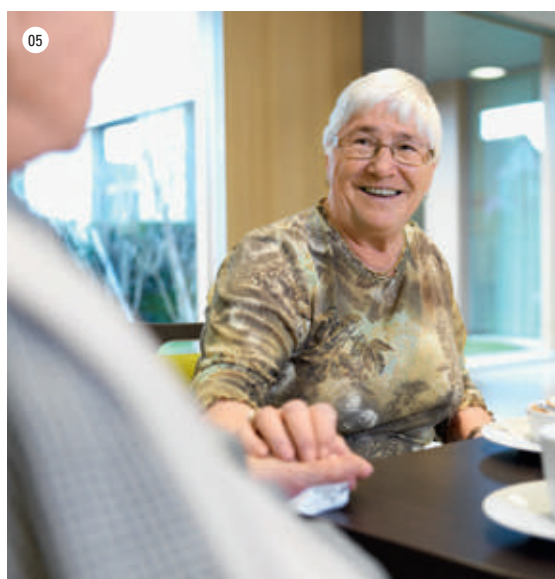
“Visiting, appreciating and identifying with the centre are requisite, in order to experience such a place up close and personal.”

YVAN MEYER

..... Centre Manager of La Praille, Grand-Lancy
shopping and recreational centre







BRIEF DESCRIPTION

In the Bubenholz senior centre, the Tertianum Group has constructed the first new building in accordance with the Vitadomo concept. The senior centre comprises 59 bright, unobstructed apartments, a geriatric care facility with 43 beds and publicly accessible bistro/restaurant. The offering is supplemented by a gymnastics room, hair stylist, multi-purpose hall and traditional Chinese medicine (TCM) practice. The attractive park area and central courtyard provide guests and visitors with numerous sunny and shady seating accommodations.

01 The Vitadomo senior centre is located in close proximity to Opfikon/Glattbrugg city centre

04 The residential area (right) consists of 59 unobstructed apartments, and the geriatric care facility (left) comprises 43 beds

02 Rita Regli in the living room of her spacious 1½-room apartment

05 One of Rita Regli's favourite spaces; the cosy bistro leaves nothing to be desired

03 Vitadomo Bubenholz offers spaciouly designed communal areas

FACTS AND FIGURES

FAIR VALUE

in CHF m

43

FLOOR SPACE

in m²

10 802

Address	Müllackerstrasse 2, 4/Bubenholz, Opfikon
Fair value	CHF 43 million
Construction date	2015
Floor space	10 802 m ²
Number of employees	42
Use	Assisted living

SUSTAINABILITY

Vitadomo Bubenholz is conceptualised as an ecologically friendly building with controlled apartment ventilation. Particularly high-quality materials were utilised in the construction process, for example, natural stone flooring on the ground floor and a general abundance of wood elements. The façade elements are completely interchangeable, enabling any damage to be repaired efficiently and cost-effectively.

VITADOMO BUBEN- HOLZ, OPFIKON

“At Vitadomo Bubenholz,
I really feel at home.”

RITA REGLI

..... Resident at Vitadomo
Bubenholz, Opfikon



DEVELOPMENT PROJECTS



ETZELGUT, ZURICH

Etzelstrasse 14

The property is located in Zurich-Wollishofen near the existing Morgental district. The senior centre located there will be demolished and replaced with a new building housing a geriatric care facility. The infrastructure can therefore be constructed according to state-of-the-art specifications, and use of the land will be ideally exploited.

Investment volume	approx. CHF 13 million
Project idea	Reconstruction
Floor space	2 287 m ²
Use	Geriatric care facility
Planned construction period	2016–2017



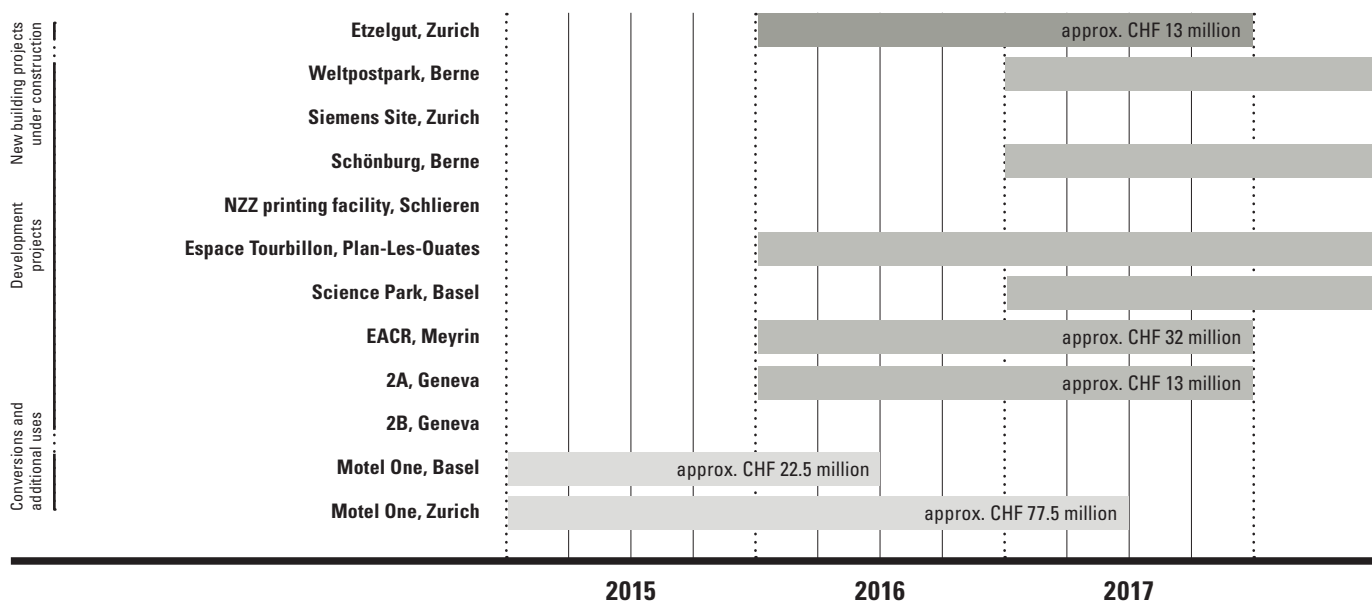
WELTPOSTPARK, BERNE

Weltpoststrasse 1–3, Weltpostpark

An urban, high-quality residential superstructure comprising roughly 170 apartments. The complex will be proportionally divided at one-third each into condominiums, rental apartments and inexpensive residential units. The master plan is in the development process; a referendum follows in 2016.

Investment volume	approx. CHF 74 million
Project idea	Residential complex (land lease plot)
Floor space	14 200 m ²
Use	Residential, partial commercial
Planned construction period	2017–2019

PROJECT PIPELINE¹



¹ Swiss Prime Site AG estimates

² only development projects referred to in this report

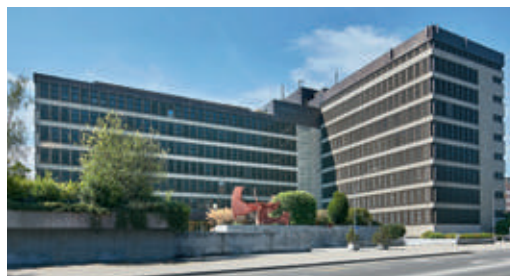


SIEMENS AREAL, ZURICH

Albisriederstrasse 203

Swiss Prime Site has owned the Siemens Site comprising a total of 22 745 m² since 2014. An innovative services building for service providers, creative companies and firms in the manufacturing sector is being developed in direct proximity to the existing properties.

Investment volume	approx. CHF 90 million
Project idea	New building
Floor space	approx. 20 000 m ²
Use	Flexible (services and commercial)
Planned construction period	2018–2019



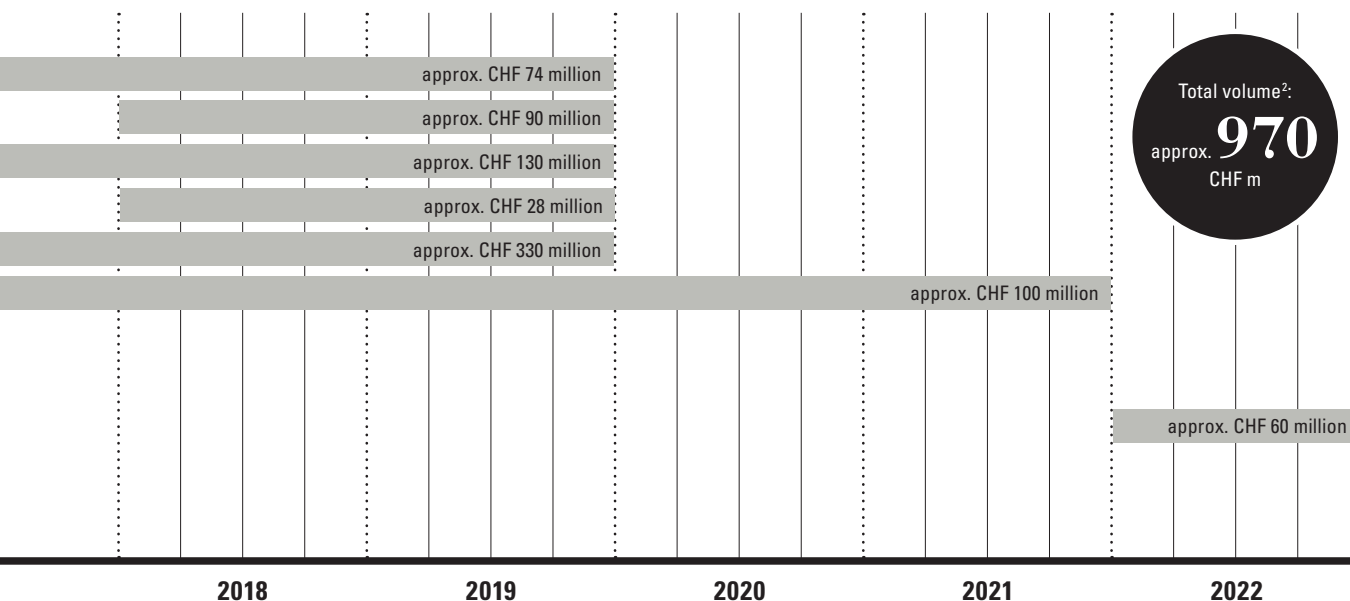
SCHÖNBURG, BERNE

Viktoriastrasse 21

Modification of an ideally located office complex situated in an exceptional panoramic position overlooking Berne into a sophisticated residential building, with a hotel wing on the north side. The building permit is anticipated for the end-2016; re-zoning is not required.

Investment volume	approx. CHF 130 million
Project idea	Major conversion to residential building
Floor space	23 900 m ² above ground
Use	Residential, office or hotel, partial retail
Planned construction period	2017–2019

PROJECT PIPELINE¹





NZZ PRINTING FACILITY, SCHLIEREN

Zürcherstrasse 39

An innovative concept for an urban education centre is being developed for the former NZZ printing facility. The concept comprises infrastructure for training and further education, knowledge transfer, research & development, co-working spaces, communal floor space, sports and culture. At the same time, the building structure should be strictly preserved.

Investment volume	approx. CHF 28 million
Project idea	Conversion, possible annex buildings
Floor space	24 700 m ²
Use	Urban education centre
Planned construction period	2018–2019

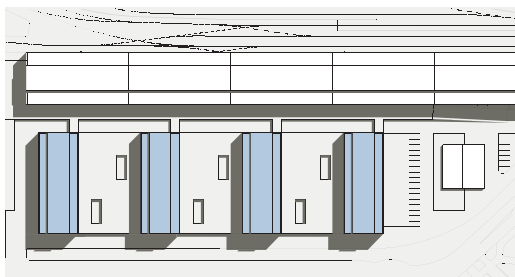


ESPACE TOURBILLON, PLAN-LES-OUATES

Chemin des Aulx

Construction of the multi-functional, modular industrial and commercial park with highly efficient truck logistics will be executed in two major stages. The building permit has been issued, and total contractor submissions are in preparation.

Investment volume	approx. CHF 330 million
Project idea	Commercial project on company building land
Floor space	67 200 m ² above ground
Use	Commercial, industrial, services
Planned construction period	2016–2019



SCIENCE PARK, BASEL

Hochbergerstrasse 60

The total area comprises 22 863 m². The property is part of the «Business Park» site and is situated in «Kleinbasel West» in an ideally infrastructural developed location. An additional 22 000 m² of services floor space can be constructed on the development reserves near the existing Business Park. Construction should be executed in stages over the coming years.

Investment volume	approx. CHF 100 million
Project idea	Expansion of Science Park
Floor space	approx. 22 000 m ²
Use	Laboratory/commercial
Planned construction period	2017–2021



EACR, MEYRIN

Avenue de Mategnin

At end-2015, Swiss Prime Site acquired 100% of the shares in EACR AG. Swiss Prime Site is developing a retail and commercial centre on a centrally located plot of land situated in Meyrin's industrial zone, in direct proximity to Geneva Airport, by end-2017. Rental agreements for all the retail floor space have already been concluded with renowned tenants during the project development phase.

Investment volume	approx. CHF 32 million
Project idea	New building
Floor space	2 287 m ²
Use	Commercial building
Planned construction period	2016–2017



2A, GENEVA

Route de Pré-Bois 16

Swiss Prime Site is developing a modern seven-storey office building in line with the Minergie standard, located at Route de Pré-Bois in direct proximity to Geneva Airport. The bright and flexible floor spaces will be leased on a turnkey basis. The offices are particularly suitable for small- and medium-sized enterprises (SMEs) searching for a prestigious location situated in an attractive and ideally developed area.

Investment volume	approx. CHF 13 million
Project idea	Reconstruction
Floor space	2 630 m ²
Use	Commercial building
Planned construction period	2016–2017



2B, GENEVA

Route de Pré-Bois

Swiss Prime Site owns plots of building land comprising roughly 9 000 m² situated in an ideally infrastructural developed location. The development potential of the land will be realised together with the neighbouring land owners, paving the way for constructing projects for retail and services buildings as well as hotels (residential units excluded) starting from 2020.

Investment volume	approx. CHF 60 million
Project idea	Major commercial building complex
Floor space	40 000–60 000 m ²
Use	Services, retail, hotel, pool
Planned construction period	2022 or later

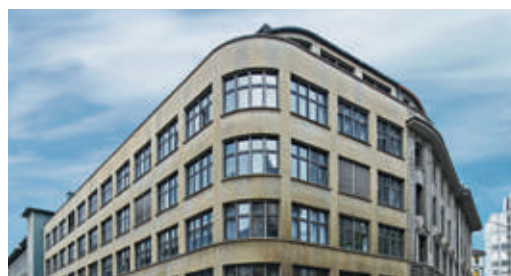


MOTEL ONE, BASEL

Freie Strasse 68

Redevelopment of office property located at Freie Strasse 68 into a hotel. The hotel will comprise 147 rooms featuring first-class design at favourable prices. Motel One, a successful budget design hotel brand, will be the new tenant at the central location situated in the heart of Basel.

Investment volume	approx. CHF 22.5 million
Project idea	Conversion to hotel
Floor space	approx. 4 200 m ²
Use	Hotel
Planned construction period	2015–2016



MOTEL ONE, ZURICH

Brandschenkestrasse 25

Redevelopment of office property located at Brandschenkestrasse 25 into a hotel. The hotel will be situated in a prime location just five minutes away from Bahnhofstrasse and Paradeplatz, comprising roughly 400 rooms featuring first-class design at favourable prices. Motel One, a successful budget design hotel brand, will operate the hotel starting from the summer of 2017.

Investment volume	approx. CHF 77.5 million
Project idea	Conversion to hotel
Floor space	approx. 13 000 m ²
Use	Hotel
Planned construction period	2015–2017



..... MANAGEMENT REPORT

MANAGEMENT REPORT

ENVIRONMENT AND INFLUENCING FACTORS

The Swiss economy painted a picture of a relatively solid state of health in 2015. The real estate market also benefited from the continuation of the «soft landing» that had already emerged in the previous year. Swiss Prime Site was able to evade the effects of negative influencing factors thanks to its focus on high-quality properties and broadened earnings base.

ECONOMIC ENVIRONMENT

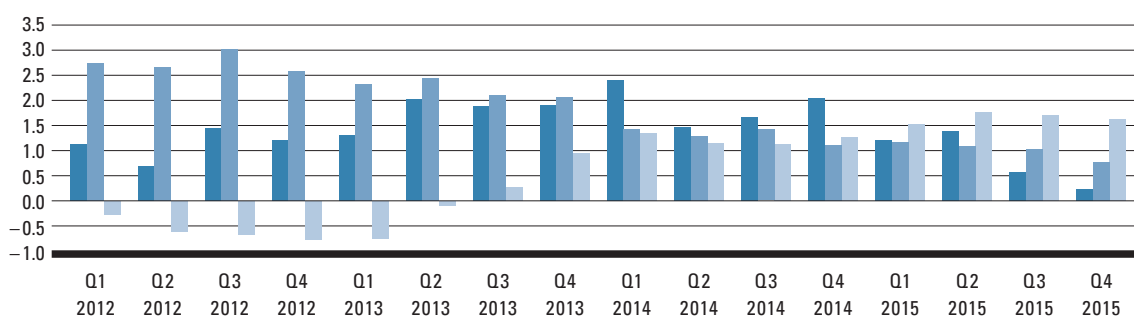
The economic trend in 2015 was marked by the abrupt appreciation of the Swiss franc, triggered by the abolition of the EUR/CHF minimum exchange rate by the Swiss National Bank (SNB). Economic growth cooled down considerably, but still hovered in positive territory in 2015. Private consumption continued to remain a significant pillar of support for economic growth, underpinned by the high level of immigration. Real consumer spending by private households grew by more than 1% year-on-year. On the other hand, real retail sales declined by more than 3%. This trend implied that the already adverse environment for retailers in Switzerland would continue to deteriorate further. By contrast, the labour market remained stable, with the unemployment rate edging up just slightly.

In light of the close economic interrelationship and intensive trading activities with the EU, the European economy had an impact on the Swiss real estate market too – albeit just indirectly and with a lagging effect. The economic recovery in the Eurozone in the course of 2015 prevented Swiss economic growth from falling any further. Former euro-crisis countries such as Spain, Italy, Ireland and Portugal returned to the path of stronger economic growth.

The accentuated negative interest rate environment in Switzerland constituted another significant factor for the trend in real estate stocks. Since more and more bonds exhibited negative interest rates, investors further stepped up their focus on the real estate sector.

YEAR-ON-YEAR GROWTH RATES

in %



■ Swiss gross domestic product (GDP) ■ Private consumption in Switzerland ■ Gross domestic product EU-15 countries

Source: Credit Suisse

INFLUENCING FACTORS AND EFFECTS

REAL ESTATE

REAL ESTATE INVESTMENTS

Office properties

- > Momentum in floor space expansion is diminishing
- > Vacancies are increasing for inefficient office floor space
- > The sluggish economic trend is leading to weaker demand for office properties
- > Rent prices continue to remain under pressure
- > Vacancy management is becoming a key issue
- > The number of redevelopment, modernisation and modification projects is increasing
- > Demand for A locations will continue to persist

Retail Properties

- > The trend toward shopping tourism remains elevated, resulting in persistent pressure on border regions
- > Rent prices are sinking
- > B and C locations are facing an increasingly more difficult situation
- > Demand is robust for floor space in modern shopping centres situated in favourable locations
- > A locations in first-class urban areas remain attractive

REAL ESTATE SERVICES

- > The trend toward outsourcing building management is progressing
- > Demand is growing for property management, facility management and other advisory services from a single source
- > The sector is undergoing stepped-up digitalisation
- > The trend toward consolidation continues to persist: i.e. mergers of smaller firms, penetration by international major providers
- > Big data offer growth opportunities
- > «The battle over talent» continues to intensify

RETAIL

- > Retail sales are stagnating (non-food)
- > Demographic growth and consumer sentiment are diminishing
- > Online trading and shopping tourism in border regions are gaining significance
- > Competitive intensity remains elevated
- > Frequency rates are dropping in cities
- > Strategic growth fields such as e-commerce harbour retail sales potential

ASSISTED LIVING

- > The ageing of society is boosting demand
- > Focus is being directed at centrally situated, well-developed locations
- > Demand for residences with added services at affordable prices is increasing (e.g. Vitadomo, Tertianum Group brand)
- > The trend toward spacious, senior-oriented 2½-room residences for singles and 3½-room residences for couples is picking up
- > Regulatory requirements are increasingly tightening and approval practices are becoming more restrictive
- > The consolidation process is forging ahead
- > Long-term geriatric care financing is undergoing revision
- > Financing problems at the community level create potential for private public partnership (PPP) models

CAPITAL MARKET

Swiss Prime Site has been listed on the SIX Swiss Exchange since April 2000 and reports as at balance sheet date a market capitalisation of roughly CHF 5.5 billion, as well as an average annual share price performance of 7.6% since its initial public offering (IPO).

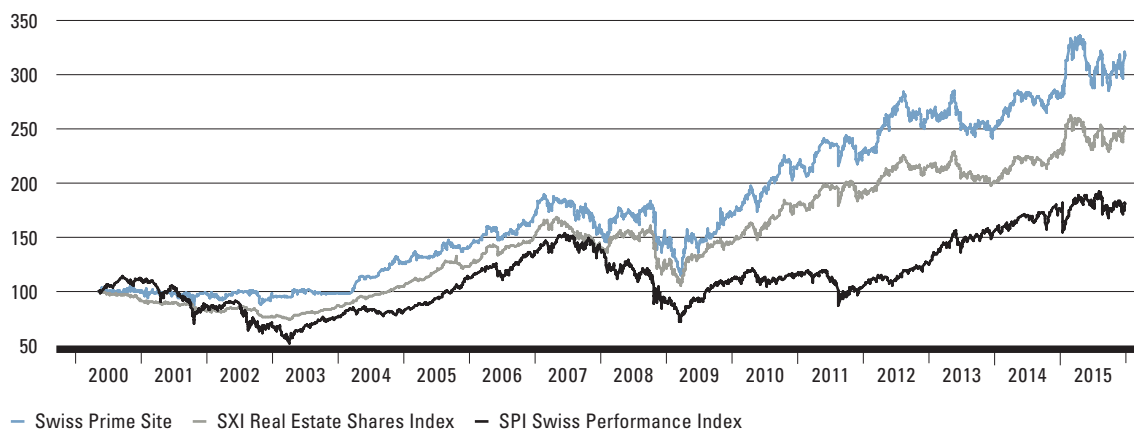
SHARE

The Swiss Prime Site AG share's closing price on 31 December 2015 was CHF 78.50 [the closing share price as at 31 December 2014 was CHF 73.00 and the distribution on 21 April 2015 was CHF 3.70 per share]. The resulting performance (total return) of the share amounted to +13.7% in 2015 [+10.9%]. The stock's relative performance therefore slightly surpassed the benchmark indices SXI Real Estate Shares Index (+9.6%) and SPI Swiss Performance Index (+2.7%).

The share price reached its peak of CHF 87.80 on 15 April 2015 and hit its lowest point of CHF 70.65 on 1 October 2015. The average daily trading volume in 2015 amounted to CHF 14.5 million [CHF 8.6 million].

PERFORMANCE OF SWISS PRIME SITE SHARE SINCE IPO

from 05.04.2000 to 31.12.2015 (indexed)

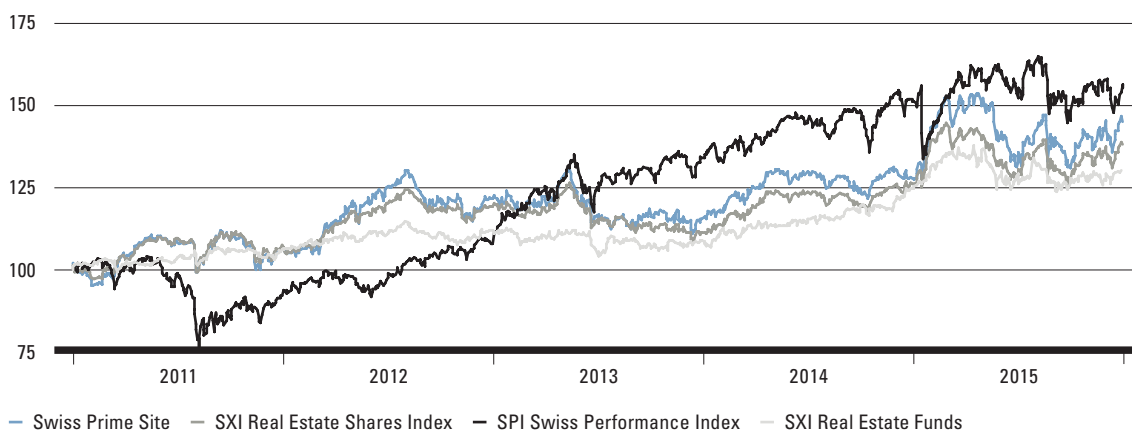


Source: Bloomberg

The average annual performances of the benchmark indices SXI Real Estate Shares Index and SPI Swiss Performance Index since the Swiss Prime Site IPO were +6.0% and +3.8%, respectively. Hence, the performance of the Swiss Prime Site share of +7.6% noticeably beat the two benchmark indices.

PERFORMANCE OF SWISS PRIME SITE SHARE IN THE LAST FIVE YEARS

from 01.01.2011 to 31.12.2015 (indexed)

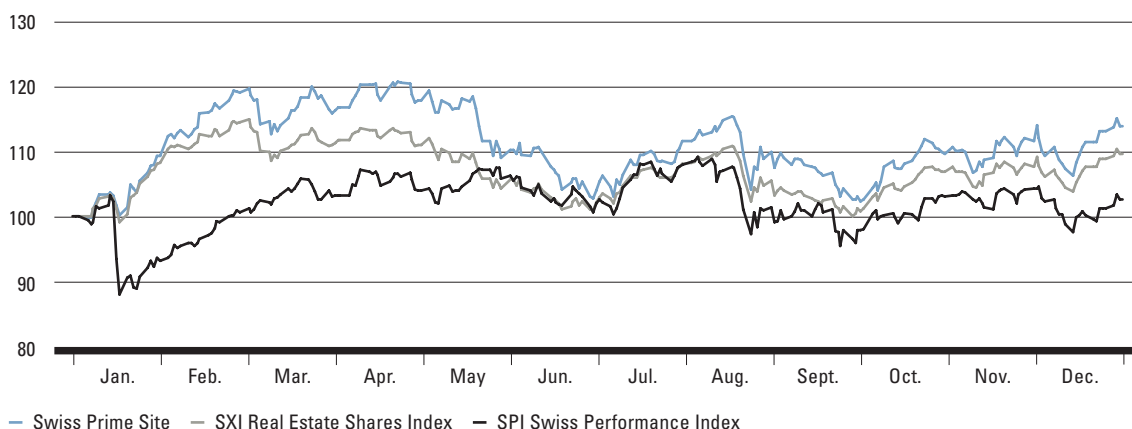


Source: Bloomberg

In a five-year annual comparison, the Swiss Prime Site share turned in a performance of +45.9%, thus outperforming the benchmark indices SXI Real Estate Shares Index +38.3% and SXI Real Estate Funds Index (+32.2%).

PERFORMANCE OF SWISS PRIME SITE SHARE IN 2015¹

from 01.01.2015 to 31.12.2015 (indexed)



Source: Bloomberg

¹ closing price on 31.12.2015: CHF 78.50 / maximum: CHF 87.80 (15.04.2015) / minimum: CHF 70.65 (01.10.2015)

In the course of the ordinary adjustments by the SIX Swiss Exchange, the Swiss Prime Site share was delisted from the Swiss Leader Index (SLI) with effect as at 22 September 2014.

KEY FIGURES PER SHARE

Data per share	in	2011 ¹	2012 ¹	2013	2014	2015	Change to prior year in %
Share capital	CHF m	831.8	918.2	925.7	930.6	1 065.7	14.5
Nominal value per share	CHF	15.30	15.30	15.30	15.30	15.30	–
Issued shares	Number	54 368 714	60 011 611	60 503 081	60 820 602	69 651 534	14.5
Treasury shares	Number	– 4 244	– 4 828	– 18 916	– 2 682	– 2 780	3.7
Average treasury shares held	Number	– 36 117	– 4 369	– 5 847	– 6 458	– 6 506	0.7
Average outstanding shares	Number	54 332 597	54 873 552	60 368 821	60 512 651	67 127 792	10.9
Outstanding shares	Number	54 364 470	60 006 783	60 484 165	60 817 920	69 648 754	14.5

Key figures of the share

Earnings per share (EPS)	CHF	6.53	5.67	5.70	4.72	5.30	12.3
Earnings per share excluding revaluation effects	CHF	4.62	3.61	3.69	3.90	4.20	7.7
NAV per share after deferred taxes	CHF	63.34	65.22	67.91	69.06	71.15	3.0
NAV per share before deferred taxes	CHF	76.72	78.62	82.65	84.77	85.83	1.3
Distribution per share	CHF	3.60	3.60	3.60	3.70	3.70 ²	–
Cash yield ³	%	5.1	4.7	5.2	5.1	4.7 ²	– 7.8
Share price as at balance sheet date	CHF	70.55	76.35	69.05	73.00	78.50	7.5
Share price, highest	CHF	74.60	82.95	78.45	76.00	87.80	15.5
Share price, lowest	CHF	65.85	69.30	66.35	68.95	70.65	2.5
Premium	%	11.4	17.1	1.7	5.7	10.3	80.7
Average trading volume per day	CHF m	9.3	11.5	8.3	8.6	14.5	68.6
Market capitalisation as at balance sheet date	CHF m	3 835.7	4 581.9	4 177.7	4 439.9	5 467.6	23.1

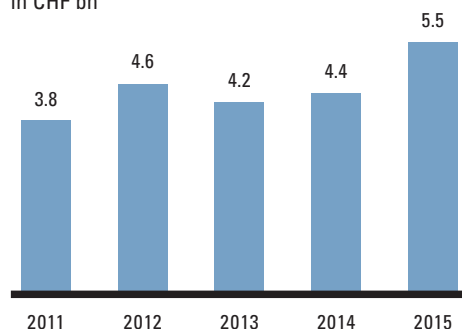
¹ adjusted due to IAS 19 rev., 2011 shareholders' equity only

² according to proposal to Annual General Meeting of 12.04.2016

³ based on year-end closing price

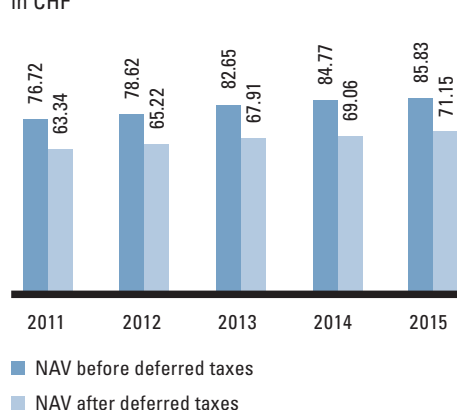
MARKET CAPITALISATION

in CHF bn



NAV PER SHARE

in CHF



Market capitalisation

Market capitalisation amounted to roughly CHF 5.5 billion on 31 December 2015 [CHF 4.4 billion], corresponding to an increase of 23.1%. Market capitalisation is calculated based on the number of shares issued at year-end of 69 651 534 [60 820 602] and the closing share price of CHF 78.50 [CHF 73.00]. The number of shares has increased since 2011 from 54 368 714 to 69 651 534 as at the balance sheet date. In the reporting year, share capital grew by 2 860 803 shares or by CHF 43.8 million through conversions of the CHF 300 million convertible bond, and by 5 970 129 shares or CHF 91.3 million through the capital increase.

NAV per share

Net asset value (NAV) per share before deferred taxes edged up by 1.3% from CHF 84.77 to CHF 85.83. NAV after deferred taxes rose by 3.0% from CHF 69.06 to CHF 71.15. Based on the closing share price, this resulted in a premium of 10.3% [5.7%].

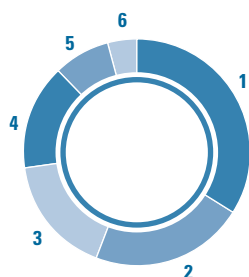
Shareholder structure

As at the balance sheet date, around 66% [68%] of the issued 69 651 534 [60 820 602] shares were registered. Shares pending registration of transfer increased to 34% [32%]. Roughly 94% [94%] of the registered shareholders held less than 5 000 shares, 5% [5%] held between 5 001 and 50 000 shares, and 1% [1%] held a stake of more than 50 001 shares. About 73% [72%] of the registered shares were held in Switzerland. Swiss Prime Site AG acknowledges that there were three [three] shareholders with a stake of more than 3% as at the balance sheet date.

SHAREHOLDER CATEGORIES

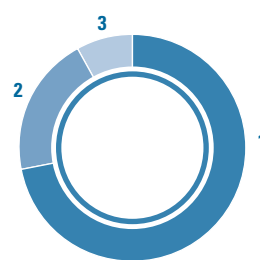
(registered shares)

1 Legal entities	34%	[34%]
2 Pension funds	22%	[22%]
3 Funds	18%	[17%]
4 Natural persons	17%	[15%]
5 Other	5%	[8%]
6 Insurance companies	4%	[4%]

**SHAREHOLDER STRUCTURE BY COUNTRY**

(registered shares)

1 Switzerland	73%	[72%]
2 Europe (excluding Switzerland)	21%	[20%]
3 Other countries	6%	[8%]

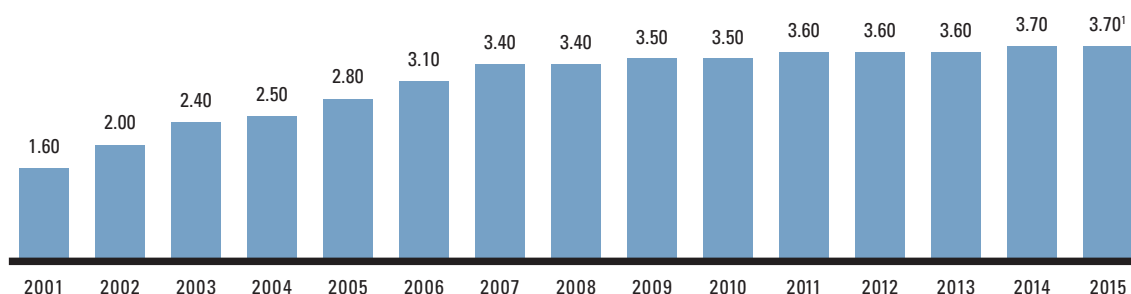
**Dividend policy and distribution**

Swiss Prime Site enables its shareholders to participate in the corporate profits with a shareholder-friendly dividend in the form of a distribution from capital contribution reserves, or nominal value reduction. These distributions are not subject to Swiss withholding tax and are basically exempt from income tax for private individuals with tax domicile in Switzerland. The Company generally intends to pay out 80% of earnings per share before revaluation effects.

The Board of Directors proposes to the Annual General Meeting of 12 April 2016 a dividend of CHF 3.70 per share, in the form of a shareholder-friendly, withholding tax-exempt distribution from capital contribution reserves. The distribution corresponds to an attractive cash yield of 4.7%, based on the closing share price of CHF 78.50 at year-end.

DISTRIBUTION PER SHARE

in CHF

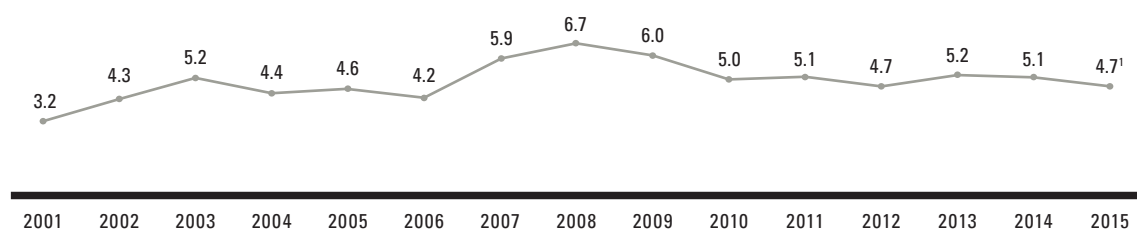


¹ according to proposal to Annual General Meeting of 12.04.2016

Since the Company's IPO in 2000, the distribution per share has increased from CHF 1.60 (paid out in financial year 2001, adjusted for stock split 1:5) to CHF 3.70 for the financial year 2015. The cash yield has hovered between 3.2% and 6.7% in the same period.

CASH YIELD

in %



¹ according to proposal to Annual General Meeting of 12.04.2016

BONDS

As at the balance sheet date, Swiss Prime Site held one outstanding convertible bond with issue volume of CHF 190.35 million. The bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time. No conversions of this convertible bond took place in the previous years or reporting year.

Furthermore, Swiss Prime Site holds five outstanding bonds with issue volumes of CHF 100.0 million, CHF 115.0 million, CHF 200.0 million, CHF 230.0 million and CHF 300.0 million. Three of these bonds with a total volume of CHF 600.0 million were successfully placed on the capital market in the previous year. The terms to maturity amount to between five and ten years, and the interest rates vary between 1.0% and 2.0%. The current low interest rate environment was successfully exploited for refinancing at attractive medium- to long-term conditions.

KEY DATA

Convertible bonds		in		2016		
Issuing volume	CHF m					190.35
Nominal value as at balance sheet date	CHF m					190.35
Conversion price as at balance sheet date	CHF					81.89
Conversions during reporting period	CHF m					–
Number of converted shares during reporting period	Number					–
Interest rate	%					1.875
Term to maturity	Years					5
Maturity	Date					21.06.2016
Securities number						13119623 (SPS11)
ISIN number						CH0131196237
Stock exchange price as at 31.12.2015	%					101.29

Straight bonds		in		2018	2019	2020	2021	2024
Issuing volume	CHF m			115.0	200.0	230.0	300.0	100.0
Interest rate	%			1.125	1.0	2.0	1.75	2.0
Term to maturity	Years			5	5	7	7	10
Maturity	Date			11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024
Securities number				21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)
ISIN number				CH0215645661	CH0257042165	CH0215650737	CH0234274493	CH0257042173
Stock exchange price as at 31.12.2015	%			103.00	102.45	105.85	105.00	106.05

GROUP BUSINESS PERFORMANCE

Swiss Prime Site continued to pursue its proven active portfolio management as well as optimisation of the real estate holdings, focusing on prime properties and project developments in the financial year 2015. The Company once again looks back at a successful year of business.

GENERAL GROUP PERFORMANCE

The results for the financial year 2015 were in line with the guidance issued. The successful financial year was attributable to the consistent execution of strategy, on the one hand, as well as to the ongoing optimisation of the business model, on the other. The strategy aimed at generating a positive contribution to the Group's results from supplemental real estate-related business fields proved to be successful and was consistently pursued further. The Group also assimilated the asset management activities for Swiss Prime Investment Foundation in the autumn of 2015, as an additional complementary and scalable source of revenues. In addition to the continuous realisation of Group-wide synergy potential, collaboration among the group companies was intensified as well.

The real estate portfolio was further developed in qualitative as well as quantitative terms, exhibiting an attractive net property yield of 3.9% as at year-end 2015. The development projects SkyKey in Zurich and EspacePost in Berne proved their value in the existing real estate portfolio. Total rental income increased by 0.6% to CHF 445.9 million.

Prudent financing with bonds, convertibles and a capital increase also contributed to the Group's favourable financial position. Conversion of the convertible bond with maturity date of 20 January 2015 resulted in a total inflow of CHF 199.7 million in shareholders' equity for Swiss Prime Site in the reporting year. Shareholders' equity was strengthened by CHF 413.3 million through the capital increase successfully executed at the end of May 2015. The solid state of financing ensures operating flexibility and creates ideal preconditions for future moves toward strategic development.

With its innovative business model, Swiss Prime Site is ideally positioned to develop additional sources of earnings in real estate-related business fields as a supplement to its core business activities. The key advantages emanate from broader diversification of risks and relatively lower susceptibility to economic effects on the core business.

FOCUS IN FINANCIAL YEAR 2015

DYNAMIC PORTFOLIO MANAGEMENT

In 2015, four properties were acquired at a total price tag of CHF 53.2 million. Divestment volume amounted to CHF 452.9 million for a total of ten properties.

ACQUISITION OF PRIME SITES

Swiss Prime Site acquired the NZZ printing facility in Schlieren, which promises to be a successful development site situated in an ideal location.

NEW BUILDING/MODIFICATION DEVELOPMENT PROJECTS

The Maaghof North and East residential building complex was completed in the second quarter of 2015, comprising 137 rental apartments and 83 condominiums (total investment costs: CHF 122.6 million). In addition, the Vitadomo Bubenholz senior centre in Opfikon opened its doors (investment costs: CHF 40.4 million). Under the Vitadomo brand, residential facilities are being constructed that feature an integrated geriatric care station, which are situated in the medium-price segment. The most powerful high-performance photovoltaics facility in Switzerland, located at the Riverside property in Zuchwil, started up operation in the fourth quarter of 2015, which underscores Swiss Prime Site's aspirations regarding sustainability.

CONVERSIONS

A long-term rental agreement was concluded in the reporting year for another property as basis for conversion of the entire building. Consequently, the Flurpark/Media Park property in Zurich-Altstetten, to be converted from an IT centre into an office building, was leased for the most part to Ringier Axel Springer Switzerland AG.

EXPANSION OF THE ASSISTED LIVING BUSINESS FIELD

Underpinned by the future demographic trend and resulting earnings potential, the expansion of the Assisted Living business field was further accelerated in 2015. In addition to supplementing the project pipeline in geographically relevant development regions, the acquisitions of SENIOcare as at 1 October 2015 and BOAS Senior Care in December 2015 paved the way for Tertianum Group to achieve the leading market position as private provider in the assisted living sector in Switzerland.

LAUNCH OF SWISS PRIME INVESTMENT FOUNDATION

Swiss Prime Site founded the Swiss Prime Investment Foundation (SPIF) as well as launched the first investment group «SPA Real Estate Switzerland» in the financial year 2015. A total of CHF 550 million was raised from the first issue and fully invested as at year-end. Issue volume was oversubscribed threefold with CHF 1.5 billion. Swiss Prime Site is responsible for the corporate management as well as asset management of Swiss Prime Investment Foundation.

STRENGTHENING THE SHAREHOLDERS' EQUITY BASE

Thanks to the capital increase carried out in May 2015 with net inflow of funds amounting to CHF 413.3 million as well as the sale of properties to Swiss Prime Investment Foundation in the fourth quarter totalling CHF 411.5 million, mortgage-backed external financing was scaled back to the extent of roughly CHF 486.7 million, thus further strengthening the Group's financial flexibility.

FINANCING

Financing amid the low interest rate environment was fixed at long-term rates where possible, thus reducing future financial expense.

INTENSIFIED DIALOGUE WITH STAKEHOLDERS

Swiss Prime Site further intensified its relations in 2015 with capital market participants and other stakeholders. In this context, presentations and individual meetings with existing and potential investors in Switzerland and abroad played a significant role.

TREND IN EARNINGS

KEY FINANCIAL FIGURES

	in	2011	2012 ¹	2013	2014	2015	Change to prior year in %
Operating income	CHF m	569.3	584.6	764.7	852.7	995.2	16.7
Revaluation of investment properties, net	CHF m	178.1	187.3	186.7	113.2	124.6	10.1
Result from investment property sales, net	CHF m	77.5	8.5	15.3	2.1	30.9	1371.4
Operating expenses	CHF m	-232.9	-267.8	-436.0	-518.9	-609.4	17.4
Operating profit (EBIT)	CHF m	604.1	514.4	539.2	462.8	553.4	19.6
Financial expenses	CHF m	-131.4	-117.0	-109.4	-100.0	-100.8	0.8
Income tax expenses	CHF m	-119.9	-93.6	-96.6	-79.0	-102.2	29.4
Profit ²	CHF m	355.1	311.3	343.9	286.7	355.1	23.9
Comprehensive income ²	CHF m	365.1	323.5	378.2	288.2	377.1	30.8
Earnings per share (EPS)	CHF	6.53	5.67	5.70	4.72	5.30	12.3

¹ adjusted due to IAS 19 rev.

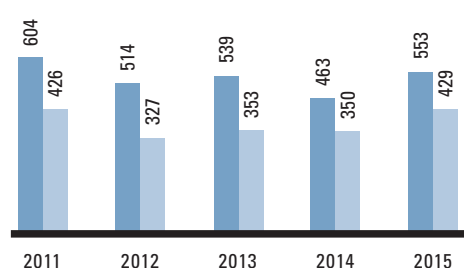
² including non-controlling interests

Noteworthy in the comparison of results with the previous year is that the acquisition of SENIOcare – aimed at supplementing and strengthening the Assisted Living business filed – was consolidated starting from 1 October 2015 and therefore incorporated in Swiss Prime Site Group. The reporting year was unaffected by first-time applicable IFRS standards. IAS 19 revised «Employee Benefits» resulted in booking volatility in personnel costs affecting net income as well as the remeasurement of net defined benefit obligations in other comprehensive income.

Operating profit (EBIT) excluding revaluations leaped by 22.7% from CHF 349.6 million to CHF 428.9 million. EBIT including revaluations jumped by 19.6% from CHF 462.8 million to CHF 553.4 million.

OPERATING PROFIT (EBIT)

in CHF m

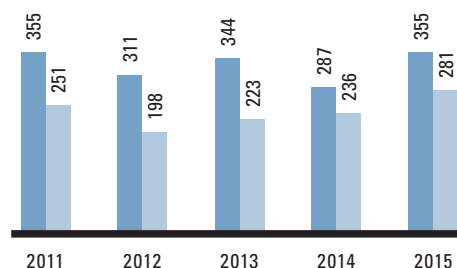


■ EBIT including RVE¹ ■ EBIT excluding RVE¹

¹ revaluation effects: revaluations and deferred taxes

PROFIT

in CHF m

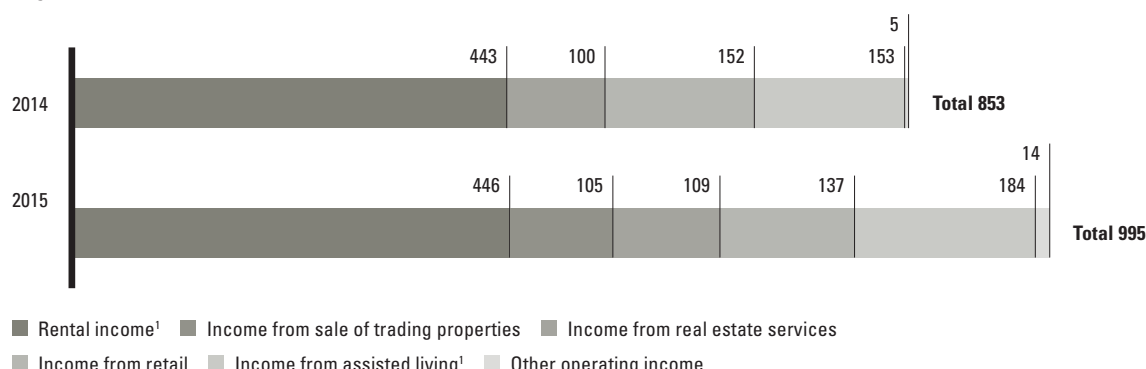


■ Profit including RVE¹ ■ Profit excluding RVE¹

Profit amounted to CHF 355.1 million [CHF 286.7 million] in the reporting year 2015. The increase of CHF 68.4 million was attributable primarily to gains from sales of condominiums at the Maag Site in Zurich as well as to sales of investment properties. Profit excluding revaluation effects climbed by 19.0% to CHF 280.8 million [CHF 236.0 million]. Comprehensive income including revaluation effects of CHF 377.1 million exceeded the relevant previous year's mark by 30.8% [CHF 288.2 million], while comprehensive income excluding revaluation effects of CHF 273.6 million was 31.8% above the comparable previous year's figure [CHF 207.6 million]. CHF -9.4 million [CHF -36.8 million] related to remeasurement of net defined benefit obligations was booked in other comprehensive income in the reporting year.

OPERATING INCOME

in CHF m

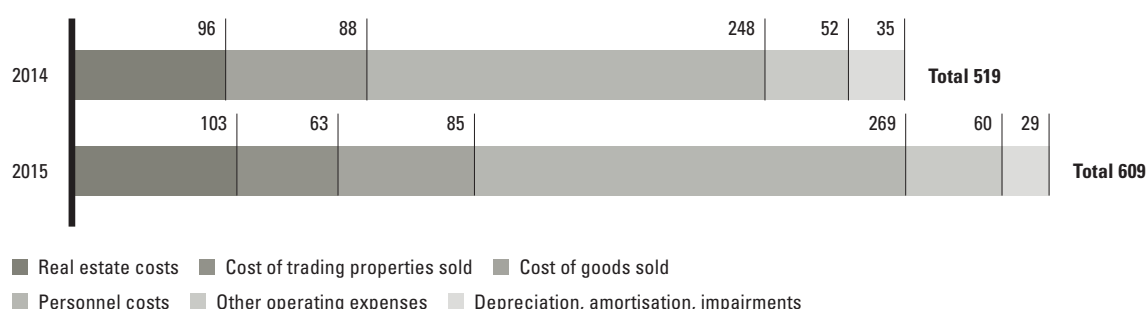


¹ sale of Permed AG as at 17.03.2014; acquisition of SENIOcare as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

Swiss Prime Site continued to unrelentingly exhibit a robust performance in the financial year 2015, realising a 16.7% spurt in operating income from CHF 852.7 million to CHF 995.2 million. Income from rental properties at the Group level climbed by 0.6% to CHF 445.9 million [CHF 443.1 million]. The increase was attributable primarily to the results of the projects completed in the previous and current years as well as to the effects of the acquisition of SENIOcare and property divestments in the prior year. Income from real estate services exhibited a pick-up of 8.9% to CHF 109.0 million [CHF 100.1 million]. The surge in income from assisted living by 20.2% to CHF 184.2 million [CHF 153.3 million] was the result of the integration of SENIOcare starting from the outset of October 2015. The decline in income from retail by 9.9% to CHF 136.8 million [CHF 151.9 million] was attributable to the challenging environment in the retail trade sector, particularly due to the abolition of the CHF/EUR minimum exchange rate by the Swiss National Bank in mid-January. Other operating income of CHF 14.3 million was positively affected by initial revenues from asset management of Swiss Prime Investment Foundation.

OPERATING EXPENSES

in CHF m



Operating expenses climbed by 17.4% from CHF 518.9 million to CHF 609.4 million primarily due to acquisitions, of which real estate costs accounted for CHF 103.3 million [CHF 96.3 million] and cost of goods sold made up CHF 84.7 million [CHF 87.9 million]. The increase in real estate costs was attributable mainly to the CHF 4.9 million rise in third-party rental expenses, particularly for the additionally rented properties in the Assisted Living business field. In addition, higher costs were incurred by the owner (ancillary costs/operating expenses) resulting from growth in the real estate portfolio. The decrease in cost of goods sold resulting from lower retail sales was offset by the increase in cost of goods sold through the integration of SENIOcare.

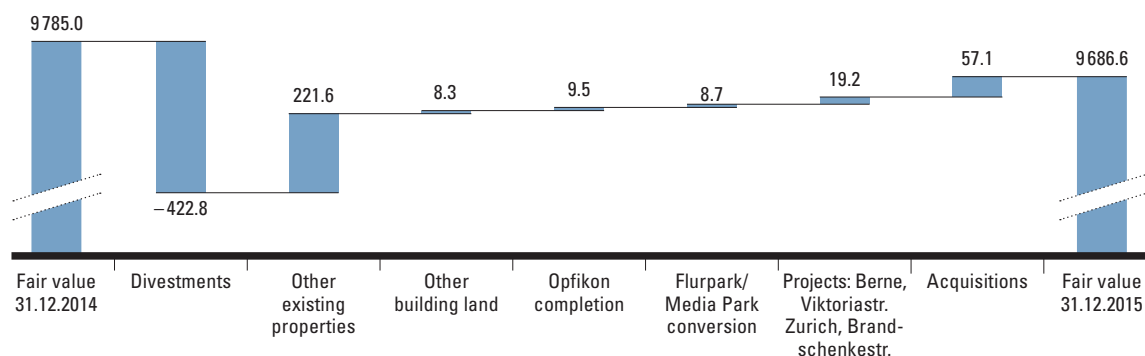
Personnel costs amounted to CHF 269.2 million [CHF 248.0 million], other operating expenses totalled CHF 60.0 million [CHF 51.6 million] and depreciation, amortisation and impairment added up to CHF 29.2 million [CHF 35.1 million]. The pick-up in personnel costs was attributable mainly to staff expenses related to the acquisition of SENIOcare.

TREND IN THE REAL ESTATE PORTFOLIO

Within the scope of portfolio optimisation and through taking advantage of divestment opportunities, twelve properties were divested and four acquired in the reporting period (including two trading properties). The fair value of the divested properties amounted to a total of CHF 377.1 million at end-2014. The net result of sale after transaction costs amounted to CHF 30.9 million [CHF 2.1 million]. The portfolio therefore comprised 182 properties [190].

TREND IN THE REAL ESTATE PORTFOLIO (FAIR VALUE)

in CHF m

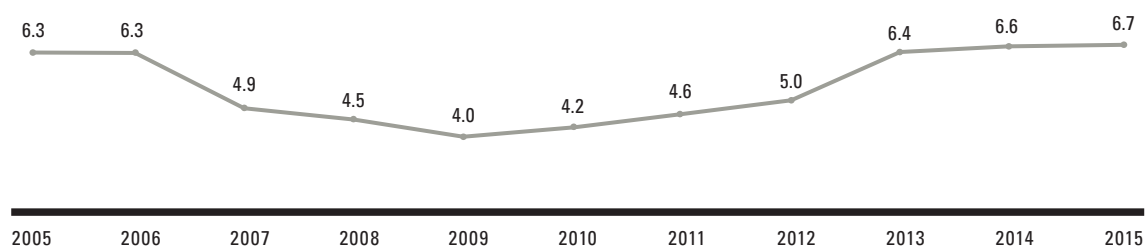


The decrease in portfolio value by CHF 98.4 million or –1.0% consisted primarily of twelve divestments (CHF –422.8 million), value changes (including renovations/investments) related to other existing properties (CHF +221.6 million) and the four acquired existing properties and building land (CHF +65.4 million).

The vacancy rate increased versus the previous year from 6.6% to 6.7%, as expected. The rate was in line with the forecast range of 6.0% to 7.0%.

TREND IN VACANCY RATE

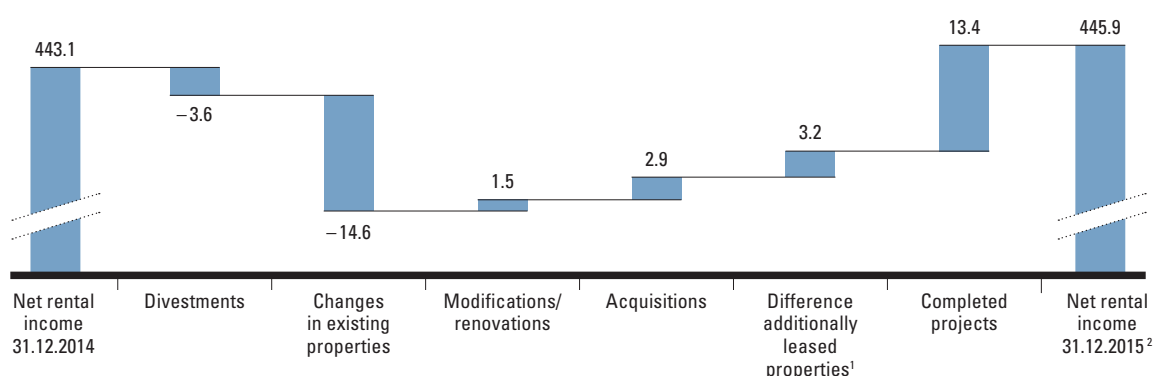
in % (Group)



The quality of earnings was underscored by the good credit ratings of the tenants. The five largest external tenants are renowned corporations, contributing 20.9% [21.9%] to total rental income. Around 61% [58%] of all rental agreements have a residual term of four or more years.

TREND IN NET RENTAL INCOME

in CHF m (Group)



¹ in Assisted Living business field

² including additionally leased properties

Net rental income edged up by 0.6% from CHF 443.1 million to CHF 445.9 million. The increase of CHF 2.8 million resulted from divestments (CHF –3.6 million), changes in existing properties (CHF –14.6 million), vacancies related to building modifications and renovations (CHF +1.5 million), acquisitions (CHF +2.9 million), additionally leased properties in the Assisted Living business field (CHF +3.2 million) as well as from the completions of SkyKey (CHF +5.6 million), EspacePost (CHF +6.8 million) and Vitadomo Bubenholz (CHF +1.0 million).

VALUATION OF THE REAL ESTATE PORTFOLIO

Wüest & Partner AG valued the real estate portfolio at CHF 9 686.6 million [CHF 9 785.0 million] as at 31 December 2015. This revaluation led to a net valuation gain affecting net income of CHF 124.6 million at the Group level [CHF 113.2 million] (excluding revaluation of owner-occupied properties), or 1.3% of the portfolio's value as at 31 December 2014. Of these revaluations, there were no effects in the reporting year [previous year: CHF 7.7 million] attributable to the first-time application of IFRS 13 «Fair Value Measurement» with the highest-and-best-use concept.

Revaluation of owner-occupied properties (primarily properties used in the Assisted Living business field as well as Jelmoli – The House of Brands) resulted in a remeasurement in other comprehensive income of CHF 38.0 million [CHF 39.0 million].

Of the total 163 existing properties (excluding acquisitions (3), plots of building land (13) and properties under construction (3) – total 19 properties), 121 were valued higher and 42 were valued lower than as at 1 January 2015.

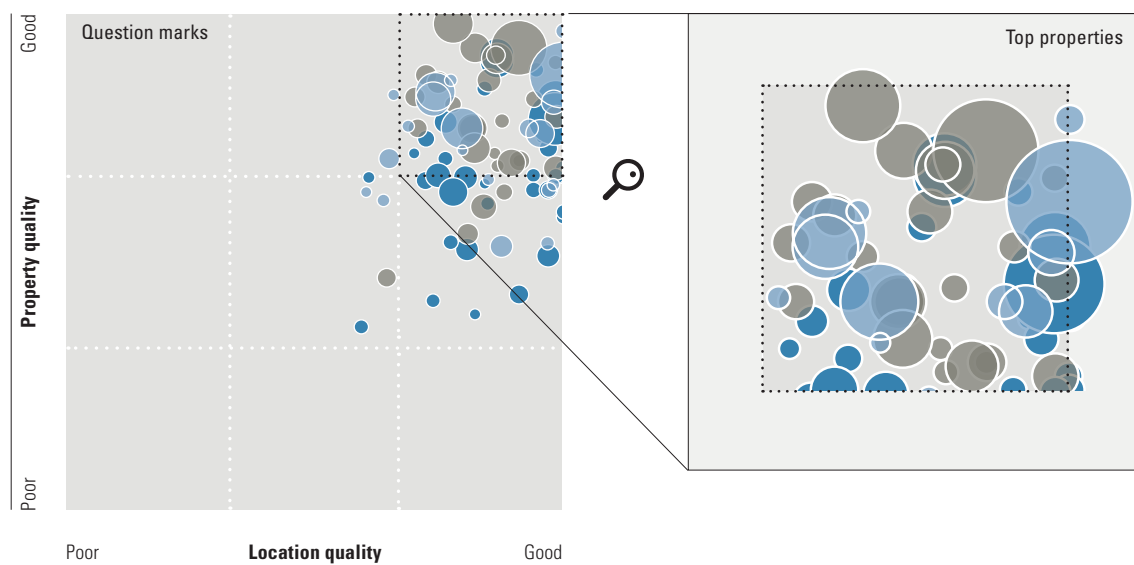
The weighted average real discount rate of 3.66% decreased by 0.22 percentage points versus 31 December 2014 [3.88%]. Assuming an inflation rate of 1.0% [1.0%], this rate corresponds to a nominal discount rate of 4.69% [4.92%].

PORTFOLIO QUALITY

Market matrix

31.12.2015

Enlargement



- Properties with office use > 60%: fair value > CHF 20 million
- Properties with retail use > 60%: fair value > CHF 20 million
- Properties with mixed use: fair value > CHF 20 million

Source: Wüest & Partner AG

The market matrix provides a visualisation of the portfolio's high quality of property and location. Nearly 80% of the properties in the portfolio are in the top segment, which is distinguished by the highest quality of property and location.

PERFORMANCE BY BUSINESS FIELD

The core business comprising real estate investments and real estate services as well as the real estate-related Assisted Living business field all realised growth in the reporting year. The Retail business field turned in a good performance amid a challenging retail trade environment.

REAL ESTATE BUSINESS FIELD

The Real Estate business field once again registered an increase in rental income as well as growth in the pipeline of development projects in the reporting year. The quality of the real estate holdings improved further through innovative and dynamic portfolio management, including through converting and repositioning properties. With the acquisition of the NZZ printing facility in Schlieren and the concept for creating an urban education centre with the property, Swiss Prime Site has opened the door to a new innovative investment field with the education growth market.

KEY FINANCIAL FIGURES

	in	2011	2012 ¹	2013	2014	2015	Change to prior year in %
Operating income	CHF m	431.0	443.0	525.3	534.0	656.8	23.0
Revaluation of investment properties	CHF m	186.7	191.9	198.1	137.1	153.6	12.0
Result from investment property sales, net	CHF m	77.5	8.5	15.3	2.1	30.9	1 371.4
Operating expenses	CHF m	-99.5	-119.4	-186.0	-194.2	-267.2	37.6
Operating profit (EBIT)	CHF m	607.8	525.8	561.3	491.9	586.2	19.2

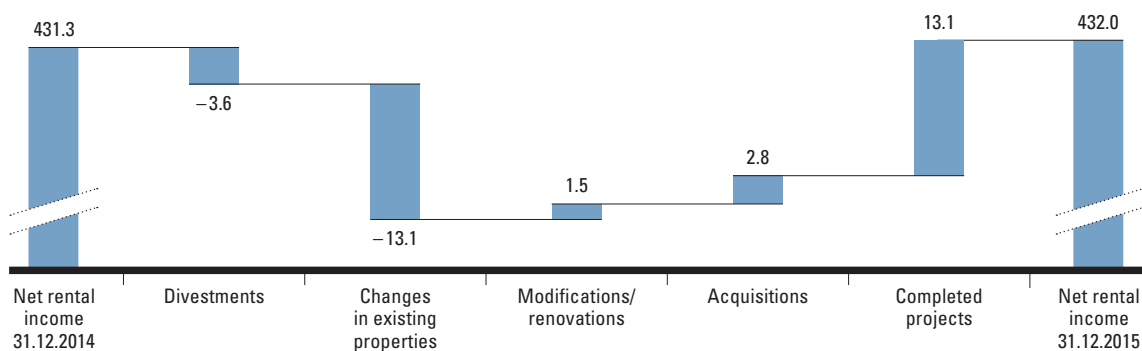
¹ adjusted due to IAS 19 rev.

Rental income from properties increased by CHF 0.7 million to CHF 432.0 million [CHF 431.3 million]. The vacancy rate edged up slightly by 0.1 percentage points to 6.5% [6.4%]. The net return of the real estate portfolio dipped marginally to 3.9% [4.1%]. Operating income climbed from CHF 534.0 million to CHF 656.8 million.

Revaluations affecting net income amounted to CHF 153.6 million [CHF 137.1 million]. In addition to the income from the core business, this business field also included income from the real estate services provided by Wincasa AG. Operating profit (EBIT) increased from CHF 491.9 million to CHF 586.2 million (+19.2%), primarily due to higher revaluation gains versus the previous year and the sale of trading properties.

TREND IN NET RENTAL INCOME

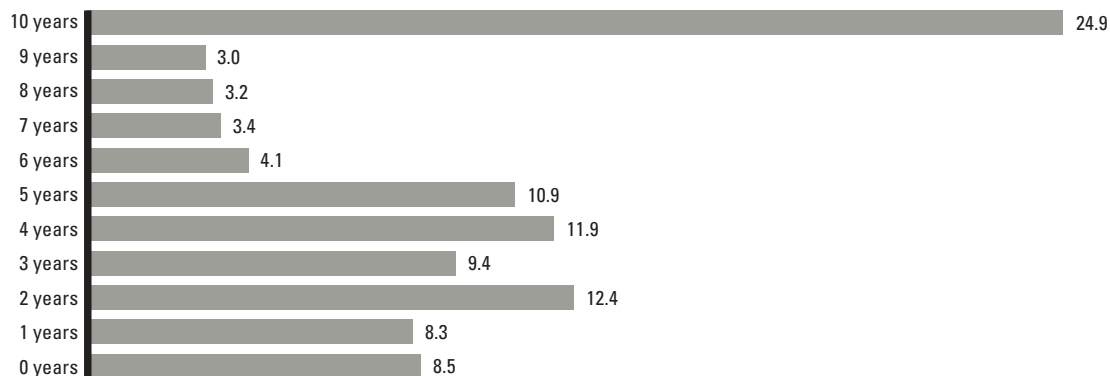
in CHF m (Real Estate business field)



The increase in rental income from properties by CHF +0.7 million or 0.2% was attributable to the elimination of rental income from divestments in the previous year (CHF –2.4 million) and current year (CHF –1.2 million), changes in existing properties (CHF –13.1 million), building modifications/total renovations (CHF +1.5 million), acquisitions in the previous year (CHF +2.8 million) as well as the pro rata effect of completion of the two new building projects SkyKey (CHF +5.6 million), EspacePost (CHF +6.8 million) and the owner-occupied property Vitadomo Bubenholz (CHF +0.7 million).

CONTRACTUAL END OF RENTAL RELATIONSHIP

in % of net rental income as at 31.12.2015 (Real Estate business field)



Wincasa

Income from real estate services generated by Wincasa AG (acquired in 2012) amounted to CHF 109.5 million in the financial year 2015, corresponding to growth of 9.0% versus 2014 [CHF 100.5 million] and a 16.7% share of total operating income in the business field.

Wincasa managed roughly 206 000 rental units as at end-2015, corresponding to a pick-up of 46 000 units over the past five years.

KEY FIGURES FROM REAL ESTATE SERVICES

	in	2011	2012	2013	2014	2015	Change to prior year in %
Annual target rent	CHF bn	2.37	2.57	2.63	2.75	2.96	7.6
Rental properties ¹	Number	160 000	175 000	178 000	183 000	206 000	12.6

¹ rounded to thousands

Wincasa succeeded in expanding and enhancing its branch network in Zug and Fribourg as well as concluding the re-design of the other offices in the reporting year. The company forged ahead with modernisation activities as an integrated real estate services provider. For instance, a large share of the staff was equipped with mobile PCs, electronic apartment transfer protocols were introduced and building-specific IT tools were incorporated into the company-wide management software. Coupled with the launch of a new talent management programme and the diversification of the leadership training sessions, Wincasa consequently underscored its qualitative process leadership.

Wincasa succeeded in further strengthening its leading market position; for example, the company acquired a major contract for commercial building management of an institutional investor. With the implementation in 2016, Wincasa AG will thus be responsible for the management of an additional 200 properties. The company also acquired another contract in Centre Management for a large shopping centre in northwestern Switzerland. Construction & Facility Management provided support services for, among other things, the installation of 18 photovoltaics systems throughout Switzerland for an institutional investor. Letting & Investment Advisory succeeded in expanding the contract pipeline with third-party customers as well as successfully settling one of the largest real estate transactions in Switzerland. This success forms the foundation for sustainable and supplemental revenues.

RETAIL BUSINESS FIELD

The Retail business field comprises Jelvoli – The House of Brands premium department store. Income from retail accounts for the largest position in operating income.

KEY FINANCIAL FIGURES

	in	2011	2012 ¹	2013 ²	2014	2015 ³	Change to prior year in %
Operating income	CHF m	175.0	178.2	175.9	172.3	156.4	–9.2
Operating expenses	CHF m	–165.7	–179.3	–182.4	–171.4	–159.3	–7.1
Operating profit (EBIT)	CHF m	9.3	–1.1	–6.5	0.9	–2.9	–422.2

¹ adjusted due to IAS 19 rev.

² divestment of operating business of Ramada Encore hotel, Geneva, end-November 2013

³ Transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

Income in the Retail business field consists of retail sales of CHF 137.0 million, rental income from leasing floor space of CHF 16.5 million and other income of CHF 2.9 million. Operating expenses declined by 7.1% from CHF 171.4 million to CHF 159.3 million. Operating profit (EBIT) in 2015 included CHF –2.4 million (including restructuring costs) resulting from the transfer of Clouds Gastro AG to Candrian Catering AG as at mid-year.

Jelvoli

The market environment changed drastically as a result of the abolition of the CHF/EUR minimum exchange rate on 15 January 2015. Price pressure intensified relative to foreign countries as well as online trade and, in turn, in the local markets.

Accordingly, retail sales at Jelmoli – The House of Brands were affected by the adverse market conditions compared with the previous year. However, noticeably positive effects emerged from the measures undertaken in prior years (clearance of old merchandise, streamlining cost structures thanks to boosting process efficiency), as well as market positioning as Switzerland's leading premium department store, in addition to launching new brands and products. Although Jelmoli, as its competitors, was compelled to reduce prices to some extent, the premium department store managed to realise retail sales without giving excessive discounts (discounts were in line with the previous year's level). Overall, Jelmoli – The House of Brands generated CHF 256.6 million [CHF 268.8 million] in 2015, including proprietary and third-party (shop-in-shop) retail sales. Under these circumstances, operating profit (EBIT) is regarded as satisfactory. The performance staged by Jelmoli AG in such a challenging, difficult and extreme intensively competitive market demonstrates that the chosen strategy – aimed at a selective, high-quality portfolio of brands, innovation, quality products, services and advice, and a high level of process efficiency – is the right course to successfully prevail in the market in the future too.

Expectations indicate that the market environment will remain challenging. Nevertheless, the situation on the price front is expected to ease and stabilise. The proposed launches of various initiatives and innovations in the coming financial year should pave the way for Jelmoli to look to the future with optimism.

ASSISTED LIVING BUSINESS FIELD

The Assisted Living operating business field, consisting of Tertianum Group, turned in a very favourable performance. The acquisition of SENIOcare in the autumn of 2015 significantly strengthened the business field, thus propelling Tertianum Group to become the largest provider in the assisted living sector in Switzerland. SENIOcare has already been integrated into Tertianum Group, with the new organisational structure going into effect in mid-November 2015.

KEY FINANCIAL FIGURES

	in	2013 ¹	2014 ²	2015 ³	Change to prior year in %
Operating income	CHF m	111.6	201.9	237.6	17.7
Operating expenses	CHF m	– 106.6	– 193.7	– 229.4	18.4
Operating profit (EBIT)	CHF m	5.0	9.0	8.2	– 8.9
Guests in apartments (average)	Number	1 202	1 199	1 502	25.3
Guests in geriatric care facilities (average)	Number	642	649	780	20.2

¹ acquisition of Tertianum Group as at 12.07.2013

² sale of Permed AG as at 17.03.2014

³ acquisition of SENIOcare Group as at 01.10.2015, WGDm Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

The Assisted Living operating business field generated operating income of CHF 237.6 million in the financial year 2015. Any year-on-year comparison is only possible to a limited extent due to the integration of SENIOcare AG. Income from assisted living amounted to CHF 185.0 million in the reporting year. In addition, Tertianum Group generated income from its own leased, owner-occupied properties totalling CHF 24.6 million. Leasing additional properties resulted in rental income of CHF 26.7 million. Operating profit (EBIT) amounted to a favourable CHF 8.2 million.

The Assisted Living business field now comprises 16 Tertianum residences in the premium-price market segment, 28 SENIOcare residences and geriatric care facilities, seven Perlavita businesses specialised in geriatric healthcare and one Vitadomo senior centre. The first Vitadomo senior centre opened its doors in Opfikon in April 2015, starting out on a very successful note. Two additional Vitadomo senior centres are already under construction in Bellinzona and Tenero, opening their doors as at April 2016 and June 2017, respectively. SENIOcare has also opened two new facilities: one in Lenzburg as at June 2015 and one in Rheinfelden as at January 2016. Another facility is planned in Letzipark Zurich as at October 2016.

Tertianum Group continues to pursue a distinct growth strategy in the medium-price segment. At the present time, 13 verified new building projects are in the pipeline and acquisitions of exiting operations are under review on an ongoing basis.

FINANCIAL AND ASSET SITUATION

Swiss Prime Site further optimised its financial and asset situation through various measures in the reporting year, thereby strengthening the Group's financial flexibility.

KEY FIGURES RELATING TO THE FINANCIAL AND ASSET SITUATION

	in	2011 ¹	2012 ¹	2013	2014	2015	Change to prior year in %
Shareholders' equity	CHF m	3 434.9	3 913.9	4 107.3	4 201.8	4 956.0	17.9
Equity ratio	%	39.9	42.4	39.1	39.6	46.4	17.1
Borrowed capital	CHF m	5 174.3	5 323.1	6 404.8	6 400.3	5 734.6	-10.4
Loan-to-value (LTV) ratio of real estate portfolio	%	51.0	48.0	54.1	50.7	44.0	-13.2
Cash flow from operating activities	CHF m	327.2	213.9	-74.0	729.7	388.4	-46.8
Cash flow from investing activities	CHF m	114.6	-137.8	-349.7	-280.4	100.4	-135.8
Cash flow from financing activities	CHF m	-325.0	-0.9	425.6	-395.8	-511.1	29.1
Financial expenses	CHF m	-131.4	-117.0	-109.4	-100.0	-100.8	0.8
Financial income	CHF m	2.3	7.6	10.6	2.8	4.6	64.3
Return on equity (ROE)	%	10.6	8.9	9.1	7.0	7.6	8.6
Return on equity (ROE), excluding revaluation effects ²	%	7.7	5.9	6.1	5.9	6.1	3.4
Return on invested capital (ROIC)	%	5.8	4.8	4.6	3.7	4.3	16.2
Return on invested capital (ROIC), excluding revaluation effects ²	%	4.5	3.5	3.4	3.2	3.6	12.5

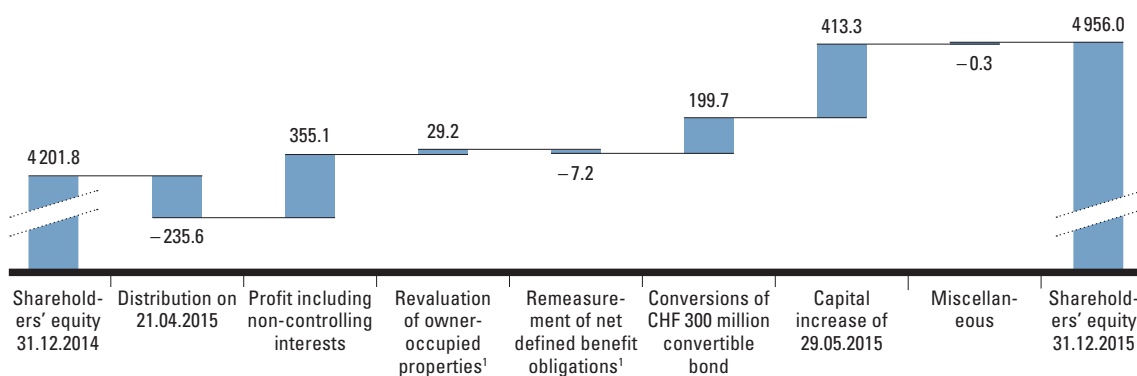
¹ adjusted due to IAS 19 rev.; 2011 shareholders' equity only

² revaluations and deferred taxes

The increase in shareholders' equity by 17.9% from CHF 4 201.8 million to CHF 4 956.0 million was attributable primarily to the following factors: profit including revaluation effects of CHF 355.1 million, revaluations after deferred taxes of owner-occupied properties of CHF +29.2 million, conversion of the CHF 300 million convertible bond of CHF +199.7 million, capital increase of CHF +413.3 million and share-based compensation of CHF +2.5 million. These factors were able to more than offset the counter-effects from the distribution of 21 April 2015 of CHF -235.6 million, remeasurement of net defined benefit obligations of CHF -7.2 million and acquisition of treasury shares of CHF -2.4 million.

TREND IN SHAREHOLDERS' EQUITY

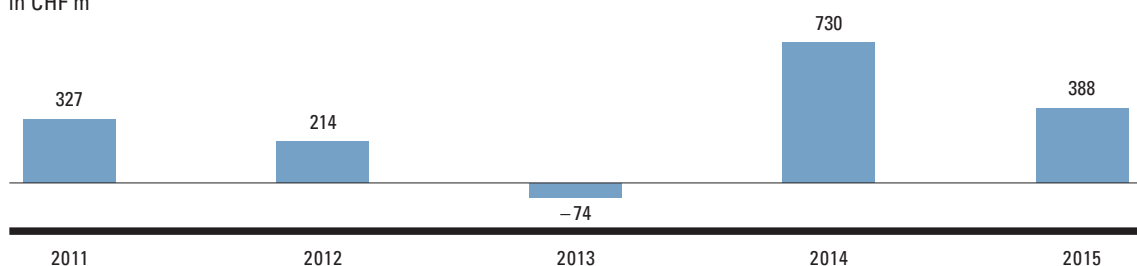
in CHF m



¹after deferred taxes

CASH FLOW FROM OPERATING ACTIVITIES

in CHF m



Thanks to its long-term financing strategy, Swiss Prime Site maintained the maturity matching between investments and financing thereof. The financing is based on mortgage-backed financing activities of real estate portfolios or individual properties. Focus is directed at moderate loan-to-value (LTV) ratios as well as sufficient diversification of mortgage creditors, in order to avoid cluster risks. Additionally, financing requirements are covered by means of placing bonds or convertible bonds on the capital market, for example. Utilising derivative financial instruments for interest rate hedging is avoided for the most part.

STRUCTURE OF ASSETS

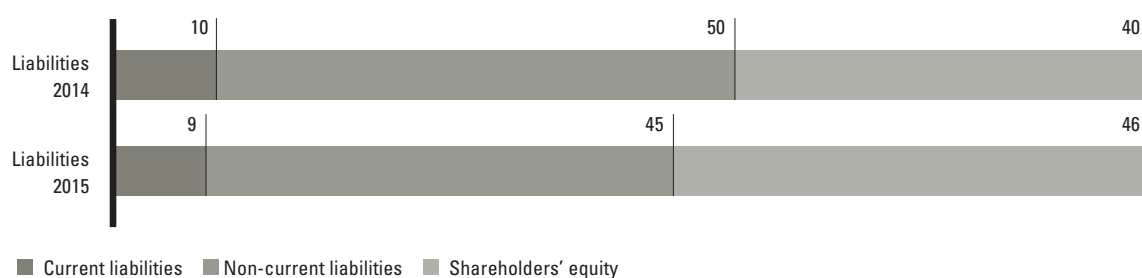
in %



■ Current assets ■ Non-current assets

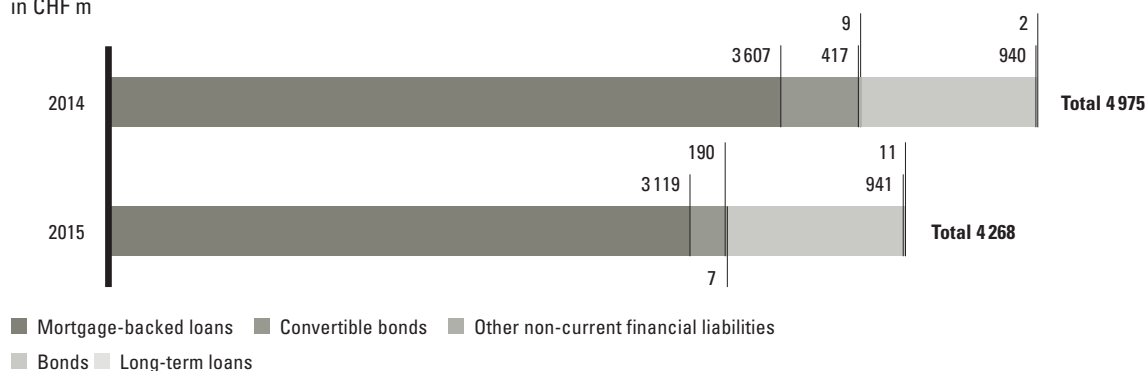
STRUCTURE OF LIABILITIES

in %



FINANCING STRUCTURE

in CHF m

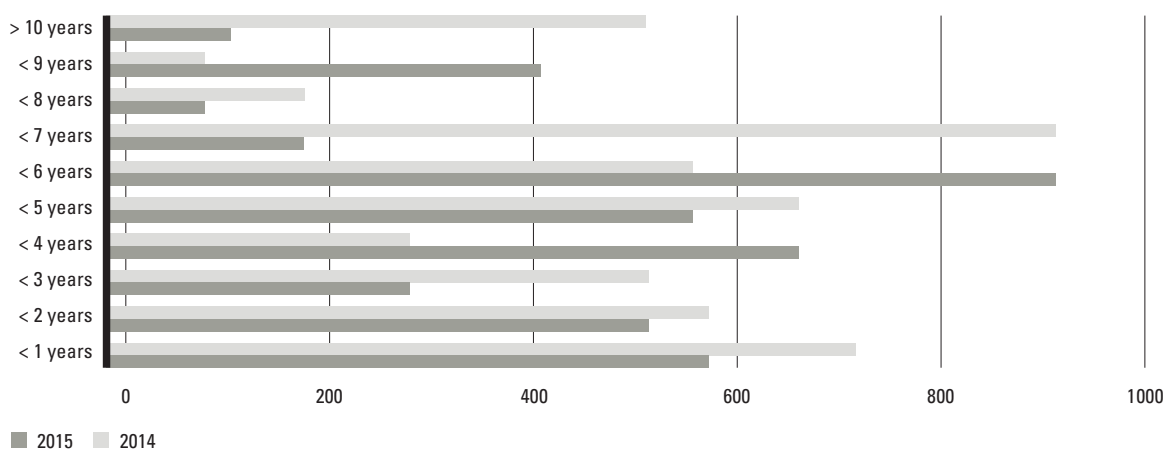


Current financial liabilities decreased from CHF 714.3 million to CHF 572.1 million. In the previous year, two bonds were issued, each with a volume of CHF 300.0 million, one of which with a double tranche of CHF 200.0 million and CHF 100.0 million.

The CHF 300.0 million convertible bond was redeemable on 20 January 2015. More than 90% of the bond was converted up until the maturity date.

MATURITY OF FINANCIAL LIABILITIES

in CHF m



Financial liabilities comprised mainly CHF 3 119.5 million [CHF 3 607.3 million] in mortgage-backed loans, CHF 189.6 million [CHF 416.6 million] in convertible bonds and CHF 940.7 million [CHF 939.8 million] in bonds. The weighted average interest rate of all interest-bearing financial liabilities amounted to 2.1% [2.2%], and the weighted average residual term to maturity edged down slightly from 4.7 years to 4.4 years. The loan-to-value (LTV) ratio of 44.0% was considerably below the previous year's figure [50.7%].

KEY FINANCIAL LIABILITIES FIGURES

	in	2011	2012	2013	2014	2015	Change to prior year in %
Weighted average interest rate	%	2.8	2.6	2.2	2.2	2.1	– 4.5
Weighted average residual term to maturity	years	4.5	4.5	4.0	4.7	4.4	– 6.4
Current financial liabilities ¹	CHF m	537.4	615.0	1 089.6	714.3	572.1	– 19.9
Non-current financial liabilities ¹	CHF m	3 625.3	3 510.1	3 965.9	4 251.5	3 689.5	– 13.2
Total financial liabilities¹	CHF m	4 162.7	4 125.1	5 055.5	4 965.8	4 261.6	– 14.2

¹ excluding derivatives

CORPORATE RESPONSIBILITY

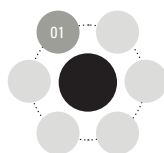
For Swiss Prime Site, sustainability constitutes an integral part of its business activities and forms the basis for achieving profitable growth as well as establishing long-term values. This aspiration was permanently incorporated into Swiss Prime Site's DNA at the end of 2015, with the Group-wide establishment of a so-called sustainability compass.

Indeed, sustainability was directly embedded in the Company's DNA at the end of last year, with a sustainability compass aligned with six core themes. Road maps have been developed with targets, measures and quantitative figures for each of the core themes, which are determined and assessed on an ongoing basis. Hence, sustainability reporting will be gradually expanded, in order to provide a more transparent view of the step-by-step execution of the sustainability-relevant business approach in all areas of the Company.

REPORTING PRINCIPLES

The sustainability report is oriented toward the guidelines of the Global Reporting Initiative (GRI). The report provides an abundance of information relating to the environment, workforce and compliance in accordance with GRI indicators. The quantitative data in this report already currently provide transparent information regarding the Company's sustainability-relevant performance in selected areas.

In 2015, Swiss Prime Site participated in the international reporting initiative – Global Real Estate Sustainability Benchmark (GRESB) – already for the second time. GRESB annually compiles a global ranking of real estate funds and real estate companies in terms of their environmental and sustainability-relevant performance. An overview of the GRESB rankings and results can be found at www.gresb.com and www.swiss-prime-site.ch.



..... SUSTAINABILITY FOR OUR STAKEHOLDERS

The economy and society sometimes undergo changes at a precipitous pace. To remain successful in the long term and realise attractive returns, Swiss Prime Site endeavours to promptly recognise and purposefully exhaust potential. This can only be accomplished in continuous dialogue with various stakeholders. In this context, the relevant environment in the Real Estate, Retail and Assisted Living business fields are taken into account.

SEEKING OUT AND FOSTERING DIALOGUE

Stakeholders include, in particular, investors and analysts, shareholders, employees and tenants, but also users, suppliers and other service partners as well as government authorities and the population at large. Each group company also has other specific stakeholders. Whereas at Jelmoli, these stakeholders

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01 BUSINESS FOCUS DIRECTED AT STAKEHOLDERS

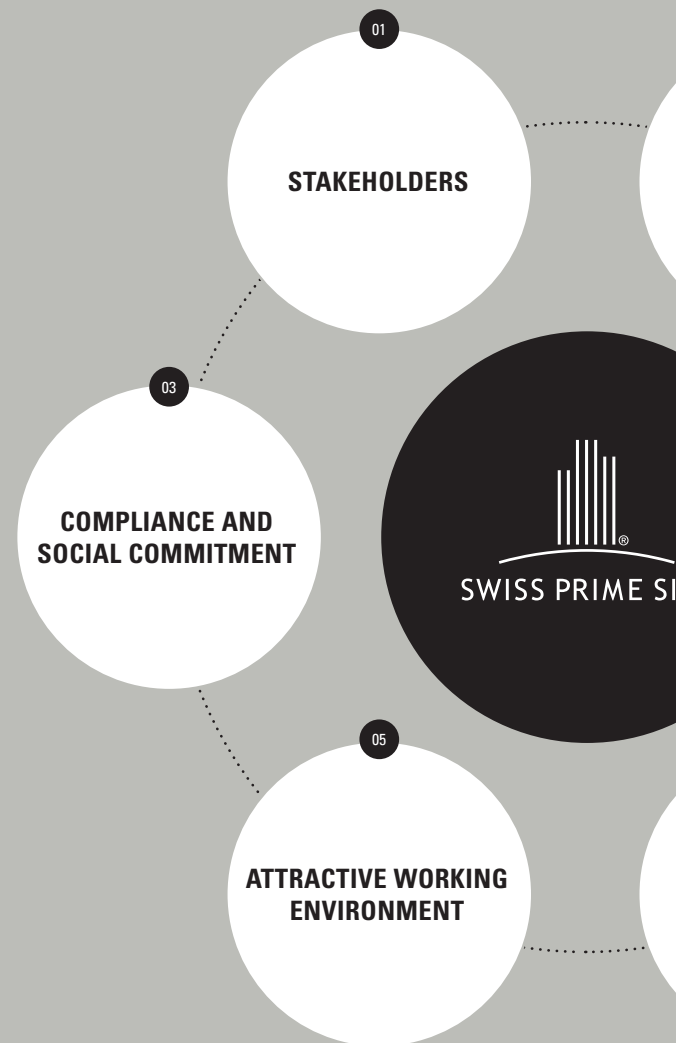
Credibility and the trust of stakeholders are essential prerequisites for the Company's success. Hence, business activities are consistently focused on customers and stakeholders. Swiss Prime Site therefore engages in active exchange with its stakeholder groups on a regular basis.

03 ACTING WITH INTEGRITY AND COMMITMENT FOR SOCIETY

In 2015, the Code of Conduct formed the foundation for establishing the common corporate values of the overall Group. A well-functioning compliance system ensures conduct that is based on integrity, responsibility and transparency relative to all stakeholders at all times. Social commitment is increasingly focusing on the formative role in the area of development of property sites and habitats.

05 ATTRACTIVE WORKING ENVIRONMENT FOR EMPLOYEES

The challenges of the future can only be surmounted with competent and dedicated employees. At the same time, target-oriented development in preparation for future responsibilities as well as promotion of junior staff play a key role. Significant emphasis is placed on the health and safety of the workforce, in addition to an attractive incentive system and broad-based empowerment.





02 TARGET ACHIEVEMENT THROUGH FINANCIAL EXCELLENCE

Financial excellence forms the foundation for a stable and future-oriented company. Values-oriented corporate management leads to «additional value creation» and ultimately benefits the investors and shareholders. Of course, financial excellence also means keeping costs under control and identifying potential savings. Since sustainability-related risks can also increasingly affect financial performance, these risks are systematically taken into account in the risk management process.

04 SUSTAINABILITY-RELEVANT APPROACH TOWARD INVESTMENTS AND SERVICES

Flagship projects – such as the Maag site in Zurich – exemplify how Swiss Prime Site creates economic added value while also taking into account the needs of society and environmental objectives. Furthermore, establishing sustainability in all areas of business and integrating it all along the value-added chain play a central role. Sustainability also involves suppliers and other key partners.

06 PROTECTING THE ENVIRONMENT

Enhancing energy efficiency, reducing emissions and intelligently handling land resources are not just environmentally friendly but environmentally sensible factors as well. Bringing a core business into alignment with sustainability means integrating the theme into inherent operations. Significant leverage remains key: The sustainability-relevant performance of Swiss Prime Site's real estate portfolio

are customers, the stakeholders in Tertianum Group include people in need of care as well as seniors and their relatives. At Wincasa, the stakeholders are primarily the numerous tenants.

Investors and analysts: It is important to Swiss Prime Site to continually provide investors and analysts with transparent information. Investors and analysts are thoroughly and courteously informed within the scope of disclosure requirements and through ad hoc publicity.

Shareholders: In addition to sustainable and profitable growth, shareholders also attach importance to a transparent information policy. Hence, media releases and information on the company are regularly published on its website. In addition, «PrimeTimes» magazine – which reports on current issues and developments revolving around Swiss Prime Site as well as summarises the semi-annual results – is published once a year.

Employees: The entire Group places a great deal of emphasis on motivated and qualified employees. Consequently, an open communication culture is fostered and promoted. The corporate values of integrity, respect, responsibility, ambition and innovation form the basis for interaction with employees. These corporate values are essential for navigating day-to-day workflows throughout the entire organisation.

Tenants: Tenants range from individual persons to international corporations. In general, Swiss Prime Site seeks to engage in close dialogue with all tenants. In the commercial property segment, in particular, mutual benefits are sought during interior design improvements.

CUSTOMER SATISFACTION AND SERVICE

Despite the variety of stakeholders, customers always play a central role. Their satisfaction ensures success and their constructive feedback drives the company forward. At the same time, each market gives rise to different requirements.

Wincasa

Following the introduction of its integrated business model in 2014, Wincasa has been able to consistently focus on customer needs across the real estate life cycle. In order to gauge the needs and satisfaction of customers, Wincasa conducts an annual customer survey among major clients. The results are analysed each time and systematically processed to enhance business processes. An additional customer service offering, the «Retail Snapshot», is published on a quarterly basis. The segment report highlights the latest trends in retail and centre management.

Jelmoli

To continuously improve the shopping experience, Jelmoli frequently organises «mystery shopping» in cooperation with external service partners. In «mystery shopping», trained test buyers act as normal customers and rate the service experience based on a defined set of criteria. Concrete measures and training content are then derived from the results. In order to promote its international character and foster dialogue with the world's leading department stores on trends and best practices, Jelmoli is a member of the IGDS – Intercontinental Group of Department Stores association. Jelmoli has also been the exclusive partner of Global Blue in Zurich since December 2015. This means that foreign customers can reclaim value-added tax from Jelmoli's after-sales service. In 2015, Jelmoli organised two customer events under the annual motto «Moving forward – together». The customer events were conceived as discovery events, where the main focuses were on «Running» and «Skiing».

Tertianum Group

To boost satisfaction, the group conducted a survey among residents and their relatives in 2014. The conclusions derived from the survey were implemented in 2015. For example, reception desk cover and availability was extended to include weekends and day care requirements in the apartments aligned. To further improve the focus on services, the company conducted an online survey on the admission process among referring doctors and hospitals, as well as municipal old age consulting centres and cantonal organisations associated with the «Pro Senectute» foundation.

REPUTATION AND IMAGE

A sustainable corporate philosophy means surviving in the long term and being a reliable and attractive partner. In addition to the provision of high-quality and accessible information, brand management supplements the high service and quality standards. Preserving Tertianum Group's good reputation is therefore an integral component of its risk policy.

Swiss Prime Site

Targeted relationship management with investors and analysts is a key element in enhancing corporate image. Hence, analysts' meetings are held on a regular basis. Furthermore, experts from Swiss Prime Site deliver lectures at industry meetings and panel discussions. Occasionally, the company organises tailored visits to properties and arranges discussions with construction project managers and tenants.

Wincasa

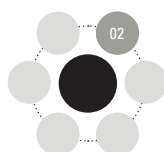
In order to introduce Wincasa's new integrated business model to the market and position the company as an innovative and modern market leader, various brand development measures have been put in place since 2014. In addition to redesigning the logo, the company website as well as the branches and centre locations, Wincasa is increasingly reliant on media and public relations too. Moreover, Wincasa publishes specialist articles and analyses on regional and national real estate trends in Switzerland. The success of these measures was already clearly reflected in the increased number of press clippings and media enquiries in 2015.

Jelmoli

Thanks to high-quality services, the like of which have never been seen in department stores, Jelmoli managed to establish itself as the leading premium department store in Switzerland and stands out from the competition. For example, in 2015 Jelmoli began to collaborate with Zurich Tourism with a view toward training its own employees in all matters relating to places of interest and tourist activities offered in Zurich. To benefit from the growing number of tourists coming from Asia, special emphasis is placed on this unique service in intensified business dealings with Asian tour guides and tour operators. Jelmoli is increasingly positioning itself in the B2B market as an event location. The use of attractive spaces provided by Jelmoli can therefore be further optimised. About 20 events, from product launches to company Christmas parties, were held in 2015.

Tertianum Group

In order to publicise the various locations of and services offered by Tertianum Group, the company's website was remodelled and better linked in 2015. Generally, the information was edited in order to be more sales-oriented. For example, the «Residence Finder», a function which enables the nearest Tertianum Group location to be identified by entering the postal code, was allocated a prominent position on the website. In order to provide news about Tertianum Group's locations, up-to-date newsletters and, increasingly, media releases revolving around the «assisted living» topic are forwarded on a regular basis.



FINANCIAL EXCELLENCE

A stable and sustainable company is based on financially sustainable corporate governance. Hence, financial excellence is a central tenet of Swiss Prime Site. Thanks to value-oriented management, solid risk management, efficient processes and far-sighted vacancy management, the Company is able to achieve the targets it has set for itself.

VALUE-ORIENTED MANAGEMENT

Value-oriented management refers to a holistic approach to corporate governance. The objectives of value-oriented management are to increase the Company's value in the long term while improving

earnings power and profitability. To accomplish these objectives, the Group relies on a comprehensive control system based on strategic, operating and financial figures. These key figures are systematically linked to a corresponding incentive model for management as well as employees.

RISK MANAGEMENT

In order to remain successful, economic and social trends as well as risks and opportunities associated therewith must be promptly identified. Besides the political and regulatory environment, developments in financial markets also pose risks to the Company. As a real estate company, Swiss Prime Site also keeps a close eye on the scarcity of habitats, acquisition opportunities, development projects and developments in real estate markets. In addition, the loss of key personnel in all business fields poses a risk to corporate success. In particular, the rapid transformation of the market and a latent decline in earnings is a key concern in the retail sector.

Moreover, opportunities offered by the market need to be exploited. For example, demographic change is regarded as an opportunity. In Tertium Group, Swiss Prime Site has a sustainable service portfolio in a growing market at its disposal. The future development of the education sector as a growth market in the real estate business provides an opportunity for Swiss Prime Site. At the end of 2015, Swiss Prime Site announced that it had acquired the former NZZ printing facility, which would be transformed into a supra-regional educational centre over the coming years.

As a result of the further development of the sustainability strategy, sustainability issues will be integrated into risk management in the future. Consequently, it will be easier to identify the effects of sustainability risks and leverage the resulting opportunities.

PROCESSES

Swiss Prime Site not only attaches a great deal of importance to reliable and efficient processes in risk management, but each group company follows a structured approach to provide concrete expression to its respective business model through processes that focus on the value-creation chain or life cycle. All group companies are eager to continually optimise their business processes.

Wincasa

Based on its new integrated business model, Wincasa used the process management software «Wincasa Process» to prepare and revise approximately 400 processes in 2015. The management of sustainability was determined in a directive and embedded within the organisation through the assignment of responsibilities. Measurement criteria and targets, which are subject to regular reviews, were also defined. In order to make the management process more efficient and simple, managers and front-line employees were given mobile tablets and corresponding mobile applications.

Jelmoli

In 2015, Jelmoli began to restructure its business-critical IT processes.

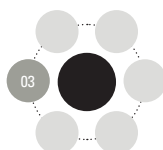
Tertium Group

In addition to establishing a central procurement centre, Tertium Group also recertified businesses that were certified between 2010 and 2013 according to ISO standard 9001. To improve the efficiency of nursing services documentation, electronic and, in some cases, mobile nursing documentation was also introduced in the reporting year.

VACANCY MANAGEMENT

Far-sighted vacancy management is vital for ensuring earnings flow. Hence, Swiss Prime Site relies on active key account management with tenants. Existing contracts are discussed at an early stage and, if possible, also immediately extended. Apart from personal contact with our contracting parties, an automatic reporting system ensures that all contracts expiring in the next two years are reported. To prevent vacancies, investments are made on an ongoing basis and buildings are renovated in accordance

with contract periods. Last but not least, attractive and innovative marketing of properties is part of successful vacancy management.



COMPLIANCE AND SOCIAL COMMITMENT

The entire Group places a great deal of importance on operating responsibly and with integrity. In addition to compliance with legal requirements and regulatory standards, this implies compliance with ethical principles and internal directives issued by the Group. Furthermore, Swiss Prime Site is highly committed to social issues and supports various social, sports and cultural projects and organisations.

COMPLIANCE

The rapid growth of the Group in recent years has also led to increased compliance requirements. Swiss Prime Site aims to do more than simply satisfy the legal minimum requirements. This claim has been explicitly enshrined in the Group-wide Code of Conduct since 2015. The Code of Conduct is publicly available on the Group's website (www.swiss-prime-site.ch/en/group/code-of-conduct).

Compliance with the Code of Conduct is mandatory for all group companies and all employees. Each group company has issued specific directives by way of supplement to these principles. The Code of Conduct acts as a guide for employees on how to behave toward business partners, customers, guests, government authorities and other stakeholders in a proper and cooperative manner. In addition, business partners and suppliers are also required to comply with this code. In order to integrate the Code of Conduct into corporate culture, targeted awareness-raising events were organised at the end of 2015.

In addition to the open and transparent communication of corporate values, specific internal processes and control functions are also required to ensure compliance. The compliance function will be further expanded in the coming years. No incidents involving non-compliance with legal requirements were identified in 2015.

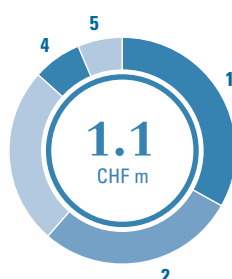
SPONSORING

As part of its social responsibility, Swiss Prime Site also provided financial support to various sports and cultural organisations, social projects and causes in 2015. The Company set aside a total of CHF 1.1 million for this purpose.

SPONSORING BY CATEGORY

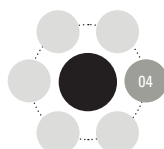
in CHF

1 social events	371 500
2 network/business	316 000
3 sports	279 300
4 charities	79 500
5 culture	68 700



By sponsoring Avenir Suisse and Greater Zurich Area, Swiss Prime Site provided support to two organisations supporting the recognition of Switzerland as an economic centre. Examples of commitment more specific to certain business fields include the partnership with the Viventis Foundation – which advocates an improvement in the living and housing conditions of seniors in Switzerland – as well as sponsorship of NZZ Real Estate Days. By sponsoring Olten's municipal theatre, Swiss Prime Site has also highlighted the fact that it is well-established in the region where its headquarters are based.

The Group is currently revising its sponsorship strategy in order to further optimise the impact of its social commitment in the years to come. Due to its strong position in urban development, Swiss Prime Site seeks to increase its visibility in this field in the future.



..... SUSTAINABLE INVESTMENTS AND SERVICES

In addition to the high level of energy consumption and enormous importance of CO₂-emissions, real estate also has an enduring influence on the overall appearance of the townscape, shaping urban areas and entire regions. Consequently, Swiss Prime Site adopts a sustainability-relevant approach to investment in real estate, to its management and to the services provided by Jelmoli and Tertianum Group.

Swiss Prime Site aims to create synergies between real estate and its use by people. Hence, the Company is able to implement the concept of sustainability, from making the investment right through to the provision of services. This includes optimisation from an energy and resource conservation viewpoint as well as flexible use of real estate from a social viewpoint. The latter includes, for example, accessibility and access to public transportation or the provision of the latest infrastructure and technological solutions in buildings.

Active real estate portfolio management is decisive for achieving sustainability targets. Hence, in addition to the economic efficiency and capacity utilisation of the properties, Swiss Prime Site's approach also integrates criteria such as spatial development, zone planning, sustainable energy sources, energy controlling and sustainable utilisation opportunities. The new Swiss Post headquarters in Bern-Wankdorf was opened in 2015. The new Swiss Post headquarters – constructed according to the Minergie® standard it was the first office building in Switzerland to obtain the Gold certificate from the German Sustainable Building Council (GSBC), which in Switzerland is granted by the Swiss Sustainable Building Council (SSBC).

Wincasa

Sustainability incorporates all phases of the real estate cycle. Hence, Wincasa offers sustainability-relevant services across the entire real estate services spectrum. For example, the Investment Advisory business carried out an analysis for a major client of roughly 200 locations according to sustainability-specific criteria. Based on the compiled value indicators, a strategy was developed that would enable long-term value retention or added-value-generating divestment of the properties.

Tertianum Group

Tertianum Group addresses the diverse forms of the modern ageing process with a broad range of residences and geriatric care facilities for seniors. At the same time, the group also contributes to enhancing the quality of life for seniors in our society. In the senior housing sector, properties must provide secure comfort in particular. The criteria here include barrier-free access as well as good connections to public transportation, in addition to a favourable and friendly spatial environment.

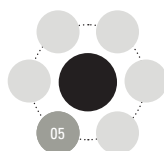
ENERGY CONTROLLING AND OPERATIONAL OPTIMISATION

The energy consumption and carbon dioxide emissions registered in the real estate sector resulting from heating, ventilation, air conditioning and lighting are substantial. Extensive consumption data

are required for identifying optimisation potential, which are usually derived through the ancillary cost accounts. The disadvantage in this regard is the significant time difference between the consumption period and the availability of the data. Consequently, Swiss Prime Site has participated in the Siemens Energy Controlling and Operational Optimisation «EC/OO» project since 2012. «EC/OO» enables the retrieval of data relating to the energy consumption of properties via an online system at all times. Appropriate measures can be more swiftly identified and executed as a result. Around 21 large properties are currently connected to «EC/OO», which together account for roughly one-third of the total floor space of Swiss Prime Site's real estate portfolio. More detailed information and environmental statistics can be found in the section «Protecting the environment», on page 66 in this report.

REQUIREMENTS FOR SUPPLIERS

Preparations of a draft of the General Terms and Conditions (GTC) for Suppliers commenced in 2015. The completion and roll-out are planned for 2016. The GTC stipulates standards for suppliers regarding business conduct and safety. In this context, international standards and guidelines such as ISO 9001, ISO 14001 and OHS 18001 apply. Sustainability criteria will also be more closely subject to review in the collaboration with suppliers and partners in the future and, accordingly, applied as decision-making factors.



ATTRACTIVE WORKING ENVIRONMENT

Swiss Prime Site is committed to providing all its employees with an attractive working environment. Equality, equal opportunities as well as workplace and health safety are integral components of the Company's Code of Conduct and form a key basis for a fair, respectful and productive working environment.

The Group's workforce is made up of numerous and diverse job profiles due to the complexity of the corporate structure. The approaches to personnel development, health and safety aspects as well as motivational factors vary according to the business field. Hence, Swiss Prime Site relies on the autonomy and experience of the group companies. Synergies are exploited and best practices shared within the Group as deemed sensible.

BREAKDOWN OF EMPLOYEES BY BUSINESS FIELD ¹

Number



¹ number of employees at year-end, including temporary and other

EMPLOYEE DEVELOPMENT

In order to surmount the challenges of the future, all group companies are reliant on competent and dedicated employees already today. Hence, target-oriented training and further education as well as the promotion of young staff play a significant role in all group companies.

Swiss Prime Site

Based on the comparatively low number of employees and their high degree of specialisation, the topics of training and further education are addressed within the scope of employee performance reviews and defined according to individual development profiles.

Wincasa

One basic element of employee development at Wincasa is the internal «WinTraining» programme. Training is topic-specific and aimed at building technical skills. In addition, the need for further training is determined in each case in annual employee performance reviews. Besides internal training, specific external training and further education are also financed. The employee's management potential is also analysed during the personnel performance reviews. Within the scope of the existing, long-standing, successful junior staff programme, selected employees are also subjected to intensive training for a period of roughly 18 months. Internal candidates are systematically reviewed in each case given new recruitment for key positions. All team leaders attend a management course aimed at creating a homogeneous understanding of leadership.

Jelmoli

Jelmoli organises a «Welcome Day» for all newly hired employees, where the company's values and work ethic are conveyed. New personnel subsequently undergo basic training. Sales personnel in particular are trained with regard to service and quality orientation. Department heads may offer their employees further specific training as needed. A two-year junior staff training programme is aimed at promoting young talent. At the same time, a mentor provides support to potential management candidates, who receive specific assignments and milestones to be fulfilled. Personnel can also benefit from specific training in the office realm. Relevant training courses are also provided for management-level employees.

Tertianum Group

Tertianum Group offers its employees a broad range of training and further education opportunities. In addition to providing training at the decentral internal operations and group-wide levels, further training programmes are also offered at the external operations and team leader levels with educational partner Careum. In order to ensure the requisite technical, managerial and personal skills of the workforce at all levels and in all positions, the development programmes are closely tied to employees' individual careers. Tertianum Group places significant emphasis on securing junior staff from its own ranks. The group therefore provides roughly 250 trainees with the opportunity to attend further education courses in the fields of healthcare, restaurant and catering, facility management and administration.

EMPLOYEE SATISFACTION AND MOTIVATION

Satisfied and motivated employees are essential for ensuring high-quality services. Hence, the Tertianum Group, Jelmoli and Wincasa group companies conduct employee surveys at regular intervals. Specific measures are derived from the survey results and are implemented in subsequent years. In addition, Jelmoli and Tertianum Group have set up personnel committees that convey concerns on the part of employees to the management.

Wincasa

Information sessions and company events are also key elements in promoting satisfaction and motivation. For example, as a decentrally organised company, Wincasa relies on an annually held event for the entire workforce from throughout Switzerland. This company event is aimed at providing informal interaction as well as underpinning identification with the company.

Tertianum Group

Within the scope of the «Culture Days», Tertianum Group presents the financial statements each year and highlights a special key topic.

Jelmoli

Jelmoli holds events on a regular basis at which the management informs all employees about the current financial results.

MAINTAINING AND PROMOTING HEALTH AND SAFETY

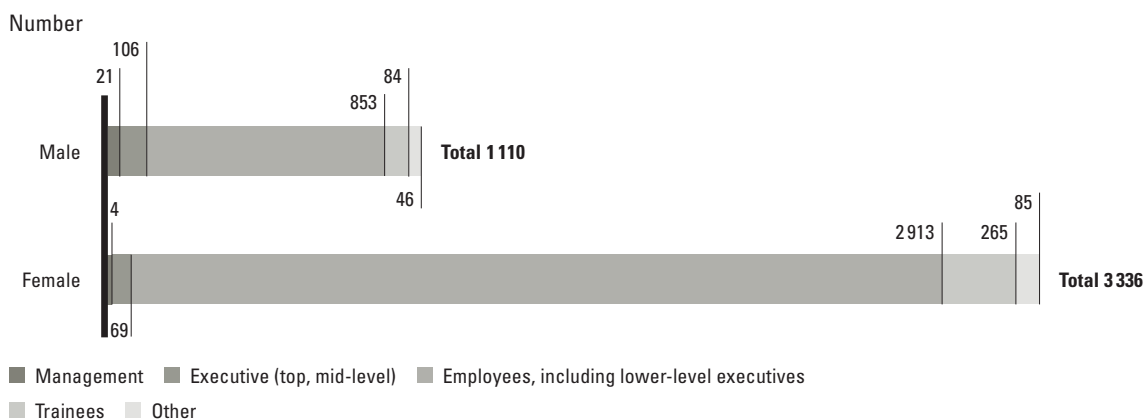
Within the scope of business activities, varying challenges loom in the realm of health and safety depending on the business field. Swiss Prime Site attempts to minimise any risks for employees through preventative measures, guidelines and security plans and training.

When building or renovating properties, the focal point is directed at construction site safety as well as stringent control over service providers in the supply chain. No significant violations of the regulations were recorded in 2015. In the retail sector, Swiss Prime Site assumes responsibility for the safe and secure operations of its shopping centres with great prudence. Specific security plans have been developed for each shopping centre and validated by external specialists. These plans are updated on annual basis.

Tertianum Group

Efficient healthcare management is particularly important for the employees of Tertianum Group due to the relevant field of activities. The physical as well as psychological workplace-related negative effects are generally significant in the healthcare profession. In order to ensure safety in all the business operations, each facility has a responsible person for optimising the respective processes with the personnel.

EMPLOYEES BY FUNCTION AND GENDER 2015¹

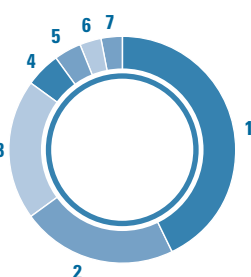


¹ number of employees at year-end, including temporary and other

EMPLOYEES BY REGION 2015

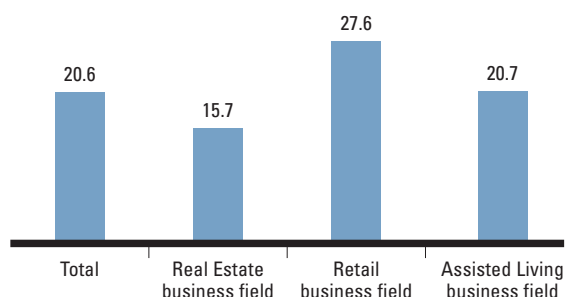
in %

1 Zurich	43
2 Eastern Switzerland	22
3 Midlands	20
4 Central Switzerland	5
5 Northwestern Switzerland	4
6 Ticino	3
7 Lake Geneva	3



FLUCTUATION BY BUSINESS FIELD

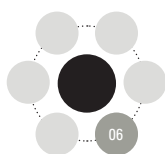
in %



EMPLOYEES KEY FIGURES

	2014	2015
Employees	2 724	3 966
Students		
Trainees	188	287
Apprentices	17	62
Total¹	2 929	4 315
Full time/part time	2014	2015
Full time	1 662	2 054
Part time < 50%	425	694
Part time 50%–79%	358	725
Part time 80%–99%	484	842
Total¹	2 929	4 315
Breakdown by age	2014	2015
Employees < 30 years	723	1 128
Employees 30–40 years	668	919
Employees 41–50 years	615	1 013
Employees > 50 years	923	1 255
Total¹	2 929	4 315
Definite/indefinite	2014	2015
Permanent employees	2 724	3 966
Students	205	349
Temporary	101	69
Custodians (only Wincasa)	67	62
Additional temporary employees	7	28
Total	3 104	4 474

¹ number of employees at year-end, excluding temporary and other



PROTECTING THE ENVIRONMENT

Environmental awareness and resource conservation are part of Swiss Prime Site's operational activities, whether in day-to-day workflows in the office or in real estate portfolio management. This forward-looking strategy ideally prepares the Group for facing new regulatory conditions that might emerge, for instance, from the Swiss federal government's «Energy Strategy 2050».

The real estate portfolio's sustainability performance harbours significant leverage for minimising environmental impact. Hence, focus is directed particularly at boosting the energy efficiency and diminishing the CO₂-emissions of the properties. Property seals of approval such as Minergie, LEED or GSBC reflect a track record of a sustainability-relevant investment policy already today.

Furthermore, Swiss Prime Site's real estate portfolio is distinguished by the fact that nearly 50% of heating requirements are covered by district heating. Since district heating in Switzerland is largely generated by woodchip- and waste-burning facilities, this technology is regarded as noticeably more

environmentally friendly than oil and gas heating. Through the «EC/OO» project (described on page 63 of this report), numerous potential opportunities were identified in 2015 for reducing energy consumption and CO₂-emissions. More than 220 measures aimed at operational optimisation had been executed already by the end of March 2015. For example, building shells were renovated, ventilation systems upgraded and building automation systems optimised. An additional 150 measures aimed at reducing resource consumption are in the implementation phase.

Emphasis is also placed on various operational ecology-relevant measures. In the area of business travel, the ecological footprint is already modest. Most business trips in Switzerland were taken via train and only seldom via automobile. Air travel is undertaken restrictively. Environmental awareness on the part of employees is purposefully fostered. For example, office employees are encouraged to use paper more sparingly. In the Jelvoli building, a total of 8 000 m² of lighting equipment was replaced by LEDs in 2015, resulting in lower energy costs as well as a more pleasant lighting ambience with reduced heat generation.

ENVIRONMENTAL STATISTICS

Swiss Prime Site's real estate portfolio comprised 182 properties at the end of 2015. Deriving the environmental statistics entailed utilising the real-time data from the 21 large properties that are part of the «EC/OO» project, in addition to the adjusted real data from 85 other properties from the year 2013. The values for the remaining properties were estimated, because the consumption is accounted for by third parties, and Swiss Prime Site does not have any insight into the consumption data. Properties that were under construction and undergoing modifications at end-2015 were not taken into account. The key environmental statistics are summarised in the table.

ENVIRONMENTAL STATISTICS

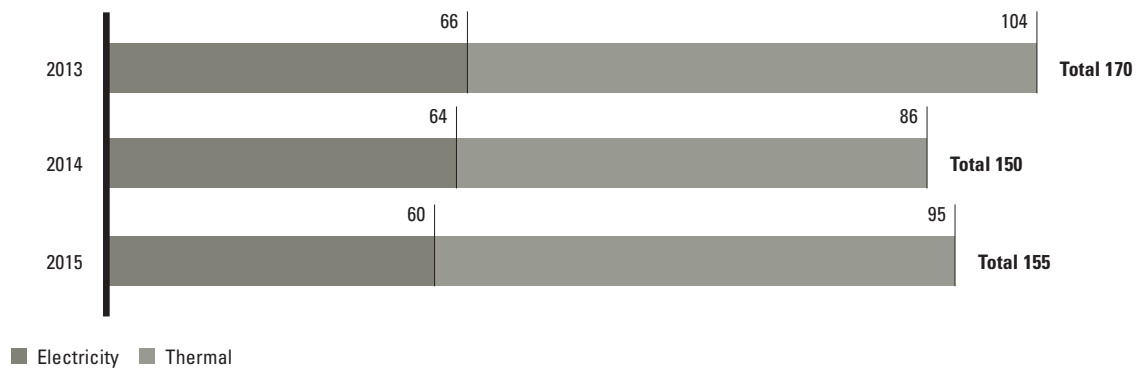
	Data in	2015
Properties	Number	165
Floor space	in m ²	1 475 000
Thermal	MWh	138 000
Electricity	MWh	74 000
CO ₂ -emissions scope 1 ¹	Tonnes	18 000
CO ₂ -emissions scope 2 ¹	Tonnes	20 000
Water consumption	m ³	701 000

¹ Scope 1: Direct greenhouse gas emissions from burning heating oil and natural gas in properties owned/controlled by Swiss Prime Site. Scope 2: Indirect greenhouse gas emissions from (general) electricity and district consumption

The development of energy and CO₂-intensity per square metre of floor space of the 21 large properties between the years 2013 and 2015 was subject to analysis. Energy intensity as well as CO₂-intensity were reduced by 9%, respectively. A proportion of these savings can be attributed to the milder winter weather in the years 2014 and 2015. The reduction in energy intensity amounts to 1% on a heating-degree-day-adjusted basis. Since the correction with heating-degree days constitutes a rough approximation, the effects of measures aimed at heating efficiency cannot be precisely quantified until after a more prolonged period of time. By contrast, the effects of measures aimed at electricity consumption are clear, because these are largely independent of weather conditions. In fact, electricity consumption was reduced by 9% between 2013 and 2015. The reduction corresponds to annual savings of 2.7 million kWh of electricity and roughly 400 tonnes of CO₂-emissions.

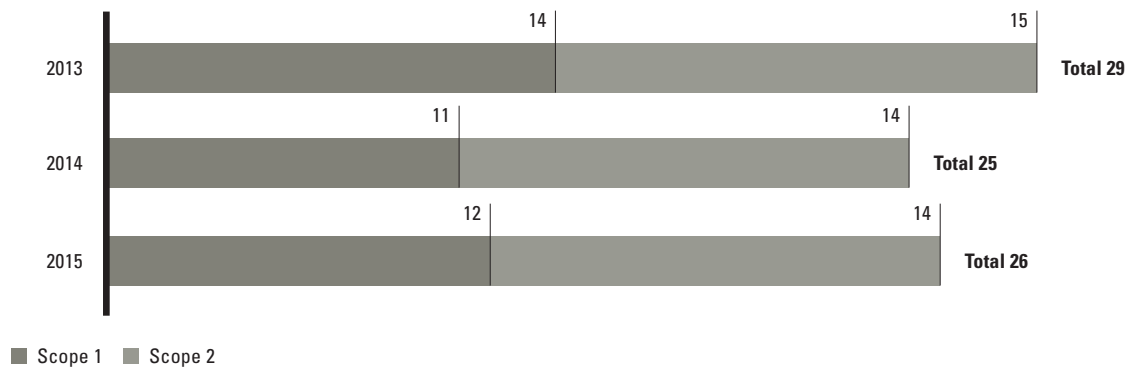
ENERGY INTENSITY

in kWh/m² (end energy)



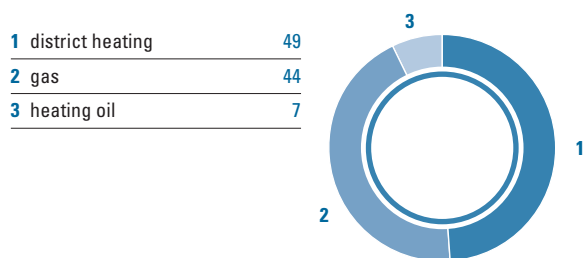
CO₂-INTENSITY

in kgCO₂/m²



BREAKDOWN BY THERMAL ENERGY SOURCES

in %



FLURPARK/MEDIA PARK

The total renovation of the Flurpark/Media Park commercial building in the up-and-coming Zurich-Altstetten district exemplifies Swiss Prime Site's long-term, sustainability-relevant investment strategy.



Extensive modernisation of the commercial building from the 1970s was completed in the financial year 2015. Deconstruction of the building shell and concurrent construction of new façade insets paved the way for the creation of a modern structure. Consequently, attractive exteriors can be constructed with spacious loggias or terraces. The commercial property features high-performance building and spatial technology as well as glass façade with integrated shade. Flurpark/Media Park therefore fulfils the standards of the Swiss Minergie® energy label.

erland AG as a renowned anchor tenant for the commercial building in 2015. «Flurpark» will therefore provide an attractive working environment for more than 600 employees of the media company. In this context, the building is also being renamed «Media Park».

In addition to a high degree of tenant and user friendliness, Flurpark/Media Park also offers a direct connection to public transportation. Tram and bus stops are situated at the building's doorstep, and the Zurich-Altstetten railway station is within walking distance. Central services will be provided for the workforce through a variety of businesses located on the ground floor. Immediate proximity to the workplace saves time and provides quality of life. A kindergarten and restaurant are already planned.

Particularly in view of these factors, Swiss Prime Site was able to attract Ringier Axel Springer Switz-

FACTS AND FIGURES

FLOOR SPACE

in m²

25 645

Address	Flurpark/Media Park, Flurstrasse 55, Zurich
Fair Value	CHF 141 million
Construction date	2015 total renovation
Floor space	25 645 m ²
Use	Commercial building

OPPORTUNITIES AND RISKS

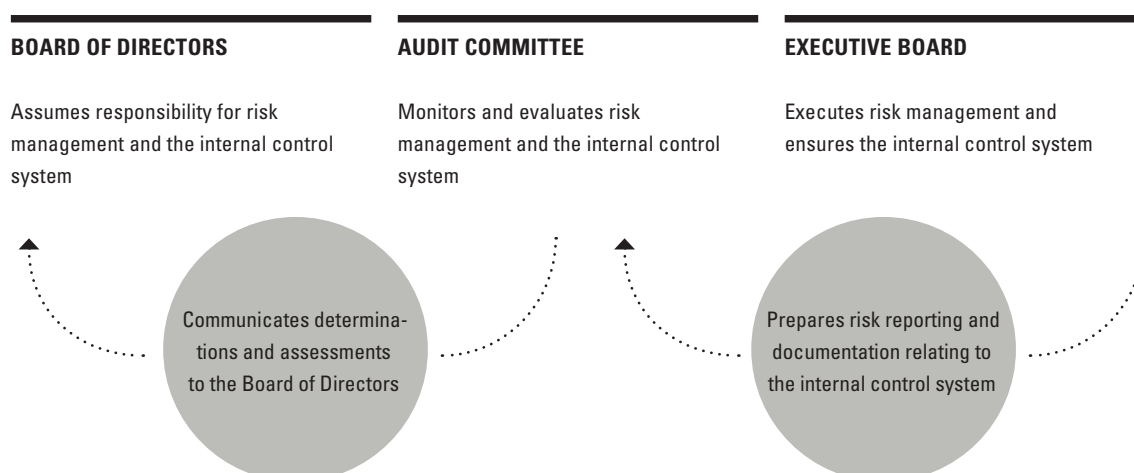
Swiss Prime Site's opportunity and risk profile is marked by the balanced and market development-adapted diversification of real estate investments, in terms of regional allocation as well as type of use and tenant structure. Additional opportunities emanate from real estate-related business fields.

Swiss Prime Site pursues long-term optimisation of its opportunity and risk profile through identification of opportunities and through systematic risk management in the three business fields: Real Estate, Retail and Assisted Living. The real estate portfolio comprises properties primarily located in the most significant Swiss economic centres of Zurich, Geneva and Basel, providing the Company with an ideal market position based on portfolio size as well as regional allocation of the properties throughout Switzerland.

It is the responsibility of the Board of Directors of Swiss Prime Site AG and its group companies to ensure a balance between opportunities and risks. The responsible parties carry out regular risk/opportunity assessments in order to periodically re-evaluate – and, if necessary, adapt to – the changing general conditions and market developments. Furthermore, Swiss Prime Site AG's Board of Directors is committed to upholding the utmost integrity, which includes complying with government regulations and the internal Code of Conduct, among other things. All employees are expected to consistently comply with the Code of Conduct, which is subject to review of its effectiveness on a regular basis.

Opportunity/risk management should ensure that opportunities are recognised and undesirable risks promptly mitigated through comprehensive and systematic identification and assessment. The risk/return ratio should always be adequately balanced, which is also a permanent process.

A transparent and efficient corporate structure ensures that the duties and responsibilities regarding risk management and the internal control system are fulfilled on a Group-wide basis.



OUTLOOK

Swiss Prime Site is optimistically looking forward to the year 2016, based on its first-class real estate portfolio, focused strategy and innovative business model. The successful expansion of the business model through real estate-related business fields has significantly strengthened the Company's momentum and its flexibility to react swiftly and expediently to market opportunities. The well-filled project pipeline lays the foundation for future profitable growth.

ECONOMIC OUTLOOK FOR SWITZERLAND

The abolition of the EUR/CHF minimum exchange rate by the Swiss National Bank (SNB) led to a noticeable cooldown of the Swiss economy in the past financial year 2015. The monetary policy measure taken by the SNB will have after-effects in 2016. Consequently, with a forecast of 1.4% for 2016, growth in gross domestic product (GDP) in Switzerland will likely fall short of its historical potential again. Economic growth continues to be underpinned by the cornerstones of a brisk trend in immigration, robust private and public consumption as well as favourable lending rates, which have a stabilising effect and stave off the probability of recession. Nevertheless, the Swiss economy still remains vulnerable to economic shocks in view of the diminishing growth momentum. Any further appreciation of the Swiss franc exchange rate in particular would be quite difficult to cope with. Accordingly, expectations indicate that the negative interest rates introduced by the SNB at the end of 2014 will hold steady at the current level in 2016. The Swiss labour market registered nominal growth in wages of just 0.5% in 2016. The unemployment rate should edge up slightly as a result of only moderate economic growth in Switzerland. Once a key growth driver of the economy, exports should exhibit modest sales growth in 2016 due to the strong Swiss franc and declining order intake, providing a limited contribution to any change in course as an important pillar of the Swiss economy. Investments in the construction industry in 2016 are positive (+0.4%), but hovering at a comparatively low level.

ECONOMIC FORECASTS FOR SWITZERLAND¹

Real year-on-year change	in	Level ¹	2014	2015E	2016E	2017E
Gross domestic product (GDP)	%	642.3	1.9	1.0	1.4	1.8
Private consumption	%	348.1	1.3	1.2	1.4	1.0
Public consumption	%	70.8	1.3	2.2	1.0	0.7
Investment	%	150.3	2.1	1.0	0.1	1.9
Construction	%	60.3	3.3	-1.1	0.4	0.3
Capital	%	92.0	1.3	2.3	0.1	2.9
Exports ²	%	338.1	4.1	1.1	1.8	3.5
Imports ²	%	271.9	2.8	1.3	1.8	2.6
Annual inflation rate	%		0.0	-1.1	-0.4	0.3
Unemployment rate	%		3.2	3.3	3.5	3.4

¹ 2014 (in CHF bn at current prices)

² excluding valuables and non-monetary gold

E: UBS estimates 05.01.2016

OUTLOOK FOR THE REAL ESTATE MARKET

The Swiss real estate market traversed its peak in 2015 and will shift into a cooling phase in 2016. Key factors underpinning the market in 2016 include the low interest rate level, immigration and newly growing demand-driven markets such as healthcare, geriatric care and education. Themes that are gaining significance include digitalisation, big data and sustainability, in which successful market participants should increasingly invest in the future.

The trend in the office property sector with regard to the shift in locations by services companies – away from centrally situated, inefficient properties toward decentrally located, very well-developed and efficient properties – should continue to prevail. The healthcare and social services sectors in particular are exhibiting demand-driven impetus. Momentum driving expansion of the supply of floor space in major urban areas will slow down in 2016, which should be viewed positively due to the limited absorption potential. However, expectations point to an increase in vacancies, particularly for old, inefficient properties requiring investment. The sluggish economic trend, coupled with the resulting weak growth in employment in the traditional office sector, should lead to diminishing demand here in 2016. The prevailing abundant supply of rental floor space and modest demand will likely lead to declining rent prices in 2016. Leasing vacant properties will pose a significant challenge. Alternatively, vacant floor space in old office properties will increasingly re-enter the market through measures such as redevelopment, modernisation and modification from single- to multi-tenant properties. Properties in «A» locations with prestigious character and a high, modern interior design standard – such as those in Swiss Prime Site's portfolio – will continue to attract demand.

The environment for retail properties remains challenging due to the growing online trade and stagnating sales in the stationary retail trade sector. The trend toward shopping tourism in border regions is hovering at a high level and will remain an additional influencing factor. Advertised rent prices for retail properties are expected to decline in 2016. Accordingly, the stationary retail sector should remain under pressure in light of the weak euro, shopping tourism and online trade. Demand for retail floor space situated in modern, favourably located shopping centres and first-class urban areas should remain robust. «B» and «C» locations will face increasingly adverse conditions. Locations in border regions will also continue to remain under heavy pressure. The significant expansion in the supply of floor space in recent years will not persist in 2016. Measures such as revitalisation of existing properties may lead to reduction in vacancies.

Stepped-up regulatory requirements and vacancy management still pose challenges. At the regulatory level, the so-called «Against Mass Immigration» initiative in particular could have an impact as a potential hindrance to immigration. Furthermore, excessive regulatory requirements, such as the tightening of Lex Koller or revisions of spatial planning and building and zoning ordinances, may lead to disincentives and market distortions. Successful management of vacancy risks will constitute a significant distinguishing attribute for high-achieving market participants. Redevelopment and modernisation of vacant properties will increasingly gain significance, in addition to proactive management of existing tenants ahead of contract renewals and re-leasing agreements.

OUTLOOK FOR SWISS PRIME SITE

Swiss Prime Site's forecast for 2016 calls for rental income and total operating income that surpass the respective previous year's levels. The vacancy rate should hover between 6% and 7%. Based on the expected operating result for 2016, a constant high dividend to shareholders is ensured.

The Wincasa real estate services sub-business field is striving to boost the share of new clients in order to diversify the earnings structure. The company aims to forge ahead with the expansion of services offered with higher value creation in 2016. Additional gains in efficiency should be realised through cost discipline. Existing client relationships will be intensified, thus enhancing customer satisfaction.

The Retail business field, in which the Jelmoli group company operates, succeeded in surmounting the challenges relating to the abolition of the CHF/EUR minimum exchange rate at the outset of 2015. The group company is ideally positioned for the new financial year. Significant growth initiatives will be

executed in 2016 with the launch of an online shop and opening of a footwear department, in addition to continuous improvements in the areas of service, quality and brand portfolio.

The Assisted Living business field aims to forge ahead with the integration and consolidation of the acquired business units SENIOcare and BOAS Senior Care. Expansion of the business field will be further accelerated in 2016, with the set-up of a dedicated planning entity for managing ongoing building projects as well as securing new locations and project developments. Interaction with government officials and communities should be intensified, for example, in the area of private public partnership (PPP) projects.

Swiss Prime Investment Foundation (launched in 2015) will be further expanded, thus ensuring additional earnings potential based on corporate management and asset management mandates with Swiss Prime Site.

Swiss Prime Site is striving to realise fundamental value creation with direct real estate investments and revenue-generating properties in the future as well. In this regard, the Group boasts a well-filled project pipeline. Development sites and building land reserves suitable for new building complexes comprise a total area of more than 100 000 m². The relevant investment volumes amount to more than CHF 2.0 billion in the coming years, according to current estimates. Additional value-boosting potential should emanate from exhausting synergies and recognising growth opportunities that emerge from the expanded business model.

Swiss Prime Site will continue to reap benefits in 2016 from focusing on high-quality properties situated in prime urban and well-developed locations. Swiss Prime Site believes it is also very well positioned to forge ahead on the path toward robust earnings-based growth, with its sustainably established real estate-related business fields. The innovative combination of these business fields and continuation of the proven strategy form the foundation for sustainable success for Swiss Prime Site and its stakeholders in 2016 as well.

ADDENDUM

FINANCIAL CALENDAR

	Date	Location
Annual General Meeting financial year 2015	12 April 2016	Olten
Media releases first-quarter results	May 2016	n.a.
Semi-Annual Report as at 30.06.2016 with financial results press conference	25 August 2016	Zurich
Media releases first- to third-quarter results	November 2016	n.a.
Annual Report as at 31.12.2016 with financial results press conference	16 March 2017	Zurich
Annual General Meeting financial year 2016	11 April 2017	Olten

SHARE FACTS

ISIN	CH 000 803 838 9
Securities number	803 838
Securities symbol	SPSN
Trading currency	CHF
Stock exchange	SIX Swiss Exchange
Listed on the following indexes (selected)	Swiss All Share Index Swiss SMI Mid Swiss SMI Expanded Swiss SPI Swiss SXI Real Estate Bloomberg European 500 Index Bloomberg EMEA – World Index Bloomberg World Financial Index Bloomberg World Real Estate Index FTSE Euro Mid Index UBS 100 Index S&P Global BMI

IMPRINT

The original of this Annual Report is written in German.
The German original is therefore the effective official version.

Overall responsibility | Editorial

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DISCLAIMER

As part of the Annual Report, this Strategy and Management Report contains statements regarding future financial and operational developments and results as well as other projections that are forward-looking or contain subjective assessments that are not historical facts. In some cases, these forward-looking statements can be identified by the use of words such as «believe», «estimate», «anticipate», «expect», «target», «intend» and similar expressions as well as their negative equivalent. Such forward-looking statements or subjective assessments (hereafter referred to as «forward-looking statements») are based on expectations, estimates and assumptions that seem to be appropriate to the Company at the time of the preparation of the Annual Report. However, the actual results may differ from forward-looking statements. A number of factors, such as the ability of the management to implement the business strategies of Swiss Prime Site AG, the future conditions and developments in the market in which Swiss Prime Site AG operates, or the market behaviour of other market players, may differ materially from the anticipated results including the actual business situation, results of operations, financial condition of the Company. In addition, past trends are not indicative of any future trends.

Swiss Prime Site AG, its affiliated companies, their employees, their advisors as well as other people that are involved in the preparation of the Annual Report explicitly disclaim any warranty or guarantee that information contained in this Annual Report is still correct and complete at any time after its publication. Furthermore, they disclaim any obligation to publish updates or amendments regarding the forward-looking statements made in this Annual Report in order to reflect changes in the events or circumstances on which these forward-looking statements are based except as required by law. Readers of this Annual Report should therefore not rely on the forward-looking statements expressed therein.

Market capitalisation

Calculated by means of the number of issued shares and market price as at the balance sheet date

Minergie

Construction standard for new and modernised buildings; the label is jointly supported by the economy, cantons and federal government

NAV (net asset value)

Net asset value or value of shareholders' equity

NAV per share (net asset value per share)

Shareholders' equity per share attributable to shareholders (number of issued shares after deducting treasury shares)

NAV after deferred taxes

Shareholders' equity attributable to shareholders excluding deferred tax liabilities, divided by the number of issued shares (excluding treasury shares)

NAV before deferred taxes

Shareholders' equity attributable to shareholders adjusted for deferred taxes (excluding deferred tax assets from loss offsetting), divided by the number of issued shares (excluding treasury shares)

Net rental income

Defined as the sum of all realised income (target rental income) including land lease income, less vacancy losses in the reporting period

Net yield

Calculated from the property income in percent of fair value as at the balance sheet date

OCI (other comprehensive income)

Includes primarily revaluation of owner-occupied properties and remeasurement of net defined benefit obligations and the relevant deferred taxes

Other operating expense

Expenses relating to repairs and replacement of tangible assets, property insurance and fees, capital taxes, administrative expenses, audit and advisory expenses, advertising expenses, accounts receivable, losses and debt collection expenses

Ordinance

Ordinance Against Excessive Compensation in Listed Companies

PEC (primary energy consumption)

Consumption of primary energy that requires a process. PEV is derived from the end-energy consumption and losses that incur from the production of end-energy from primary energy

Premium

Difference between share price on the balance sheet date and net asset value (NAV) after deferred taxes

Portfolio size

Indicates volume (size) of an asset class as well as allocation of assets

Property gains

Rental income less all expenses incurred to the owner such as administrative, operating, maintenance and repair, as well as for value-retaining renovations. Defined as net property income before deducting borrowing costs and taxes (EBIT)

Result from property sales

Difference between the sales price paid (sales proceeds) and fair value as at the last balance sheet date, taking into account transaction costs from the sale

Revaluation effect

Corresponds to a higher or lower valuation of the real estate portfolio resulting from revaluation compared with the value at the balance sheet date of the previous year, carried out by an external, independent valuation expert, taking into account changes in deferred taxes

ROE (return on equity)

Calculated based on profit attributable to shareholders divided by average shareholders' equity attributable to shareholders

ROIC (return on invested capital)

Calculated based on profit attributable to shareholders before financial expenses, divided by average total shareholders' equity and borrowed capital

Share performance (total return = TR)

Share price performance in the reporting period compared with the closing price of the previous year's period, taking into account the distribution

SSBC (SGNI) (Swiss Sustainable Building Council)

Non-profit association with the objective of promoting – as well as enabling the transparency and quantification of – the sustainability of real estate and the constructed environment across the entire life cycle, including planning, construction and utilisation

Target rental income

Defined as the sum of all potential rental income and land lease income given full occupancy before deducting vacancy losses in the reporting period

Vacancy

Sum of all losses from target rents of vacant floor space resulting from lack of effective rental agreement and during building modification activities. With total renovations, the property is recognised on the balance sheet as a construction project during the modification phase, and neither target rents nor vacancies are booked

Vacancy rate

Sum of all cumulated rental income losses resulting from lack of effective rental agreement and vacancies in percent of target rental income

WACC

Weighted average cost of capital





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CORPORATE GOVERNANCE & COMPENSATION REPORT



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3 CORPORATE GOVERNANCE

25 COMPENSATION REPORT

- 26 Report of the statutory auditor on the Compensation Report
- 28 Swiss Prime Site AG Compensation Report 2015

STRUCTURE OF THE ANNUAL REPORT

Swiss Prime Site's Annual Report is divided into three parts, all of which are available for download as PDF files via the website www.swiss-prime-site.ch.

Part
01

**STRATEGY AND
MANAGEMENT REPORT**

Part
02

**CORPORATE GOVERNANCE
AND COMPENSATION REPORT**

Part
03

FINANCIAL REPORT

NOTES FOR READERS

[] Previous year's figures are enclosed in brackets.

Translation: The original of this annual report is written in German. In the case of inconsistencies between the German original and this English translation, the German version shall prevail.

..... **CORPORATE GOVERNANCE**

COR PORATE GOVERN ANCE

CORPORATE GOVERNANCE

This corporate governance report contains the requisite disclosures according to the guidelines regarding corporate governance information of the SIX Swiss Exchange and basically follows their structure in terms of presentation.

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 Group structure

1.1.1 Fully consolidated investments in group companies (direct or indirect)

		31.12.2014		31.12.2015	
Purpose		Share capital in CHF 1 000	Shareholding in %	Share capital in CHF 1 000	Shareholding in %
Clouds Gastro AG, Zurich ¹	Restaurant business	500	100.0	n.a.	n.a.
Ensemble artisanal et commercial de Riantbosson S.A., Olten ²	Real estate company	1 000	57.4	1 000	100.0
Jelmoli AG, Zurich	Retail company	6 600	100.0	6 600	100.0
Perlavita AG, Zurich	Services provider in the residential sector, particularly assisted living	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg	Operation of private senior residence and care facility with related services	300	100.0	300	100.0
SENIOcare AG, Wattwil ³	Operation, maintenance and creation of senior, residential and geriatric care accommodation	–	–	2 400	100.0
SPS Beteiligungen Alpha AG, Olten	Investment company	650 000	100.0	650 000	100.0
SPS Beteiligungen Beta AG, Olten	Investment company	450 000	100.0	450 000	100.0
SPS Beteiligungen Gamma AG, Olten	Investment company	300 000	100.0	300 000	100.0
SPS Immobilien AG, Olten	Real estate company	50 000	100.0	50 000	100.0
Swiss Prime Site Fund Advisory AG II, Olten ⁴	Management, administration and general partner of a collective investment scheme	100	100.0	100	100.0
Swiss Prime Site Group AG, Olten	Services company	100	100.0	100	100.0
Tertianum AG, Zurich	Services provider in the residential sector, particularly assisted living	9 562	100.0	9 562	100.0
Vitadomo AG, Zürich ⁵	Services provider in the residential sector, particularly assisted living	100	100.0	100	100.0
WGDM Papillon AG, Winterthur ⁶	Geriatric care for people afflicted with dementia in shared accommodation	–	–	100	100.0
Wincasa AG, Winterthur	Real estate services company	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden ³	Operation of senior residences and geriatric care facilities	–	–	1 000	51.0

¹ merged with SPS Immobilien AG as at 15.06.2015

² increase shareholding interest to 100% as at 17.12.2015

³ acquisition as at 01.10.2015; acquisition through Curo Holdings AG, which was merged with SPS Beteiligungen Alpha AG

⁴ founded as at 28.03.2014

⁵ founded as at 05.11.2014

⁶ acquisition as at 01.07.2015

During the reporting year, the Group implemented the following changes:

- > merger of Clouds Gastro AG into SPS Immobilien AG with retroactive effect as at 1 January 2015, following transfer of «Clouds» Restaurant operating business to Candrian Catering AG as at mid-year

- > increase of stake in Ensemble artisanal et commercial de Riantbosson S.A. to 100% as at 17 December 2015
- > acquisition of 100% stake in SENIOcare AG as at 1 October 2015, including acquisition of 51% of Wohn- und Pflegezentrum Salmenpark AG
- > acquisition of 100% stake in WGDM Papillon AG as at 1 July 2015

All investments in group companies are unlisted firms. These companies were fully consolidated and non-controlling interests are recognised. The registered shares of the holding company – Swiss Prime Site AG with headquarters in Olten, Switzerland – are listed on the SIX Swiss Exchange under the securities number 803838 and ISIN number CH 0008038389. Swiss Prime Site AG reported market capitalisation of CHF 5467.6 million [CHF 4439.9 million] as at 31 December 2015.

1.1.2 Investments in associates valued according to the equity method

		31.12.2014 Share capital in CHF 1 000	Shareholding in %	31.12.2015 Share capital in CHF 1 000	Shareholding in %
Parkgest Holding S.A., Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

1.2 Business fields

Swiss Prime Site is divided into three business fields: Real Estate, Retail and Assisted Living. The major investments in group companies were allocated to these business fields as follows:

SWISS PRIME SITE GROUP

REAL ESTATE BUSINESS FIELD

- > Swiss Prime Site AG, Olten
- > SPS Beteiligungen Alpha AG, Olten
- > SPS Beteiligungen Beta AG, Olten
- > SPS Beteiligungen Gamma AG, Olten
- > SPS Immobilien AG, Olten
- > Swiss Prime Site Group AG, Olten
- > Wincasa AG, Winterthur
- > Ensemble artisanal et commercial de Riantbosson S.A., Olten

RETAIL BUSINESS FIELD

- > Jelmoli AG, Zurich
- > Clouds Gastro AG, Zurich (until 30.06.2015)

ASSISTED LIVING BUSINESS FIELD

- > Tertianum AG, Zurich
- > Perlavita AG, Zurich
- > Perlavita Rosenau AG, Zurich
- > Vitadomo AG, Zurich
- > SENIOcare AG, Wattwil
- > WGDM Papillon AG, Winterthur
- > Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden

1.3 Shareholder structure as at 31.12.2015

1.3.1 Shareholder structure by number of shares

Number of shares	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in % ¹
1 to 5 000	8 509	94.0	5 120 718	7.4
5 001 to 50 000	419	4.6	6 562 711	9.4
50 001 to 500 000	122	1.3	19 646 217	28.3
500 001 to 1 800 349	12	0.1	11 168 149	16.0
1 800 350 and above	1	–	3 656 245	5.2
Total registered shareholders/shares	9 063	100.0	46 154 040	66.3
Unregistered shares			23 497 494	33.7
Total shares issued			69 651 534	100.0

¹ as % of shares issued

1.3.2 Registered shareholder structure by countries/regions

Countries/regions	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Switzerland	8 431	93.0	33 499 236	72.5
Europe (excluding Switzerland)	480	5.3	9 723 058	21.1
Other countries	152	1.7	2 931 746	6.4
Total registered shareholders/shares	9 063	100.0	46 154 040	100.0

1.3.3 Registered shareholder structure by shareholder categories

Shareholder categories	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Natural persons	8 054	88.8	7 849 418	17.0
Legal entities	430	4.7	15 637 085	33.9
Pension funds	213	2.4	9 981 881	21.6
Insurance companies	34	0.4	2 015 800	4.4
Funds	186	2.1	8 234 225	17.8
Other	146	1.6	2 435 631	5.3
Total registered shareholders/shares	9 063	100.0	46 154 040	100.0

1.4 Major shareholders

As at the balance sheet date, the Company acknowledged the following major shareholders:

	31.12.2014 Shareholding interest in %	31.12.2015 Shareholding interest in %
Major shareholders (shareholding interest > 3%)		
BlackRock Investment Management (UK) Ltd, London	5.0	4.4
State Street Corporation, Boston	4.9	4.0
Credit Suisse Funds AG, Zurich	4.5	3.5

1.4.1 Disclosure notifications of major shareholders

Information regarding major shareholders is based on the register of shareholders or the notifications received by Swiss Prime Site AG. The obligation of disclosure of investments is in effect when a notification-obliged person or group reaches a percentage of 3, 5, 10, 15, 20, 25, 33 ¹/₃, 50 or 66 ²/₃ of the voting rights in Swiss Prime Site AG or traverses such percentages to the upside or downside. The disclosure notifications issued in the reporting year – according to article 20 of the Swiss Federal Act on Stock Exchanges and Securities Trading (SESTA) and the provisions of the Ordinance of the Swiss Financial Market Supervisory Authority (FINMA) on Stock Exchanges and Securities Trading – can be viewed on the reporting and disclosures platform of the SIX Swiss Exchange.

1.5 Cross-investments

As at the balance sheet date, there were no cross-investments.

2 CAPITAL STRUCTURE

2.1 Capital structure as at 31.12.2015

Capital	Number of registered shares	Nominal per share in CHF	Total in CHF 1 000
Share capital	69 651 534	15.30	1 065 668
Authorised capital	29 871	15.30	457
Conditional capital	4 142 910	15.30	63 387
of which for exercising options and/or conversion rights granted with bonds or similar issues	2 632 910	15.30	40 284
of which for option rights granted to shareholders	1 510 000	15.30	23 103

2.2 Share capital

As at the balance sheet date, Swiss Prime Site AG's share capital comprised 69 651 534 registered shares at a nominal value of CHF 15.30. All outstanding shares are entitled to voting rights and dividends. There are no preferential rights.

2.3 Authorised capital

The Board of Directors is authorised to increase the share capital within the aforementioned limits at any time until 15 April 2016. The Board of Directors is entitled to exclude shareholders' subscription rights in favour of third parties, in the event that the new shares should be utilised for acquiring other companies, stakes in companies, investments or real estate, or for financing or re-financing such transactions. The precise wording regarding authorised capital can be found in article 3a of Swiss Prime Site AG's Articles of Association.

2.4 Conditional capital

The conditional capital of 4 142 910 [7 003 713] registered shares amounting to CHF 63.387 million [CHF 107.157 million] is divided into the following amounts:

- > CHF 40.284 million [CHF 84.054 million] (2 632 910 [5 493 713] shares) for exercising options and/or conversion rights granted in connection with bonds or similar issues, and
- > CHF 23.103 million [CHF 23.103 million] (1 510 000 [1 510 000] shares) for option rights allocated to shareholders.

In the reporting year, convertible bonds with a volume of nominal CHF 203.035 million [CHF 22.535 million] were converted to shareholders' equity (2 860 803 [317 521] shares). The precise wording regarding conditional capital can be found in article 3b of Swiss Prime Site AG's Articles of Association.

2.5 Share capital changes over the last three years

Changes	Number of registered shares	Nominal per share in CHF	Nominal value in CHF 1 000
Share capital as at 31.12.2012	60 011 611	15.30	918 178
Conversion of 6 976 units of the CHF 300 million convertible bond	491 470	15.30	7 519
Share capital as at 31.12.2013	60 503 081	15.30	925 697
Conversion of 4 507 units of the CHF 300 million convertible bond	317 521	15.30	4 858
Share capital as at 31.12.2014	60 820 602	15.30	930 555
Conversion of 40 607 units of the CHF 300 million convertible bond	2 860 803	15.30	43 770
Capital increase on 29.05.2015	5 970 129	15.30	91 343
Share capital as at 31.12.2015	69 651 534	15.30	1 065 668

Additional details on the changes to share capital can be found in Note 25 «Shareholders' equity» of the consolidated financial statements. Swiss Prime Site AG has no other equity instruments (e.g. participation or profit share certificates) outstanding other than registered shares.

2.6 Restrictions on transferability and nominee registrations

Pursuant to article 5 of the Articles of Association, every shareholder and usufructuary may request to be registered in the share register. Only those persons whose names appear in the share register and who have acquired shares in their own name and on their own account are registered as shareholders or usufructuaries by the Company. The Company acknowledges only one beneficiary per share.

Each share is entitled to a vote at the Annual General Meeting. The Board of Directors is authorised to reject foreign purchasers of registered shares as shareholders with voting rights insofar as and as long as their recognition can prevent the Company from providing the verification governing the composition of its shareholders, which is required by federal law. Otherwise, there are no restrictions on registration or voting rights.

Shareholdings not subject to notification held by nominees and fiduciaries are entered into the register without voting rights.

2.7 Convertible bonds

		CHF 300 m 2015	CHF 190.35 m 2016
Issuing volume, nominal	CHF m	300.000	190.350
Nominal value as at 31.12.2015	CHF m	0.000	190.350
Book value as at 31.12.2015	CHF m	0.000	189.589
Book value as at 31.12.2014	CHF m	227.800	188.821
Conversion price	CHF	70.97	81.89
Interest rate	%	1.875	1.875
Term to maturity	Years	5	5
Maturity	Date	20.01.2015	21.06.2016
Securities number		10 877 415 (SPS10)	13 119 623 (SPS11)

Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time. The new shares to be issued are secured by conditional capital.

In 2015, conversions took place with a volume amounting to nominal CHF 203.035 million [CHF 22.535 million] of the CHF 300 million convertible bond, resulting in an increase in share capital of CHF 43.770 million [CHF 4.858 million] or 2 860 803 [317 521] registered shares, and an addition to capital reserves of CHF 155.976 million [CHF 17.298 million]. Further information on convertible bonds is included in note 23 «Financial liabilities».

3 BOARD OF DIRECTORS

As at the balance sheet date, the Board of Directors of Swiss Prime Site AG comprised seven members. All members are non-executive Board members – in accordance with the Swiss Code of Best Practice for Corporate Governance – not belonging to the Executive Board of Swiss Prime Site AG or management of one of its group companies in the three financial years prior to the reporting period. None of the members of the Board of Directors maintains any significant business relationship with Swiss Prime Site AG or Swiss Prime Site Group.

3.1 Composition of the Board of Directors

	Role	Nationality	Member since
Prof. Dr. Hans Peter Wehrli	Chairman	CH	2002
Dr. Thomas Wetzel	Vice-Chairman	CH	1999
Christopher M. Chambers	Member	CH/UK	2009
Dr. Bernhard Hammer	Member	CH	2002
Dr. Rudolf Huber	Member	CH	2002
Mario F. Seris	Member	CH	2005
Klaus R. Wecken	Member	DE	2009

3.2 Members of the Board of Directors

Prof. Dr. Hans Peter Wehrli, 1952, Zurich
Chairman of the Board of Directors

> Education: PhD (Dr. oec. publ.)

He graduated in 1977 with a degree in business management studies from the University of Zurich, received a PhD (Dr. oec. publ.) in 1980, with various study visits to American universities

> Professional activity: Professor of business management studies and chair for marketing at the University of Zurich since 1993

> Other mandates:

Stock exchange-listed companies: Chairman of the board of directors Belimo Holding AG, Hinwil; member of the board of directors of Datacolor AG, Lucerne

Unlisted companies: Member of the board of directors of Gebäudeversicherung Berne (GVB), Ittigen; vice-chairman of the board of directors of Härdi Holding AG, Oberentfelden; member of the board of directors of Horvath & Partner AG, Zurich

Dr. Thomas Wetzel, 1956, Zumikon
Vice-Chairman of the Board of Directors

> Education: Dr. iur., Attorney at Law

He graduated with a degree in law from the University of Zurich in 1981; dissertation at the University of Basel in 1983; admitted to the bar of the Canton of Schaffhausen in 1985

> Professional activity: Thomas Wetzel has been a partner at the law office Wenger Plattner, Basel, Zurich and Berne since 2003. Prior to that, he worked as a legal consultant and solicitor for several law offices and served as secretary to the Court of Appeals of the canton of Schaffhausen. From 1988 to 1997, he was a member of the management board, and in recent years, deputy chairman of Inter-shop Holding AG, Zurich. Thomas Wetzel is a lecturer at the Institute for Banking and Finance/CUREM (Center for Urban & Real Estate Management) at the University of Zurich, Zurich

> Other mandates:

Stock exchange-listed companies: None

Unlisted companies: Chairman of the investment committee of Swiss Foundation for International Real Estate Investments (AFIAA), Zurich; chairman of the board of directors of Brandenberger + Ruosch AG, Dietlikon; chairman of the board of directors of EBV Immobilien AG, Urdorf; member of the board of directors of Energie 360 Grad AG, Zurich; member of the board of directors of Geschäftshaus City AG Dübendorf, Dübendorf; member of the board of directors of Immobilien ETHZF AG, Zurich; member of the board of directors of VERIT Holding AG, Zurich; chairman of the board of directors of VERIT Investment Management AG, Zurich

Activities in non-profit-oriented associations, organisations and foundations: Chairman of the board of Grasshopper Club's Tennis Section, Zurich; member of the foundation board of Swiss Foundation for Anaesthesia Research, Zurich

Christopher M. Chambers, 1961, London, UK

Member of the Board of Directors

> **Professional activity:** Christopher M. Chambers began his professional career in investment banking, before becoming chief executive officer of global hedge fund Man Investments, from which he departed in 2005.

> **Other mandates:**

Stock exchange-listed companies: Vice-chairman of the board of directors of Cembra Money Bank AG, Zurich; member of the board of directors of Pendragon Plc, Nottingham, UK

Unlisted companies: Member of the board of directors of Berenberg Bank (Switzerland) AG, Zurich; chairman of the board of directors of Lonrho Ltd, London, UK

Dr. Bernhard Hammer, 1950, Kammersrohr

Member of the Board of Directors

> **Education:** PhD in law (Dr. iur.) and notary

He received his PhD in law (Dr. iur.) from the University of Zurich in 1978 and qualified as an attorney and notary in 1979.

> **Professional activity:** Chief executive officer of Stuag Holding, Berne, from 1987 to 1997; member of the board of directors and executive board of Batigroup AG, Basel, from 1997 to 1999; chairman of the board of directors of Comet Holding AG, Wünnewil-Flamatt, from 1990 to 2007

> **Other mandates:**

Mandates within Swiss Prime Site: Member of the board of directors of Tertium AG, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: Member of the board of directors of Flumroc AG, Flums; member of the board of directors of Palladio Real Estate AG, Zurich; member of the board of directors of Sasolim Holding AG, Solothurn; member of the board of directors of VINCI Energies Switzerland AG, Zurich; member of the board of directors of Zentrum für Immobilien AG, Zug

Activities in non-profit-oriented associations, organisations and foundations: Chairman of the foundation board of Bill de Vigier Foundation, Solothurn; member of the foundation board of Theodora Foundation, Lonay

Dr. Rudolf Huber, 1955, Pfäffikon SZ (Freienbach)

Member of the Board of Directors

> **Education:** Dr. oec. publ.

PhD in business management studies in 1982 and doctorate in business management studies in 1985 from the University of Zurich

> **Professional activity:** Rudolf Huber worked in the financial department of various industrial companies, including as member of the executive board and chief financial officer of the Geberit Group, Rapperswil-Jona, from 1992 to 2004. He works as an independent business consultant and lecturer at the University St. Gallen. From 2006 to 2015, he was chairman of CFO Forum Switzerland – CFOs.

> **Other mandates:**

Mandates within Swiss Prime Site: Member of the board of directors of Jelmoli AG, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: Chairman of the board of directors of Looser Holding AG, Arbon; member of the board of directors of Repower AG, Poschiavo

Unlisted companies: Chairman of the board of directors of Fageb Verwaltungs AG, Rapperswil-Jona; member of the board of directors of Hoerbiger Holding AG, Zug; member of the board of directors of Wicor Holding AG, Rapperswil-Jona; member of the board of directors of CHRIST & HEIRI Holding AG, Zug; member of the foundation board of Hoerbiger Stiftung, Zug; chairman of the advisory board of PERI GmbH & Co. KG, Weissenhorn (Germany)

Mario F. Seris, 1955, Klosters-Serneus

Member of the Board of Directors

> **Education:** lic. phil. I

He graduated with a degree in English and education from the University of Zurich in 1981.

> **Professional activity:** From 1978 to the beginning of 2013, Mario F. Seris held various national and global management positions at Credit Suisse AG, including as chief executive officer of Credit Suisse Asset Management, Switzerland from 2002 to 2005. He was also global head of Real Estate Asset Management at Credit Suisse AG from 2005 to 2010. He represented Credit Suisse AG as senior adviser on various boards of directors and investment committees in the real estate and fund sectors from 2011 to 2012. Since March 2013, he has been an independent adviser.

> **Other mandates:**

Mandates within Swiss Prime Site: Member of the board of directors of Wincasa AG, Winterthur

Mandates outside Swiss Prime Site: None

Klaus R. Wecken, 1951, Bürgenstock

Member of the Board of Directors

> **Education:** Studies in economics at the University of Freiburg in Breisgau

> **Professional activity:** Since 1974, Klaus R. Wecken has been founder, partner and chairman of various companies in Germany and Switzerland. From 1984, he was co-founder and director of KHK Software AG, Frankfurt am Main, which he sold to SAGE Group, Newcastle, UK, in 1997. From 1999, he was co-founder and principal shareholder of the real estate company Tivona AG, Basel, which was integrated through Jelmoli Holding AG, Zurich, into Swiss Prime Site Group in 2009. From 2001 to 2002, he was member of the board of directors of Jelmoli Holding AG, Zurich. Since 2007, he has established more than 40 stakes focused on fields such as the Internet, software and medical technology as well as real estate, through his family office Wecken & Cie, Basel. Wecken & Cie is major shareholder in Deutsche Mittelstands Real Estate AG (DEMIRE), Frankfurt, Germany, as well as Adler Real Estate AG, Hamburg, Germany, among other firms. The latter also acquired Westgrund AG, Berlin, following Accentro (formerly Estavis) AG, Berlin, in 2015. All four real estate companies are stock exchange-listed firms in Germany. At end-2015, Adler also acquired a roughly 25% stake in Conwert Immobilien Invest SE, Vienna, which is a stock exchange-listed company in Austria and Germany.

> **Other mandates:**

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: Chairman of the board of directors of Care4 AG, Basel; chairman of the board of directors of IRESI International Real Estate Investors AG, Basel; member of the board of directors of FAIRRANK Swiss AG, Basel; member of the board of directors of SIC invent AG, Basel; chief executive officer of W & W Immobilien GmbH, Weil am Rhein, Germany, as well as of other related real estate companies and member of the advisory board of some of his investment companies

3.3 Departures during the reporting period

None

3.4 Articles of Association provisions regarding the number of permitted activities

Members of the Board of Directors may simultaneously carry out no more than ten additional mandates outside the Group in the supreme managing or supervising body of legal entities that are required to be entered in the commercial register or an equivalent foreign register, of which no more than four in listed entities.

Several mandates within the same group of companies and mandates carried out as part of the member's position on the board of directors or the executive management or a supreme managing or supervisory body (including in pension funds, joint ventures and legal entities, in which the company has a substantial investment) are counted as one mandate. Activities in non-profit associations, organisations and foundations are not subject to any restrictions.

The Board of Directors currently has three committees (Audit Committee, Compensation Committee and Investment Committee), which are described in more detail in the following sections.

3.5 Elections and period of office

The respective Chairman as well as members of the Board of Directors and Compensation Committee are elected by the Annual General Meeting for a one-year term of office.

Members of the Board of Directors must submit their resignation to the ordinary Annual General Meeting in the year in which they reach the age of 70.

3.6 Regulation of the powers and duties of the Board of Directors

The basic principles and the separation of the functions and powers between the Board of Directors and Executive Board are stipulated in the organisation and competence regulations.

The Board of Directors is responsible for the general management of the Company as well as supervising and monitoring the Executive Board. The Board of Directors makes the fundamental decisions that determine the activity of the Company. Within the framework of its activities, the Board of Directors ensures profit-focused and competent management of the Company by its Executive Board, according to the provisions of the Articles of Association, the regulations and the applicable legislation.

The Board of Directors acts as a collective body. Unless otherwise provided in the resolutions of the Board of Directors and the organisational regulations, its members may not have any personal authority over the Company and therefore cannot issue any instructions of their own accord.

As required, the Board of Directors can form committees from among its members and allocate powers to these committees in separate sets of regulations or by amending the existing organisational regulations. The Board of Directors has taken advantage of this opportunity and formed an Audit Committee, Investment Committee and Compensation Committee. The Board of Directors can delegate the preparation and implementation of its resolutions or the monitoring of activities to one or more committees or to individual members or the Executive Board. It ensures appropriate reporting to its members.

The Board of Directors delegates all executive management activities to the Executive Board unless otherwise provided by law, the Articles of Association or the organisational regulations. It issues directives on the business and investment policy and keeps itself regularly informed of the course of business.

During the reporting period, six meetings and three conference calls of the Board of Directors took place.

Executive Board members are invited to attend the Board of Directors meetings.

3.7 Information and control instruments applied to the Executive Board

The Board of Directors controls the Executive Board and monitors its method of operation by means of reporting processes and the right of inspection of business procedures and business transactions.

The Board of Directors is briefed by the Chief Executive Officer as well as by the other Executive Board members at each meeting regarding the ongoing course of business and significant business operations. At these meetings, members of the Board of Directors can request any information regarding Swiss Prime Site Group from other members of the Board of Directors or the Executive Board that they require to fulfil their duties. Members of the Board of Directors must be immediately notified of any extraordinary incidents.

The Chairman of the Board of Directors attends the Executive Board meetings, where he is briefed by the Chief Executive Officer and other Executive Board members regarding the course of business and significant business operations.

The internal auditor, risk management and external auditors provide support to the Board of Directors in exercising its monitoring and controlling functions. In addition, the Audit Committee, Investment Committee and Compensation Committee oversee the control and information functions relative to the Executive Board. These functions are coordinated with the Board of Directors and defined in the relevant regulations and records.

The Audit Committee, Investment Committee and Compensation Committee are informed about the relevant issues by means of corresponding reports and analyses. These reports are discussed in detail and adopted. The reports and analyses are then presented by the respective chairman of the committees in the subsequent board meetings and approved by the Board of Directors.

The Board of Directors defines and evaluates any risks that are significant for the Group. This evaluation is based on group-wide coordinated and consistent risk management and internal control systems. By means of a risk inventory, the risks are identified, analysed, evaluated and managed according to the Company's targets. The Audit Committee assesses the Group's risk situation through risk reporting. Risk management is subsequently assessed, approved and controlled in terms of implementation by the Board of Directors based on the request of the Audit Committee.

The Board of Directors is also supported by the internal and external auditors. The internal auditors receive audit and analysis assignments from the Board of Directors. Internal auditors have an unrestricted right to information and right of inspection of records relative to all group companies and positions. Furthermore, the Executive Board in consultation with the Audit Committee can assign internal auditors tasks outside the scope of the planned auditing activities, for example, executing special investigations and analyses. The internal auditor in charge reports to the Audit Committee. The external auditors attend relevant meetings of the Audit Committee or Board of Directors and, as required, are enlisted to resolve issues.

3.8 Audit Committee

The functions, duties and powers of the Audit Committee are set out in separate rules and essentially comprise the following areas:

- > Monitors the Executive Board of Swiss Prime Site with respect to financial reporting, compliance with legislation, requirements, internal rules and guidelines, as well as with respect to risk management and monitoring external corporate activities
- > Monitors and assesses the independence, work, auditing costs, scope of audit and findings of the external auditors, as well as the quality, implementation and disclosure of the accounting principles, in addition to the adequacy of the financial control mechanisms
- > Monitors and assesses the independence and work of the valuation experts and the valuation principles

The Audit Committee has the right to issue instructions and obtain information with regard to the internal audit. The Audit Committee proposes the internal audit charter, which determines the organisation and operation of Swiss Prime Site's internal audit, to the full Board of Directors.

The Audit Committee enlisted Rolf Krummenacher, Lucerne, as regular advisor for the reporting year.

During the reporting period, three meetings and two conference calls of the Audit Committee took place.

Each year, at least one meeting with the external auditors is held. On the basis of this meeting, the Audit Committee forms an in-depth picture of the activities of the auditors and informs the Board of Directors about its findings.

The Audit Committee acts as a joint and collective body. Its members have no personal authority over the Company and therefore cannot issue instructions of their own accord. The Audit Committee has a right of proposal to the Board of Directors.

The Audit Committee reports regularly to the Board of Directors about its activities and submits the necessary proposals.

3.9 Compensation Committee

Swiss Prime Site's Compensation Committee acts as the relevant body in accordance with the Ordinance Against Excessive Compensation in Listed Companies (Ordinance) and the Articles of Association amended based on this Ordinance.

The functions, duties and powers of the Compensation Committee are set out in separate rules and essentially comprise the following areas:

- > Prepares the guidelines and proposals for the nomination (including authority to sign) for the compensation payable to the Board of Directors, the Executive Board, the employees of Swiss Prime Site and its group companies, the real estate asset managers, the property/facility managers, related persons and the external valuation experts
- > Monitors compliance with the compensation and nomination policy determined by the Board of Directors, the Committee itself and the Executive Board

The Compensation Committee acts as a joint and collective body. Its members have no personal authority over the Company and therefore cannot issue instructions of their own accord. The Compensation Committee has the right to submit proposals to the full Board of Directors.

During the reporting period, three meetings and one conference call of the Compensation Committee took place.

The Compensation Committee reports regularly to the Board of Directors about its activities and submits the necessary proposals.

3.10 Investment Committee

The functions, duties and powers of the Investment Committee are defined in the investment regulations and essentially comprise the following tasks:

- > Monitors compliance with the investment guidelines defined in the investment regulations
- > Reviews the acquisition and divestment of properties and submits the proposal for the purchase or sale of properties to the Executive Board and the Board of Directors

The Compensation Committee acts as a joint and collective body. Its members have no personal authority over the Company and therefore cannot issue instructions of their own accord. The Investment Committee has the right to submit proposals to the Executive Board or Board of Directors.

During the reporting period, four meetings and one conference call of the Compensation Committee took place.

The Investment Committee reports regularly on its activities to the Board of Directors and Executive Board and submits the necessary proposals.

COMPOSITION OF THE COMMITTEES

BOARD OF DIRECTORS COMMITTEES

	AUDIT COMMITTEE	COMPENSATION COMMITTEE	INVESTMENT COMMITTEE
HANS PETER WEHRLI CHAIRMAN Member since 29.04.2002			
DR. THOMAS WETZEL VICE-CHAIRMAN Member since 11.05.1999		●	●
KLAUS R. WECKEN Member since 22.10.2009			●
DR. RUDOLF HUBER Member since 29.04.2002	●		
CHRISTOPHER M. CHAMBERS Member since 22.10.2009	●	●	
DR. BERNHARD HAMMER Member since 29.04.2002	●		●
MARIO F. SERIS Member since 29.04.2002		●	●
MARKUS GRAF¹ Executive Board since 01.12.2000			●

● Member ● Chairman

¹ non-Board of Directors member

4 EXECUTIVE BOARD

The Executive Board is responsible for the operating management of Swiss Prime Site and represents the Group publicly. The Executive Board corresponds to the «executive management» according to the Articles of Association of Swiss Prime Site AG and the Swiss Ordinance Against Excessive Compensation in Listed Companies (Ordinance).

The Chief Financial Officer, as representative of the Executive Board, also participates in the meetings of the Audit Committee and Compensation Committee. The external auditor participated in the Audit Committee meeting in the spring as well.

4.1 Composition of the Executive Board

	Role	Nationality	Member since
Markus Graf ¹	Chief Executive Officer	CH	2000
René Zahnd ²	Designated Chief Executive Officer	CH	2015
Markus Meier ³	Chief Financial Officer	CH	2015
Peter Lehmann	Chief Investment Officer	CH	2002
Oliver Hofmann	Member, CEO Wincasa AG	CH	2013
Franco Savastano	Member, CEO Jelmoli AG	CH/Italy	2012
Dr. Luca Stäger	Member, CEO Tertianum AG	CH	2014

¹ Markus Graf, Chief Executive Officer of Swiss Prime Site and member of the Executive Board, resigned as CEO and member of Executive Board as per the end of 2015

² René Zahnd has been a member of the Executive Board since 01.11.2015 and Chief Executive Officer of Swiss Prime Site since 01.01.2016

³ since 01.06.2015

4.2 Members of the Executive Board

Markus Graf, 1949, Feldbrunnen

Member of the Executive Board, Chief Executive Officer until end-2015

> **Education:** Graduate HTL/STV architect

> **Professional activity:** Markus Graf was Chief Executive Officer of Swiss Prime Site from 2000 to 2015; he was head of Real Estate Asset Management, Credit Suisse AG, Zurich (managing director), from 1995 to 30 November 2012; prior to that, he held management positions with several construction and real estate companies

> **Other mandates:**

Mandates within Swiss Prime Site:

Chairman of the board of directors of the following group companies: Jelmoli AG, Zurich (until end-2015); SPS Beteiligungen Alpha AG, Olten (until end-2015); SPS Beteiligungen Beta AG, Olten (until end-2015); SPS Beteiligungen Gamma AG, Olten (until end-2015); SPS Immobilien AG, Olten (until end-2015); Swiss Prime Site Fund Advisory AG II, Olten (until end-2015); Swiss Prime Site Group AG, Olten (until end-2015); Tertianum AG, Zurich; Wincasa AG, Winterthur (until end-2015); Foundation Board Chairman of Swiss Prime Investment Foundation, Olten

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: Member of the board of directors of Bekon-Koralle AG, Dagmersellen; vice-chairman of the board of directors of Feriendorf Schlüsselacker AG, Obergoms; member of the board of directors of Société Internationale de Placements SA, Basel

René Zahnd, 1966, Berne

Member of the Executive Board, Chief Executive Officer since 1 January 2016

> **Education:** Attorney at Law

> **Professional activity:** René Zahnd has been Chief Executive Officer of Swiss Prime Site AG since 1 January 2016; prior to that, he was employed at Implen AG from 2009 to 30 October 2015 – as member of the executive management from 2010 – first as director of Implen Real Estate, and thereafter as director of Modernisation & Development from February 2014; previously, he was director of Project Development at general contractor Losinger/Marazzi as well as head of Legal Services at Losinger Construction AG

> **Other mandates:**

Mandates within Swiss Prime Site (from beginning of 2016):

Chairman of the board of directors of the following group companies: Jelmoli AG, Zurich; SPS Beteiligungen Alpha AG, Olten; SPS Beteiligungen Beta AG, Olten; SPS Beteiligungen Gamma AG, Olten; SPS Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Group AG, Olten; Tertium AG, Zurich; Wincasa AG, Winterthur

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: None

Markus Meier, 1964, Winterthur

Member of the Executive Board, Chief Financial Officer since 1 June 2015

> **Education:** Business Economist FH and Certified Public Accountant

> **Professional activity:** Markus Meier has been Chief Financial Officer of Swiss Prime Site AG since 1 June 2015 and previously ad interim Chief Financial Officer since 1 January 2015; from 2009 to 31 December 2014, he held positions at Swiss Prime Site AG in the areas of Finance, Accounting and Investor Relations; prior to that, he was chief financial officer of Jelmoli AG and Mobimo AG as well as head of Corporate Accounting and Tax at Ascom. He was also group controller at BZ Group after years of employment at Arthur Andersen (today Ernst & Young)

> **Other mandates:**

Mandates within Swiss Prime Site:

Member of the board of directors of the following group companies: Jelmoli AG, Zurich; SPS Beteiligungen Alpha AG, Olten; SPS Beteiligungen Beta AG, Olten; SPS Beteiligungen Gamma AG, Olten; SPS Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Group AG, Olten; Tertium AG, Zurich; Wincasa AG, Winterthur; member of the foundation board of the SPS and Jelmoli pension fund, Zurich; member of the foundation board of the SPS and Jelmoli charitable foundation, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: None

Peter Lehmann, 1958, Wilen bei Wollerau

Member of the Executive Board, Chief Investment Officer since 1 March 2002

> **Education:** Graduated as construction planner from GIB Solothurn in 1978

> **Professional activity:** Peter Lehmann has been Chief Investment Officer of Swiss Prime Site AG since 1 March 2002; he was head of various departments at Real Estate Asset Management, Credit Suisse AG, Zurich (managing director) from 1991 to end-2012; from 2004 to 2009, he was head of development, and prior to that head of construction and acquisitions & sales Switzerland, at Credit Suisse AG. Previously, he worked in the construction sector for the fund management of a big bank and as architectural project manager at a general contractor

> Other mandates:

Mandates within Swiss Prime Site:

Member of the board of directors of the following group companies: Ensemble artisanal et commercial de Riantbosson S.A. (EACR), Frauenfeld; SPS Beteiligungen Alpha AG, Olten; SPS Beteiligungen Beta AG, Olten; SPS Beteiligungen Gamma AG, Olten; SPS Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Group AG, Olten

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: Chairman of the board of directors of DUK AG, Freienbach

Activities in non-profit-oriented associations, organisations and foundations: Member of the board of the Association of Real Estate Investors (VII)

Oliver Hofmann, 1970, Horgen

Member of the Executive Board, chief executive officer of Wincasa AG since 1 January 2013

> Education: Banking studies, bachelor in economics and business administration, master of science in real estate at CUREM (University of Zurich)

> Professional activity: Oliver Hofmann has held the positions of chief executive officer of real estate services company Wincasa AG since 1 January 2013 as well as member of the Executive Board of Swiss Prime Site AG since 1 June 2013. In addition to spending a few years of his professional career in the finance department at IBM (Switzerland) Ltd, he previously worked at UBS AG for more than 15 years with other intermittent activities (investment advisor in wealth management, corporate finance, build-up of Swiss real estate advisory services). From 2007 to 2012, he held the position of head of real estate advisory Switzerland at UBS AG. From 2010 to September 2013, he served as chairman of RICS Switzerland – Royal Institution of Chartered Surveyors. Oliver Hofmann is also a member of the G15 – Group of Fifteen.

> Other mandates:

Mandates within Swiss Prime Site:

Member of the foundation board of the pension fund SPS and Jelmoli, Zurich; member of the foundation board of the charitable foundation SPS and Jelmoli, Zurich

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: Member of the board of directors of Siegmund & Hofmann AG, Basel

Franco Savastano, 1965, Stallikon

Member of the Executive Board, chief executive officer of Jelmoli AG since 1 April 2012

> Education: 1984 retail business diploma in men's fashion sales; 1986 business school degree types R and S from the Limania commercial school in Baden; 1989 advanced degree in economics from the Kaufmännischen Lehrinstitut Zurich

> Professional activity: Franco Savastano has been chief executive officer of Jelmoli – The House of Brands department store in Zurich since 1 April 2012 and member of the Swiss Prime Site AG Executive Board. From 2001 to 2012, he was a member of the management of Brunschwig & Cie. SA, holding the positions of director of the Grieder fashion stores in German-speaking Switzerland, as well as procurement director for Grieder throughout Switzerland. From 1997 to 2001, Franco Savastano held positions as head of the creative teams for fashion labels Strellson and Tommy Hilfiger Clothing. From 1988 to 1996, he worked as procurement director at Fein-Kaller Uomo and Donna; and from 1986 to 1988, as assistant to the director of sales at Hugo Boss Switzerland Ltd.

> Other mandates:

Mandates within Swiss Prime Site:

Member of the foundation board of the pension fund SPS and Jelmoli, Zurich; member of the foundation board of the charitable foundation SPS and Jelmoli, Zurich

Mandates outside Swiss Prime Site: Chairman of the Zurich Bahnhofstrasse Association, Zurich

Dr. Luca Stäger, 1967, Zurich

Member of the Executive Board, chief executive officer of Tertianum AG since 1 March 2010

> Education: 1991 degree in economics (lic. oec.) and 1994 doctorate in economics (Dr. oec.) from the University of St. Gallen (HSG); 2002 further studies in integrated services management at the University of St. Gallen; 2003 training as EFQM assessor and 2005 completion of Executive Program in Health Care Policy at the University of Lausanne in cooperation with Harvard Medical International

> Professional activity: Luca Stäger has been chief executive officer of Tertianum Group since 1 March 2010 and a member of the Executive Board of Swiss Prime Site AG since 1 January 2014. He began his professional career at PriceWaterhouse as a consultant with a focus on NGOs. Thereafter, he held the following positions: deputy project leader at the Canton Zurich Healthcare Directorate, consulting project leader at PuMaConsult GmbH, Zurich and Berne, chief executive officer of Spital Lachen AG, Lachen, and director of Private Clinic Bethanien AG, Zurich, as well as recently as chief executive officer of Swiss Paraplegic Group in Nottwil.

> Other mandates:

Mandates within Swiss Prime Site:

Chairman of the board of directors of Perlavita AG, Zurich; chairman of the board of directors of Perlavita Rosenau AG, Kirchberg; chairman of the board of directors of WGDM Papillon AG, Winterthur; chairman of the board of directors of Vitadomo AG, Zurich; chairman of the board of directors of SENIOcare AG, Wattwil

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: None

Unlisted companies: Member of the board of directors of Clinica Luganese SA, Lugano; chairman of the board of directors of Swiss Paraplegic Centre, Nottwil; member of the foundation board of Swiss Paraplegic Group, Nottwil; member of the foundation board of Swiss University Sports Foundation, St. Gallen; member of the board of directors of Sanitas Beteiligungen AG, Zürich

4.3 Arrivals during the reporting period

> Markus Meier, 1964, Winterthur

Member of the Executive Board, Chief Financial Officer since 1 June 2015

> René Zahnd, 1966, Berne

member of the Executive Board since 1 November 2015 and Chief Executive Officer of Swiss Prime Site since 1 January 2016

4.4 Articles of Association provisions regarding the number of permitted activities

Members of the Executive Board may simultaneously carry out no more than five additional mandates outside the Group in the supreme managing or supervising body of legal entities that are required to be entered in the commercial register or an equivalent foreign register, of which no more than one in a listed entity.

Several mandates within the same group of companies and mandates carried out as part of the member's position on the board of directors or the executive management or a supreme managing or supervisory body (including in pension funds, joint ventures and legal entities, in which the company has a substantial investment) are counted as one mandate. Activities in non-profit associations, organisations and foundations are not subject to any restrictions.

4.5 Management contracts

There are no management contracts.

4.6 Compensation, shareholdings and loans

All of the following information is contained and explained in the Compensation Report: Articles of Association provisions regarding the basic principles governing profit-based compensation and the allocation of shareholdings, as well as an additional amount for those members of the Executive Board who are designated as such following the vote by the Annual General Meeting on compensation; Articles of Association provisions regarding loans, credit and pension benefits to members of the Board of Directors and Executive Board; Articles of Association provisions regarding the vote by the Annual General Meeting on compensation.

Shareholdings in Swiss Prime Site AG held by members of the Board of Directors and Executive Board are reported in the Company's notes to the financial statements of Swiss Prime Site AG.

5 SHAREHOLDER PARTICIPATION RIGHTS

The current Articles of Association can be found on the homepage at www.swiss-prime-site.ch under the heading Corporate Governance. The following are references to selected articles:

- > share register and registration provisions (article 5)
- > powers of the Annual General Meeting (article 8)
- > convening/agenda of the Annual General Meeting (article 9, para. 4 and article 10)
- > voting rights and adoption of resolutions, independent voting rights proxy and issuing instructions (article 12 and article 13)
- > special quorums (article 14)
- > compensation of the Board of Directors and Executive Board (article 28), see the Compensation Report

The texts of some Articles of Association provisions are presented in the following section:

5.1 Voting rights and adoption of resolutions

According to article 12 of the Articles of Association:

«¹ Each share entitles its holder to one vote.

² Representation by proxy at the Annual General Meeting is only permissible with a written power of attorney. The chairman of the shareholders' meeting decides on the recognition of proxies. The Board of Directors may issue rules on the participation, representation and the issuing of voting instructions. The Board of Directors ensures that shareholders can grant a power of attorney and issue their instructions to the independent proxy electronically.

³ The Annual General Meeting passes its resolutions and effects its elections with a majority of the validly cast votes, unless the law or the Articles of Association provide otherwise. Abstentions shall not be counted. In the event of a tie vote, the chairman shall have the casting vote for resolutions, while elections shall be decided by lot.

⁴ Elections and resolutions are taken in an open ballot or electronically, unless the Annual General Meeting resolves that an election or resolution shall be taken in writing or the chairman decides to do so. The chairman may always have an open or electronic ballot repeated as a written ballot if in his opinion there are doubts as to the result of the vote. In such case the previous open or electronic election or vote is considered not to have occurred.»

5.2 Special quorums

According to article 14 of the Articles of Association:

«A resolution of the Annual General Meeting with at least two thirds of the represented votes and with the absolute majority of the represented nominal value is required for the following:

- a) the amendment of the company's purpose;
- b) the creation of shares with increased voting power;
- c) transfer restrictions on registered shares;
- d) an authorised or conditional capital increase;
- e) capital increases by way of conversion of equity, against contribution in kind or for the purpose of acquiring assets, as well as the granting of special rights;
- f) the restriction or exclusion of pre-emptive rights;
- g) the change of the company's registered office;
- h) the dissolution of the company without liquidation;
- i) the dissolution of the company with liquidation;
- j) the conversion of bearer shares into registered shares;
- k) the conversion of registered shares into bearer shares;
- l) the abolishment of statutory restrictions regarding the adoption of resolutions at the Annual General Meeting pursuant to the above subsections i, k and l.»

5.3 Convening the Annual General Meeting

According to article 10 of the Articles of Association:

«¹ The Annual General Meeting shall be convened by the Board of Directors or, if necessary, by the auditor.

² The Annual General Meeting shall be called no less than 20 days before the date of the meeting by publication in the Swiss Official Gazette of commerce. Shareholders recorded in the share register may also be invited by letter. The notice of an Annual General Meeting shall state the agenda items and the proposals of the Board of Directors and of the shareholders who requested that items be put on the agenda or that an Annual General Meeting be convened.

³ Subject to the provisions regarding universal meetings of shareholders, no resolutions can be passed on matters not thus announced except with respect to the application to convene an extraordinary shareholders' meeting or to conduct a special audit. Proposals made after convening or during the Annual General Meeting may be allowed for discussion if the Annual General Meeting so decides. However, resolutions in relation to such proposals may only be made at the next Annual General Meeting.

⁴ No prior notification is required for submitting proposals in the context of agenda items and for the discussion of matters without the passing of a resolution.

⁵ The Annual Report, Compensation Report and corresponding audit report, the auditor's report and the auditor's report for the group of companies must be made available to the shareholders at the Company's registered office no less than 20 days before the ordinary shareholders' meeting. The invitation must refer to this fact and to the right of every shareholder to request that copies of these documents be sent to him.»

5.4 Agenda

According to article 9, para. 4 of the Articles of Association, shareholders representing shares with a nominal value of half a million Swiss francs may demand that an item be put on the agenda. Such demand must be made in writing, specifying the agenda item and the proposals, no later than 40 days before the date of the shareholders' meeting.

5.5 Share register and registration provisions

According to article 5 of the Articles of Association:

«¹ A share register is kept for the registered shares in which the owners and usufructuaries are entered with their name, given name, place of residence, address and nationality (in case of legal persons the registered office). In the event of a change of place of residence, the Company must be notified in writing of the new place of residence, failing which the former place of residence continues to be relevant for the purpose of the relationship with the Company. The Company only acknowledges a person as shareholder if such person is entered in the share register. The Company acknowledges only one beneficiary per share.

² Upon request, those acquiring registered shares are entered into the share register as shareholders with the right to vote if they expressly declare to have acquired these registered shares in their own name and for their own account. Art. 685d (3) CO remains reserved.

³ After having heard the registered shareholder, the Board of Directors may delete an entry in the share register with retroactive effect as of the date of that entry if such entry was based on false information. The respective shareholder must be informed immediately about the deletion.

⁴ The Board of Directors takes the necessary steps and makes the necessary arrangements in order to comply with the above provisions.

⁵ The Board of Directors is authorised to reject foreign purchasers of registered shares as shareholders with voting rights insofar as and as long as their recognition can prevent the Company from providing the verification governing the composition of its shareholders, which is required by federal law. Otherwise, there are no restrictions on registration or voting rights.

5.6 Independent voting rights proxy

The Articles of Association provisions regarding independent voting rights proxy correspond to the regulations according to the Ordinance Against Excessive Compensation in Listed Companies (Ordinance). The Board of Directors ensures that shareholders can issue authority and instructions to the independent voting rights proxy electronically as well. Detailed information and instructions are provided to shareholders together with the invitation documentation for attendance at the Annual General Meeting these are also published on the Company's homepage.

6 CHANGE OF CONTROL AND DEFENCE MEASURES

Anyone who directly, indirectly or in joint agreement with third parties acquires shares and, together with the shares already in their possession, exceeds the limit of 33⅓% of the voting rights, whether exercisable or not, must submit an offer for all listed shares of the Company. There are no other provisions, agreements or plans.

7 STATUTORY AUDITOR

7.1 Duration of the mandate and period of office of the auditor in charge

Since the Company was founded (1999), the statutory auditor of Swiss Prime Site AG has been KPMG Ltd., Badenerstrasse 172, 8004 Zurich. KPMG Ltd. also acts as independent auditor for all significant fully consolidated group companies. The auditors are elected each year by the Annual General Meeting.

The auditor in charge has been in this role since 1 January 2013. The auditor's period of office ends with the financial year 2019.

7.2 Fee

For the current reporting period, audit fees in the amount of CHF 1.167 million [CHF 0.940 million] and CHF 0.085 million [CHF 0.135 million] for other consulting services were booked.

7.3 Information instruments of the external audit

The Audit Committee holds a meeting with the auditors on an annual basis regarding the financial statements as well as the audit thereof. Moreover, the results of the audit are recorded in writing in a comprehensive report for submission to the Board of Directors.

The Audit Committee evaluates the performance, fees and independence of the auditors on an annual basis and reports to the Board of Directors.

The Audit Committee evaluates the assessment of risks of misrepresentations in the financial statements by the Executive Board and external auditors as well as evaluates and monitors the implementation of countermeasures.

The Audit Committee discusses with the Executive Board and external auditors the audited consolidated financial statements and carries out a critical analysis particularly with a view toward any special events. The Audit Committee decides whether the individual and consolidated financial statements can be submitted to the Board of Directors for approval and publication, before the Board of Directors actually approves and publishes these.

The Audit Committee discusses with the external auditors any significant problems that emerge within the scope of the audit as well as the complete report and the responses by the Executive Board to the facts therein. The Audit Committee also submits proposals to the Board of Directors for appropriate solutions and monitors the implementation of measures as required.

The Audit Committee discusses with the Executive Board and external auditors their assessment of the general quality of Swiss Prime Site's accounting standards policy that is applied to the financial reporting, carries out a critical analysis and reports to the Board of Directors.

8 INFORMATION POLICY

Swiss Prime Site Group's detailed financial reporting occurs in the form of semi-annual and annual reports. The published accounting standards comply with the provisions of Swiss Stock Exchange Act, Listing Rules of the SIX Swiss Exchange and International Financial Reporting Standards (IFRS) regulations.

Swiss Prime Site presents these semi-annual and annual reports at the half-yearly financial results press conference and at the Annual General Meeting. In addition, the Company publishes selected corporate figures on a quarterly basis in the form of media releases.

Swiss Prime Site conducts its reporting within the scope of the disclosure obligations according to the Financial Markets Infrastructure Act (FMIA) as well as the ad-hoc publicity of the SIX Swiss Exchange. The ad-hoc releases can be retrieved concurrently with the reports to the SIX Swiss Exchange.

In addition, media releases are published as required. Further information about the Group can be found on the website www.swiss-prime-site.ch.

9 SIGNIFICANT CHANGES SINCE THE BALANCE SHEET DATE

René Zahnd succeeded Markus Graf as Chief Executive Officer as at 1 January 2016.

No further significant changes have taken place since the balance sheet date.

..... COMPENSATION REPORT

COMPEN SATION REPORT

REPORT OF THE STATUTORY AUDITOR ON THE COMPENSATION REPORT TO THE GENERAL MEETING OF SHAREHOLDERS

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SWISS PRIME SITE AG, OLTEN

We have audited the accompanying compensation report of Swiss Prime Site AG for the year ended 31 December 2015. The audit was limited to the information according to articles 14–16 of the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies contained in the sections 6.1 Compensation to the Board of Directors, 6.2 Compensation to the Executive Board, 6.3 Supplemental amount for new Executive Board members, 7.4 No additional compensation for Board of Directors and Executive Board, 8.1 Loans and credits, contributions to pension schemes for the Board of Directors and Executive Board and 8.2 Compensation, loans and credits to related persons on pages 28 to 39 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance Against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report for the year ended 31 December 2015 of Swiss Prime Site AG complies with Swiss law and articles 14–16 of the Ordinance.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Claudius Rügsegger
Licensed Audit Expert

Zurich, 7 March 2016

COMPENSATION REPORT 2015 OF SWISS PRIME SITE AG

1 INTRODUCTION

The Compensation Report is compiled in accordance with the provisions of the Swiss Ordinance Against Excessive Compensation in Listed Companies of 20 November 2013 (hereinafter referred to as «Ordinance»). The report replaces the information in the notes to the balance sheet, according to article 663b^{bis} of the Swiss Code of Obligations.

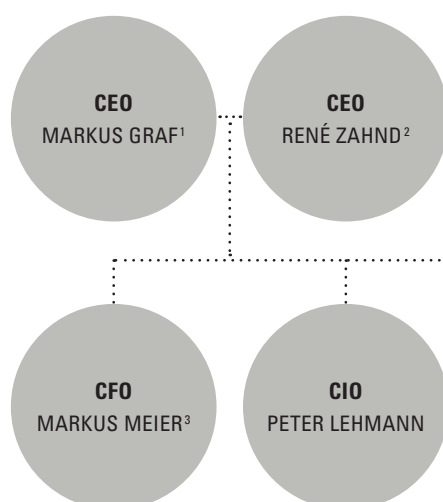
The compensation system remained unchanged in the reporting period versus the previous one. Two new members joined the Executive Board during the financial year 2015: Markus Meier as at 1 June 2015 as Chief Financial Officer (CFO), and René Zahnd as at 1 November 2015 and as designated Chief Executive Officer (CEO) starting from 1 January 2016. Both new Executive Board members were remunerated according to the existing and following summarised compensation system starting from the dates they became members. René Zahnd received only fixed compensation for the months of November and December 2015.

2 BOARD OF DIRECTORS AND EXECUTIVE BOARD

The Board of Directors comprises non-executive members who did not belong to the Executive Board of Swiss Prime Site or a group company in the past three years. The members of the Board of Directors and its chairman as well as the members of the Compensation Committee are each elected by the Annual General Meeting for a term of office of one year.

The Executive Board comprises the members of the management of Swiss Prime Site AG (Group holding company) and Swiss Prime Site Group AG (Group services company), respectively, as well as chief executive officers of the operating group companies Jelvoli AG, Tertianum AG and Wincasa AG. The Executive Board corresponds to the «Management Board» according to the Articles of Association of Swiss Prime Site AG and the Ordinance.

EMPLOYED BY SWISS PRIME SITE GROUP AG



EMPLOYED BY THE RESPECTIVE GROUP COMPANY

¹ until 31.12.2015

² member of the Executive Board since 01.11.2015 and Chief Executive Officer of Swiss Prime Site since 01.01.2016

³ since 01.06.2015

The Board of Directors appointed Markus Meier as new CFO of Swiss Prime Site and member of the Executive Board as at 1 June 2015. As the previous deputy CFO, he succeeds Peter Wullschleger, who stepped down from his position as CFO and departed the Executive Board as at end-2014. The employment contract with Peter Wullschleger was terminated as at 31 December 2015.

René Zahnd assumed the position of CEO and Chairman of the Executive Board as at 1 January 2016, succeeding Markus Graf. René Zahnd joined the Executive Board as a member as at 1 November 2015 for the purpose of integration and orderly transition.

3 COMPENSATION POLICY

Compensation to members of the Board of Directors and the Executive Board is fair, transparent, conforms to market conditions and corresponds appropriately to performance and responsibility. Furthermore, compensation correlates to the size of the Company and Group, as well as adapts to the complexity of overall business activities.

The performance- and profit-based variable compensation should bring the endeavours of the Executive Board members into alignment with the quantitative and qualitative targets re-determined annually by the Board of Directors in the long-term interests of the Company and shareholders.

The compensation of the Board of Directors and Executive Board is subject to review on a regular basis regarding the amounts (fixed and variable compensation components) in addition to systematic process and selected incentives, in compliance with the Company's strategic and operating targets as well as relative to comparable firms.

A description of the compensation principles as well as an explanation of the compensation system are provided in the following section 4.4.

In the context of integrated and values-oriented management, the compensation system applicable to the Executive Board also applies to the executive employees of Swiss Prime Site Group AG (the Group services company).

The compensation system described in the following section also forms the basis for the compensation for the Board of Directors and Executive Board to be proposed to the Annual General Meeting for the financial year 2016. The compensation system for the Executive Board will be subject to review in the financial year 2016.

4 ARTICLES OF ASSOCIATION, PRINCIPLES AND ELEMENTS AS WELL AS AUTHORITY AND DETERMINATION OF COMPENSATION

4.1 Articles of Association provisions for approval of Executive Board's compensation

According to article 28 of Swiss Prime Site AG's Articles of Association, the members of the Board of Directors receive fixed compensation for their activities (para. 1).

Additional compensation may be paid for memberships in committees and assuming special tasks or assignments (para. 2).

For activities in legal entities controlled directly or indirectly by the company and for mandates carried out as part of the function of a member of the Board of Directors (article 20, para.3), the respective legal entities may make compensation payments to the members of the Board of Directors if such compensation is covered by the maximum amount approved by the Annual General Meeting (para. 3).

The compensation may be paid entirely in cash or in restricted or unrestricted shares of the Company (para. 4).

To the extent permitted by law, the Company may indemnify members of the Board of Directors for any losses suffered in connection with lawsuits, trials or settlements relating to their duties for the Company or advance appropriate amounts and take out insurance (para. 5).

4.2 Implementation of these Articles of Association provisions

The previous Articles of Association provision, according to which the Board of Directors' compensation could also be effected in reversionary subscription rights or options on the Company's stock, was deleted at the last ordinary shareholders' meeting at the request of the Board of Directors.

Members of the Board of Directors receive fixed compensation and a lump sum expense allowance for their activities. The fixed compensation includes remunerations for activities of board members on committees, the Board of Directors and the boards of group companies.

Waiver of the variable compensation component for the Board of Directors should strengthen its focus on a long-term strategy, supervision and governance, thereby ensuring the Board's independence from operating management.

A percentage (50%) of the compensation is remunerated in the form of Swiss Prime Site AG shares. With payment of half the compensation in shares, the Board of Directors participates in the Company's profits as well as assumes the relevant risks. Moreover, the Board's interests should be focused as much as possible on those of the shareholders. The shares are allocated at the end of the financial year on the basis of the market price at the beginning of the financial year, less a 10% discount. The delivered shares are subject to blocking for a period of four years. The blocking provides for a tax rebate on the issue price, but includes no obligation of return or expiration, for example, given departure during the blocking period. The allocation mechanism and change in value of the shares in the course of the financial year may result in the value of the share-based compensation slightly exceeding 50% of the fixed compensation.

4.3 Articles of Association relating to compensation of the Executive Board

According to article 30 of the Articles of Association, members of the Executive Board receive fixed annual compensation as well as variable performance- and profit-based compensation for their activities (para. 1).

For activities in legal entities controlled directly or indirectly by the Company and for mandates carried out as part of the function as a member of the Executive Board (article 20, para. 3), the respective legal entities may make compensation payments to the members of the Executive Board if such compensation is covered by the maximum amount approved by the Annual General Meeting, or by the additional amount pursuant to article 32, para. 3 (para. 2).

To the extent permitted by law, the Company may indemnify members of the Executive Board for any losses suffered in connection with lawsuits, trials or settlements relating to their activities for the Company or advance appropriate amounts and take out insurance (para. 3).

According to article 31 of the Articles of Association of Swiss Prime Site AG, the variable performance- and profit-based compensation for the members of the Executive Board is based on quantitative and individual targets that are in the Company's and the shareholders' long-term interests and re-determined annually by the Board of Directors (para. 1).

The variable performance- and profit-based compensation for the members of the Executive Board may be paid in cash or partly in restricted or unrestricted shares of the Company (para. 2).

4.4 Implementation of Articles of Association provisions, elements of Executive Board's compensation

The previous Articles of Association provision, according to which the Executive Board's compensation could also be effected in reversionary subscription rights or options on the Company's stock, was deleted at the last ordinary shareholders' meeting at the request of the Board of Directors.

Members of the Executive Board receive fixed annual compensation as well as performance- and profit-based variable compensation for their activities.

The performance- and profit-based variable compensation for members of the Executive Board is based on the quantitative and individual targets that are in the Company's and shareholders' long-term interests and re-determined annually by the Board of Directors.

4.4.1 Executive Board's variable compensation

The variable compensation of the members of the Executive Board is effected partially in cash and partially in Swiss Prime Site AG shares, according to the regulations. The variable compensation of the members of the Executive Board employed by Swiss Prime Site Group AG is paid in shares at 50%. For the other members of the Executive Board, drawing shares of up to 25% of the variable compensation is optional. The option to select shares for the current financial year must be exercised in each case no later than ten days following publication of the media release regarding the last annual financial results.

The individual goals to be stipulated include quantitative and qualitative targets, which in each case are based on the current financial year. Applicable are the following elements, targets and relevant weightings¹:

	INDIVIDUAL TARGETS (3–6 TARGETS)	BUSINESS-BASED TARGETS	COMPANY- BASED TARGETS	SCOPE OF DISCRETION
EB (SPS) ²	15% [30%]	5% [10%] NAV ⁴ SPS	30% [60%] EPS ⁵ SPS	+/- 10% [+/- 20%]
EB (CEOs of operating companies) ³	15% [30%]	15% [30%] weighted quantitative targets of group companies e.g. revenues, EBITDA	20% [40%] EPS ⁵ SPS	+/- 10% [+/- 20%]

¹ adjustment of weighting to 50% versus 100% in 2014, for enhanced transparency of variable compensation relative to fixed compensation; similar to upper limit of variable compensation

² Executive Board member employed by Swiss Prime Site Group AG

³ Executive Board member employed by the respective group company

⁴ net asset value

⁵ earnings per share

The individual targets for the new financial year are stipulated on an annual basis before the end of December. These comprise three to six standard, innovation and development targets. Depending on the functional area and sphere of influence, these are subdivided into various operating standards such as strategic or project-based targets, external financing ratios or vacancy rates.

The business-related targets for the members of the Executive Board not employed by Swiss Prime Site Group AG – who manage the operating businesses of Jelvoli AG, Tertium AG and Wincasa AG – pertain particularly to profit and revenue targets of the respective group companies.

Upon the request of the Compensation Committee, the Board of Directors determines the amount of target bonus as well as range for the two values of earnings per share (EPS) and net asset value (NAV) on an annual basis. Achievement of the quantitative targets is calculated based on the definitive annual results following the close of the financial year. Achievement of the individual targets is determined by the Board of Directors as recommended by the Compensation Committee, by means of weighting of the designated evaluation criteria and the specified range.

The definition of earnings per share (EPS) according to applicable internal regulations (bonus regulations) corresponds to that stated in the Financial Report: i.e. earnings per share (weighted) excluding revaluation effects and deferred taxes (see Financial Report, page 4), adjusted for the unforeseen extraordinary non-recurring effect of a shift of deferred taxes to taxes due, resulting from the package transaction between SPS Immobilien AG and the Swiss Prime Investment Foundation.

The definition of net asset value (NAV) according to bonus regulations is consistent with NAV after deferred taxes (see Financial Report, page 4).

When determining the variable compensation, the individual targets are weighted at 15% while the business- and company-based targets are weighted at 35% (for details see table above).

The ratio of base salary and performance-based share of compensation for the Executive Board (in percent of base salary) in the reporting and previous year is depicted in sections 5 and 6.

Regarding the individual and quantitative performances of the Executive Board members as well as the realised results, the Board of Directors is entitled to apply a percentage scope of discretion (so-called management discretion) of maximum $\pm 10\%$ based on the effective calculated bonus. In any case, the upper ceiling of the variable compensation is limited to 50% of the fixed compensation, even when the maximum scope of discretion is exhausted.

The scope of discretion ranging from the downside to the upside is applied on an individual basis according to necessity and at the sole discretion of the Board of Directors. The Board of Directors acts to the best of their knowledge and belief in exercising this scope of discretion, while at the same time taking into account various elements and influences, particularly qualitative factors such as contribution to corporate development and culture. From the viewpoint of the Board of Directors of Swiss Prime Site AG, this process also enables the management of a detailed and well-thought-out system for determining the variable compensation, without the potential of corrective measures in individual cases leading to unsatisfactory results. Such readjustments are not carried out arbitrarily, but rather determined by the Compensation Committee, taking into consideration the overall personal performance of the relevant person eligible for a bonus, and proposed to the Board of Directors.

The variable compensation (cash and proportion of shares) is effected in March of the subsequent year. The shares are allocated on the basis of the market price at the beginning of the financial year minus a 10% discount. The delivered shares are subject to blocking for a period of three years. The blocking provides for a tax rebate on the issue price, but includes no obligation to return or expiration, for example, given departure during the blocking period. The allocation mechanism and change in value of the shares in the course of the financial year may result in the value of the variable compensation slightly exceeding 50% of the fixed compensation.

4.5 Authority and determination of compensation

4.5.1 Articles of Association provisions for approval of Board of Directors' compensation

According to article 29 of the Articles of Association, the Annual General Meeting gives approval with binding effect each year at the ordinary shareholders' meeting of the aggregate maximum amount of compensation for the members of the Board of Directors for the respective current financial year (para. 1).

If the Annual General Meeting refuses approval, the Board of Directors may submit new proposals to the same Annual General Meeting for approval. If the Board of Directors does not submit any new proposals, or if the Annual General Meeting rejects the new proposals, the Board of Directors may convene a new Annual General Meeting (para. 2).

4.5.2 Articles of Association provisions for approval of Executive Board's compensation

According to article 32 of the Articles of Association, the Annual General Meeting gives approval with binding effect each year at the ordinary shareholders' meeting of the aggregate maximum amount comprising both the fixed and variable compensation of the members of the Executive Board for the respective current financial year (para. 1).

If the Annual General Meeting refuses approval, the Board of Directors may submit new proposals to the same Annual General Meeting for approval. If the Board of Directors does not submit any new proposals, or if the Annual General Meeting rejects the new proposals, the Board of Directors may convene a new Annual General Meeting (para. 2).

In the case of appointment of new members of the Executive Board after the approval by the Annual General Meeting, the additional amount per new member is 150% of the highest compensation paid to a member of the Executive Board in the financial year preceding the last ordinary shareholders' meeting. No approval by the Annual General Meeting is required for such additional compensation (para. 3).

An additional amount was paid for members of the Executive Board in two cases in the reporting year.

Markus Meier, previously ad interim CFO, was appointed CFO and member of the Executive Board as at 1 June 2015. His base salary as well as resulting bonus share incurred are included in the reported aggregate compensation of the Executive Board on a pro rata temporis basis (i.e. seven months in 2015). Only the remunerations that exceed the salary to date are depicted as additional expenditure in the consolidated financial statements. The additional expenditure that is not covered by the approved budget accordingly qualifies as additional compensation.

René Zahnd assumed the position as new the Chairman of the Executive Board as at 1 January 2016 and joined the Company as a member of the Executive Board on November 2015. His base salary is also included in the reported aggregate compensation of the Executive Board on a pro rata temporis basis (i.e. two months in 2015).

4.5.3 The Compensation Committee

The Compensation Committee comprises at least three members of the Board of Directors. Members of the Compensation Committee are each elected by the Annual General Meeting for a period of one year until the conclusion of the subsequent ordinary shareholders' meeting. Re-elections are permitted (article 22, para. 1).

The Board of Directors issues a regulation defining the Compensation Committee's duties, taking into account the law and the Articles of Association (article 22, para. 2).

According to paragraph 3, subject to the powers of the Annual General Meeting, the Compensation Committee has the following duties:

- > submitting proposals to the Board of Directors with regard to establishing principles, performance targets and assessment criteria regarding the fixed and variable compensation, subject to the law and the Articles of Association;
- > evaluation of the achievement of performance targets for the calculation of the variable compensation;
- > submitting proposals to the Board of Directors with regard to the determination of the maximum amount of the fixed compensation for the members of the Board of Directors and of the fixed and variable compensation for the members of the Executive Board to be proposed to the Annual General Meeting;
- > supervision in respect of compliance with the principles of compensation pursuant to the law, the Articles of Association and regulations as well as the resolutions of the Annual General Meeting with regard to compensation;
- > proposal of the Compensation Report;
- > carrying out all other activities assigned to it by law, the Articles of Association or regulations.

Determining the compensation of the Board of Directors and Executive Board is carried out at the request of the Compensation Committee through the Board of Directors, which submits the relevant proposals to the Annual General Meeting. The compensation of the Board of Directors and fixed compensation of the Executive Board are subject to review on an annual basis and re-determined if necessary. The determination is basically carried out within the scope of discretion taking into account a benchmark that is derived from similar large listed companies, preferably real estate companies. Noteworthy in comparing the compensation of the Board of Directors and members of the Executive Board employed by Swiss Prime Site Group AG is the fact that Swiss Prime Site's business model – with operating group companies in real estate-related business fields and a total workforce of roughly 4,500 employees – exhibits a heightened degree of complexity versus pure real estate companies. With the comparison of the compensation of members of the Executive Board that manage operating group companies, the composition of the benchmark is derived according to the respective areas of activity: i.e. in the real estate services, retail and assisted living business fields.

The Compensation Committee prepares the proposal for submission to the full Board of Directors regarding compensation among the Board of Directors. All members are present during the discussion and approval of the proposal by the Board of Directors.

The Annual General Meeting has been responsible for the approval of the fixed compensation of the Board of Directors as well as fixed and variable compensation of the Executive Board since 2015. Respective budgets for the compensation of the Board of Directors as well as for the fixed and variable compensation of members of the Executive Board are submitted to the Annual General Meeting for approval. The proposed budget amounts are regarded as maximum figures that would be expended in the case of achievement of the maximum targets and corresponding determination of bonus. The budget amounts also include a precautionary additional allowance for covering any increase in value of the share-based portion of the Board of Directors' compensation as well as the variable portion of the Executive Board's compensation that is remunerated in shares (see section 4.4.1).

The effective compensation paid out to the Board of Directors and Executive Board in the past financial year in each case is submitted to the next Annual General Meeting in the consultation process for approval. As proposed by the Board of Directors at the last Annual General Meeting, this system of retroactive approval via the consultation process for effective compensation paid out in the prior financial year as a supplementary procedure in addition to the advance approval in each case for the current financial year by means of maximum budgets has been formally incorporated into the Articles of Association (article 29 para. 3 and article 32 para. 4).

4.6 Activity of the Compensation Committee in the financial year 2015

Since the Compensation Committee acts as an advisory body reporting to the full Board of Directors, the Committee submits its proposals regarding assessments to the Board of Directors for approval.

The Compensation Committee held three meetings generally lasting two hours in the current year – of which one was carried out as a conference call – for the purpose of determining the achievement of targets and specifying the variable compensation (proposal to the Board of Directors) for the financial year 2015 as well as preparing for the relevant Annual General Meeting agenda items and enacting reports.

The topics here included the compensation of the Board of Directors and Executive Board, in particular, as well as the compensation of the executives and employees of Swiss Prime Site Group AG, in addition to the business performances and employees of the group companies. At the same time, the targets and ranges for the variable compensation of the Executive Board and others entitled to a bonus were determined as well. Comparisons of selected compensation were carried out with employees of other companies, and the compensation system was subject to review. Proposals regarding compensation for the Executive Board and the compensation system were the subjects of discussion, under exclusion of the Executive Board.

The Compensation Committee enlisted the services of external specialists for selected topics in the reporting year.

5 FIXED AND VARIABLE COMPENSATION IN 2015, ACHIEVEMENT OF TARGETS IN FINANCIAL YEAR 2015

The amount of fixed compensation to the Board of Directors (last revision for 2013) is still in effect and unchanged in 2015.

The amount of fixed compensation to the Executive Board members has been in effect since 2013 and was revised slightly in two cases in 2015. The increase amounted to a total of CHF 0.050 million.

The compensation of Executive Board members was also subject to comparison with market-conforming standards in 2015, in consultation with an expert. The compensation proved to be in conformity with the sector standards and hovers within the noted ranges. By third-party comparison, noteworthy is that Swiss Prime Site's business model featuring operating subsidiaries in real estate-related business fields and a total workforce of around 4500 employees exhibits a heightened degree of complexity versus pure real estate companies. This was also noted in the comparison of Board of Directors' compensation.

The variable compensation for the members of the Executive Board reflects the very good 2015 financial results.

The members of the Executive Board that manage the operating companies of Jelvoli AG, Tertianum AG and Wincasa AG have achieved the maximum value thanks to the Group's excellent financial results in terms of achievement of company-based targets (EPS). Furthermore, the members achieved an overall average of 47.16% of the possible 50% maximum variable compensation, with a high level of individual target achievement as well as high degree of achievement of the business-based targets. Consequently, the application of management discretion has been waived except for one case (Jelvoli AG). The application of management discretion acknowledges the remarkable business results achieved by the Jelvoli group company amid a very challenging market environment.

The members of the Executive Board employed by Swiss Prime Site Group AG have achieved an average of 14.25% of the possible maximum 15% individual target achievement. The quantitative target achievement (NAV and EPS, business- and company-based targets, see section 4.4.1) amounted to 35% of the maximum achievable value, so no management discretion was applied. Consequently, the overall target achievement amounted to an average of 49.33% of possible 50% of maximum variable compensation. This percentage is roughly 8% above the total target achievement of the previous year (41.4% of variable compensation).

The management discretion share in the reporting year amounted to a total of CHF 0.038 million, corresponding to roughly 0.6% of the total sum of compensation of the Executive Board.

The resulting total compensation to the Executive Board is depicted in the following section 6.2.

6 COMPENSATION TO THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

The effected compensation is disclosed according to the accrual accounting principle: i.e. all compensation is reported in the respective period (i.e. financial year) in which it is recorded in the financial statements.

Contributions made by the employer to pension funds, but not payments made by such funds in accordance with their regulations, are regarded as part of the compensation.

The following tables show a gross depiction of the compensation: i.e. including employer contributions.

6.1 Compensation to the Board of Directors

01.01.–31.12.2015

in CHF 1 000	Compensation in cash	Share-based compensation ¹	Other compensation components ²	Employer social security contributions	Gross compensation	Expense allowance
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	172	197	6	25	400	6
Dr. Thomas Wetzel, Vice-Chairman of the BoD	102	116	6	15	239	6
Christopher M. Chambers, member of the BoD	87	99	6	–	192	6
Dr. Bernhard Hammer, member of the BoD	87	99	6	13	205	6
Dr. Rudolf Huber, member of the BoD	92	105	6	14	217	6
Mario F. Seris, member of the BoD	87	99	6	13	205	6
Klaus R. Wecken, member of the BoD	–	–	6	–	6	12
Total compensation to the Board of Directors 2015, gross	627	715	42	80	1 464	48

¹ The shares are subject to blocking for four years.

² services and benefits in kind (provision of Swiss federal railways (SBB) general pass, gross)

01.01.–31.12.2014

in CHF 1 000	Compensation in cash	Share-based compensation ¹	Other compensation components ²	Employer social security contributions	Gross compensation	Expense allowance
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	172	199	6	26	403	6
Dr. Thomas Wetzel, Vice-Chairman of the BoD	102	118	6	16	242	6
Christopher M. Chambers, member of the BoD	87	100	6	–	193	6
Dr. Bernhard Hammer, member of the BoD	87	100	6	13	206	6
Dr. Rudolf Huber, member of the BoD	92	106	6	14	218	6
Mario F. Seris, member of the BoD	87	100	6	13	206	6
Klaus R. Wecken, member of the BoD	–	–	6	–	6	12
Total compensation to the Board of Directors 2014, gross	627	723	42	82	1 474	48

¹ The shares are subject to blocking for four years.

² services and benefits in kind (provision of Swiss federal railways (SBB) general pass, gross)

6.2 Compensation to the Executive Board

01.01.–31.12.2015

in CHF 1 000	Total Executive Board	Of which Markus Graf (CEO) ¹
Fixed compensation in cash, gross	3 832	1 400
Variable compensation in cash, gross	1 214	350
Share-based variable compensation ²	670	350
Other compensation components ³	130	123
AVS/invalidity insurance contributions	473	–
Other social security contributions	423	148
Total compensation to the Executive Board 2015, gross	6 742	2 371
Expense allowance	72	6

¹ highest compensation to the Executive Board

² The shares are subject to blocking for three years.

³ includes all compensation components not separately reported according to art. 14, para. 2 of the Swiss Ordinance Against Excessive Compensation in Listed Companies, e.g. provision of Swiss federal railways (SBB) general pass

01.01.–31.12.2014

in CHF 1 000	Total Executive Board	Of which Markus Graf (CEO) ¹
Fixed compensation in cash, gross	4 217	1 400
Variable compensation in cash, gross	1 140	297
Share-based variable compensation ²	678	297
Other compensation components ³	22	6
Termination benefits ⁴	1 500	–
AVS/invalidity insurance contributions	605	91
Other social security contributions	410	128
Total compensation to the Executive Board 2014, gross	8 572	2 219
Expense allowance	51	–

¹ highest compensation to the Executive Board

² The shares are subject to blocking for three years.

³ includes all compensation components not separately reported according to art. 14, para. 2 of the Swiss Ordinance Against Excessive Compensation in Listed Companies, e.g. provision of Swiss federal railways (SBB) general pass

⁴ including AVS/invalidity insurance contributions and other social security contributions of CHF 0.397 million

In connection with the departure of an Executive Board member effective as at end-2014 – termination of employment was carried out according to contract as at end-2015 – the compensation comprising variable remuneration for 2014 as well as fixed and variable remuneration for 2015 that was owed during the period of termination was deferred in the financial year 2014. The total deferral for 2015 including the social security and pension fund benefits accounted for by the Company amounting to CHF 1.5 million are included in total compensation to the Executive Board in 2014. This amount was not taken into account in determining the highest total compensation for 2014.

In addition to this deferral, the following deviations are noted versus the previous year:

One new member (Markus Meier, CFO) was appointed to the Executive Board as at 1 June 2015. Another new member (René Zahnd as designated successor to Markus Graf as CEO) joined the Executive Board as at 1 November 2015. The relevant base salaries including variable share of compensation are depicted on a pro rata temporis basis in the preceding table, showing compensation to the Executive Board for the period 1 January to 31 December 2015.

6.3 Supplemental amount for new Executive Board members

The total compensation to the Executive Board reported for the financial year 2015 exceeded the maximum amount authorised by the Annual General Meeting of 14 April 2015 by CHF 0.242 million (depicted as follows), due to additional compensation to the two newly appointed members of the Executive Board, according to the Annual General Meeting resolution.

in CHF 1 000

Maximum amount approved by the Annual General Meeting	8 000
Less share of accrued compensation in the previous year by reason of termination of employment relationship (included in compensation 2014)	– 1 500
Approved budget for Executive Board compensation for 2015	6 500
Total Executive Board compensation for 2015	6 742
Additional compensation for Executive Board members	242

The Board of Directors expended additional compensation for the remuneration of the two new Executive Board members amounting to CHF 0.242 million, according to article 32, para. 3 of the Articles of Association, for which approval by the Annual General Meeting is not required.

Amount and expenditure of the additional compensation is depicted in the following table:

Executive Board member	Position in financial year 2015	Date of appointment	Expenditure of additional compensation in CHF 1 000
Markus Meier	CFO	1 June 2015	47
René Zahnd	Designated CEO	1 November 2015	195
Total additional compensation			242

7 ADDITIONAL INFORMATION REGARDING CONTRACTUAL RELATIONSHIPS WITH THE BOARD OF DIRECTORS AND EMPLOYMENT CONTRACTS WITH THE EXECUTIVE BOARD

7.1 Additional activities of members of the Board of Directors and Executive Board

According to article 20 of the Articles of Association, the number of activities permitted in the supreme management or supervisory body of legal entities outside Swiss Prime Site is restricted. Further information and details can be found in the Corporate Governance Report.

7.2 Employment contracts of Executive Board members

According to article 23 of the Articles of Association, the contracts determining the compensation of the members of the Board of Directors and the Executive Board may be of fixed or unlimited term. The maximum duration of fixed-term contracts is one year. Renewal is permitted. The notice period for unlimited contracts may not exceed one year. These contracts may stipulate post-contractual non-competition clauses with a duration of up to one year. The compensation corresponds to the maximum amount of the last effected fixed annual compensation in proportion to the duration.

The current employment contracts of the members of the Executive Board are indefinite and include notice periods of six to twelve months. These contracts contain no extraordinary provisions, particularly no severance pay, no extraordinary clauses in the event of change of control over the Company, and no non-competition clause.

7.3 Summary of Executive Board's pension plans

Members of the Executive Board are covered by the respective pension plans of the relevant group companies as employer. These pension plans contain no provisions for members of the Executive Board that deviate from the regulations valid for all employees. There are three pension plans within

the SPS and Jelmoli pension funds for the employees of Swiss Prime Site Group AG, Jelmoli AG and Wincasa AG. Tertianum AG has a different insurance solution. The maximum contribution limits (maximum insured salary) are CHF 0.300 million to CHF 0.500 million. The employer contributions are graduated in a range between 10% and 14% depending on age and/or position.

7.4 No additional compensation for Board of Directors and Executive Board

Any compensation other than that stipulated in the Articles of Association and referred to in this report to members of the Board of Directors and Executive Board is prohibited. No compensation was effected to members of the Board of Directors and Executive Board in 2015 other than that referred to in section 6.

In connection with the departure of an Executive Board member as at end-2014 – termination of employment was carried out according to contract as at end-2015 – the compensation that was owed during the period of termination was deferred in the 2014 consolidated financial statements and included in the table in section 6.2 for the period 1 January to 31 December 2014.

No compensation was paid to former members of the Board of Directors and Executive Board in 2015. No compensation was effected relating to past activities as a corporate body (article 14, para. 1, section 4 of the Ordinance).

8 ADDITIONAL INFORMATION AND COMMENTS

8.1 Loans and credits, contributions to pension schemes for the Board of Directors and Executive Board

The previous article 21, para. 1 of the Articles of Association – according to which loans and credits to the members of the Board of Directors and the Executive Board may only be granted as an exception in justified cases, and the total sum of such loans and credits may not exceed CHF 0.500 million per member – was deleted without substitution at the last ordinary shareholders' meeting.

No loans or credits were granted to present or past members of the Board of Directors or the Executive Board in 2015, and there were none outstanding as at 31 December 2015.

8.2 Compensation, loans and credits to related persons

No compensation was paid, nor loans or credits granted, to related persons under non-market-conforming conditions in 2015, and there were none outstanding as at 31 December 2015.

The Audit Committee of Swiss Prime Site AG's Board of Directors enlisted external experts in the past financial year on a contractual basis as regular observers and effected compensation thereto totalling CHF 0.015 million plus CHF 0.003 million lump-sum expense allowance for the financial year 2015.

8.3 Enlisting compensation experts

In the process of enlisting external experts for structuring the compensation system, only those advisers are approached that hold no other position within Swiss Prime Site Group.

8.4 Investments

Information regarding investments held by members of the Board of Directors and Executive Board in Swiss Prime Site AG is included in note 3.4 «Shareholding rights for Board of Directors and Executive Board» to the Swiss Prime Site AG financial statements.

8.5 Business relations of Board of Directors members

No member of the Board of Directors has any significant business relationship with Swiss Prime Site AG or its group companies.





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FINANCIAL REPORT



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STRUCTURE OF THE ANNUAL REPORT

Swiss Prime Site's Annual Report is divided into three parts, all of which are available for download as PDF files via the website www.swiss-prime-site.ch.

Part
01

**STRATEGY AND
MANAGEMENT REPORT**

Part
02

**CORPORATE GOVERNANCE
AND COMPENSATION REPORT**

Part
03

FINANCIAL REPORT

NOTES FOR READERS

[] Previous year's figures are enclosed in brackets.

Translation: The original of this annual report is written in German. In the case of inconsistencies between the German original and this English translation, the German version shall prevail.

..... SUMMARY OF KEY FIGURES

SUMMARY OF KEY FIGURES

SUMMARY OF KEY FIGURES

	in	31.12.2014	31.12.2015	Change in %
Investment properties at fair value	CHF m	9 785.0	9 686.6	– 1.0
Rental income from properties	CHF m	443.1	445.9	0.6
Vacancy rate	%	6.6	6.7	1.5
Income from sale of trading properties	CHF m	–	105.1	n/a
Income from real estate services	CHF m	100.1	109.0	8.9
Income from retail ¹	CHF m	151.9	136.8	– 9.9
Income from assisted living ²	CHF m	153.3	184.2	20.2
Total operating income	CHF m	852.7	995.2	16.7
Revaluation of investment properties, properties under construction and development sites	CHF m	113.2	124.6	10.1
Result from investments in associates	CHF m	12.9	12.1	– 6.2
Result from investment property sales, net	CHF m	2.1	30.9	1 371.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	CHF m	497.9	582.6	17.0
Earnings before interest and taxes (EBIT)	CHF m	462.8	553.4	19.6
Profit	CHF m	286.7	355.1	23.9
of which attributable to non-controlling interests	CHF m	0.9	– 0.8	n/a
Comprehensive income	CHF m	288.2	377.1	30.8
of which attributable to non-controlling interests	CHF m	0.9	– 0.8	n/a
Shareholders' equity	CHF m	4 201.8	4 956.0	17.9
of which non-controlling interests	CHF m	1.6	0.2	– 87.5
Equity ratio	%	39.6	46.4	17.1
Borrowed capital	CHF m	6 400.3	5 734.6	– 10.4
Total capital	CHF m	10 602.1	10 690.6	0.8
Return on equity (ROE)	%	7.0	7.6	8.6
Return on invested capital (ROIC)	%	3.7	4.3	16.2
Earnings per share (EPS)	CHF	4.72	5.30	12.3
NAV before deferred taxes per share	CHF	84.77	85.83	1.3
NAV after deferred taxes per share	CHF	69.06	71.15	3.0

Figures excluding revaluation effects³

Earnings before interest and taxes (EBIT)	CHF m	349.6	428.9	22.7
Profit	CHF m	236.0	280.8	19.0
of which attributable to non-controlling interests	CHF m	–	– 0.2	n/a
Comprehensive income	CHF m	207.6	273.6	31.8
Earnings per share (EPS)	CHF	3.90	4.20	7.7
Return on equity (ROE)	%	5.9	6.1	3.4

¹ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

² 2015: acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

2014: sale of Permed AG as at 17.03.2014

³ revaluations and deferred taxes

..... VALUATION EXPERT'S REPORT

VALU ATION EXPERT'S REPORT

VALUATION EXPERT'S REPORT, WÜEST & PARTNER AG, ZURICH

The properties of Swiss Prime Site are valued by Wüest & Partner AG on a half-yearly basis (properties under construction on a quarterly basis) at their current fair values. The present valuation is valid as at 31 December 2015.

VALUATION STANDARDS AND PRINCIPLES

The fair value derived as at the balance sheet date 31 December 2015 coincides with the fair value described in the International Financial Reporting Standards (IFRS) according to IAS 40 «Investment Property» and IFRS 13 «Fair Value Measurement». In this context, fair value corresponds to the particular price that an independent market participant would receive for the sale of an asset under normal market conditions at the relevant valuation date (i.e. exit price).

DEFINITION OF FAIR VALUE

The exit price is the sales price stated in the purchase agreement to which the parties have mutually agreed. Transaction costs, usually consisting of brokerage commissions and transaction taxes as well as land register and notary costs, are not taken into account in determining fair value. Hence, the fair value is not adjusted for transaction costs incurred by the buyer at the time of sale, according to paragraph 25 of IFRS 13 (gross fair value), which corresponds to the valuation practice in Switzerland.

The valuation at fair value implies that the hypothetical transaction for the asset subject to valuation would take place on the market with the largest volumes and highest level of business activity (principal market) – as well as the market where transactions are executed with sufficient frequency and volume – so enough price information is available for that relevant market (active market). In the case that such a market cannot be identified, the principal market for the asset is assumed that maximises the sales price for the divestment of the particular asset.

IMPLEMENTATION OF FAIR VALUE

Fair value was determined for the first time as at 30 June 2013 on the basis of applying the «highest-and-best-use» standard for a property. Highest-and-best-use is the utilisation of a property that maximises its value. This assumption implies use that is technically/physically feasible, legally permissible and financially realisable. Since the measurement of fair value implies maximised utilisation, the highest and best use can deviate from the actual or planned use of a property. Future investment spending for a property's improvement or value growth is accordingly taken into account in the fair value.

Application of the highest-and-best-use approach is based on the principle of materiality of possible difference in value relative to the value of the particular property and total real estate assets, as well as relative to possible absolute difference in value. A property's potential added value, which fluctuates within the normal assessment tolerance of an individual valuation, is viewed as insignificant here and consequently disregarded.

Fair value is measured depending on the quality and reliability of the valuation parameters, with declining quality or reliability: level 1 market price, level 2 modified market price and level 3 model-based valuation. At the same time, different parameters at different hierarchies can be applied in measuring a property's fair value. Here, the overall valuation is categorised according to the lowest level of the fair value hierarchy, in which the valuation parameters are assigned the highest priority.

Determining the value of Swiss Prime Site's real estate portfolio is carried out with a model-based valuation technique according to level 3, based on input parameters that are not directly observable on the market, whereby adapted level 2 input parameters may be applied here as well (e.g. market rents, operating/maintenance costs, discount/capitalisation rates, proceeds from the sale of owner-occupied residential property). Unobservable input factors are applied only when relevant observable input factors are unavailable.

Valuation techniques are used that are appropriate for the given circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The relevant valuation technique used here is an income-based approach, modelled on the basis of the discounted cash flow valuation method widely applied in Switzerland.

Properties under construction and development sites designed for future use as investment properties are valued at project fair values, taking into account current market conditions, still-outstanding investment costs and a risk premium according to the progress of the project (IAS 40/IFRS 13).

Properties under construction that are designated for future divestment (e.g. apartments in freehold property) are valued at cost (IAS 40.9): i.e. current activities and costs are recognised and subsequent valuation carried out at the lower of cost and realisable value, according to IAS 2.

The valuation guarantees a high degree of transparency, uniformity, relevance and completeness. The relevant legal provisions, as well as the specific national and international standards, are complied with (i.e. regulations for real estate companies listed on SIX, IFRS and others). In order to ensure an independent valuation and thus the highest possible degree of objectivity, the business activity of Wüest & Partner AG excludes both trading and related transactions on a commission basis, as well as the management of properties. The valuation principles are always based on the most recent information regarding the properties and the real estate market. The data and documents pertaining to the properties are provided by the owner and assumed to be accurate. All real estate market data are derived from continuously updated databases held by Wüest & Partner AG (Immo-Monitoring 2016).

VALUATION METHOD

Investment properties are generally valued by Wüest & Partner AG according to the discounted cash flow (DCF) method, which corresponds to international standards and is also used in company valuations. The method is recognised – within the scope of general freedom of choice real estate valuations – in the context of best practice. According to the DCF method, the current fair value of a property is determined through deriving the sum of all future estimated net earnings (before interest, taxes, depreciation and amortisation = EBITDA) and discounting to the present, taking into consideration investments or future repair costs. The net earnings (EBITDA) per property are individually discounted independent of any relevant opportunities and threats, adjusting for the current market situation and risks. A detailed report for each property discloses all expected cash flows, therefore providing the greatest degree of transparency possible. In the report, attention is drawn to substantial changes compared with the previous valuation.

DEVELOPMENT OF THE REAL ESTATE PORTFOLIO

In the reporting period from 1 January to 31 December 2015, 12 properties were divested, while 2 properties and 1 finance lease were acquired and 1 partial acquisition of a plot of building land was carried out. One property was sub-divided.

Swiss Prime Site Group's real estate portfolio therefore changed on a net basis by minus eight properties and now comprises a total of 182 properties. In detail, 12 properties of various dimensions (Obere Bahnhofstrasse 14 in Affoltern am Albis; Via San Gottardo 99–99b in Bellinzona; Place Cornavin 10 and Quai du Seujet 30 both in Geneva; Schaffhauserstrasse 59 in Glattbrugg; Weinberglistrasse 4/Tribschenstrasse 62 in Lucerne; Bohl 1/Goliathgasse 6 in St. Gallen; Allmendweg 8/Riverside Business Park in Zuchwil; Hardstrasse 219/Maaghof North and East, Hönggerstrasse 40/Röschibachstrasse 22, Naphtastrasse 10/Maaghof North and East, and Turbinenstrasse 21/Maaghof North and East, all in Zurich) with total respective fair values of CHF 422.8 million as at 31 December 2014 were divested during the reporting period.

In the same period, the following 4 properties were acquired (1 project development property: Zürcherstrasse 39 in Schlieren; 1 existing property: comprising 3 condominiums at Ebnaterstrasse 45 in Wattwil; 1 finance lease: Buechenstrasse 8 in Stadel; 1 partial acquisition of a plot of building land: Route de Pré-Bois in Meyrin) with total respective fair values of CHF 57.1 million as at 31 December 2015.

The former development property at Müllackerstrasse 2,4/Bubenholz in Opfikon was added to the portfolio of existing properties for the first time as at 31 December 2015 (first valuation following completion).

The consolidated portfolio comprises 165 existing investment properties, 13 plots of building land including the above-mentioned partial acquisition, and 4 development sites (Viktoriastrasse 21, 21a, 21b in Berne; Zürcherstrasse 39 in Schlieren and Brandschenkestrasse 25 as well as Flurstrasse 55/Flurpark both in Zurich).

The total realised sales price for the divested properties amounted to CHF 452.9 million. The divestments took place on the open market at the prevailing market conditions.

Three development properties are currently in the construction phase:

- > The property at Viktoriastrasse 21, 21a, 21b in Berne comprises a conversion project with total renovations as well as a new building project with townhouses. Part of this future residential and commercial property should consist of condominiums, and construction will likely be concluded by 2021.
- > Zurich, Brandschenkestrasse 25 is an urban office property that is currently being transformed into a hotel.
- > In addition, the property at Flurstrasse 55/Flurpark in Zurich has undergone total renovation. Leasing of the property has been underway since 01.07.2015.

The development project for the Assisted Living segment at Müllackerstrasse 2, 4/Bubenholz in Opfikon commenced as at 1 April 2015, and the property is now included in the portfolio as a Vitadomo senior centre with geriatric care facility.

New building projects have been assessed at fair value on a quarterly basis since 1 January 2009, taking into account the specific risks associated with planning, production and leasing. The semi-annual valuations are only subject to review on a quarterly basis. New building projects that are designated for future divestment (e.g. apartments in freehold property) are valued at cost or the lower of cost and net realisable value.

A package transaction was executed with the Swiss Prime Investment Foundation during the reporting period.

VALUATION RESULTS AS AT 31 DECEMBER 2015

As at 31 December 2015, the fair value of Swiss Prime Site Group's overall real estate portfolio (total 182 properties) amounted to CHF 9 686.6 million. The fair value of the portfolio therefore decreased by CHF –98.4 million or –1.0% compared with the level at 31 December 2014. The details regarding the decrease in value are depicted in the table below.

CHANGES IN THE REAL ESTATE PORTFOLIO

in CHF m

Fair value as at 31.12.2014	9 785.0
+ changes in value of existing properties	221.6
+ purchase finance lease	16.2
Stadel, Buechenstrasse 8	16.2
+ acquisition of project	34.9
Schlieren, Zürcherstrasse 39	34.9
+ acquisition of existing properties	1.1
Wattwil, Ebnerstrasse 45	1.1
+ acquisition of building land	4.9
Meyrin, Route de Pré-Bois	4.9
+ first-time valuation after completion	9.5
Opfikon, Müllackerstrasse/Bubenholz	9.5
– minus divestments	– 422.8
Affoltern am Albis, Obere Bahnhofstrasse 14	– 8.8
Bellinzona, Via San Gottardo 99–99b	– 19.3
Geneva, Place Cornavin 10	– 25.8
Geneva, Quai du Seujet 30	– 15.1
Glattbrugg, Schaffhauserstrasse 59	– 5.6
Lucerne, Weinbergstrasse 4/Triebschenstrasse 62	– 59.4
St. Gallen, Bohn 1/Goliathgasse 6	– 26.9
Zuchwil, Allmendweg 8/Riverside Business Park	– 90.4
Zurich, Hardstrasse 219/Maaghof North and East	– 96.4
Zurich, Hönggerstrasse 40/Röschibachstrasse 22	– 29.4
Zurich, Naphtastrasse 10/Maaghof North and East	– 24.0
Zurich, Turbinenstrasse 21/Maaghof North and East	– 21.7
+ changes in value of building land	8.3
+ changes in value of projects	27.9
Berne, Viktoriastrasse 21, 21a, 21b	0.6
Zurich, Brandschenkestrasse 25	18.6
Zurich, Flurstrasse 55/Flurpark	8.7
Fair value as at 31.12.2015	9 686.6

The change in value in existing properties amounted to +2.6% compared with 1 January 2015. Of the 163 existing properties – excluding acquisitions (1), acquired finance lease (1), acquired project (1), plots of building land (13) and properties under construction (3) totalling 19 properties – 121 properties were valued higher, 0 property was valued the same and 42 properties were valued lower than at 1 January 2015.

The positive performance turned in by the Swiss Prime Site portfolio is attributable primarily to the continuing low interest rate environment and, in turn, to the resulting diminishing expectations for returns on the part of investors. Additional factors boosting the value of the portfolio include newly concluded contracts at much higher revenue levels, consummation of investments and generally high quality of the properties situated in prime locations.

Value losses can be attributed primarily to changed rental potential, newly concluded contracts at a lower level, adjusted revenue forecasts and vacancies, or adjusted vacancy risks, as well as in some cases higher cost estimates for future repair work.

Proceeds from the condominium units sold as at 31 December 2015 are reported in the income statement.

OUTLOOK FOR THE COMMERCIAL PROPERTY MARKETS

More than one year has passed since the Swiss National Bank (SNB) lifted the euro minimum exchange rate and reduced the target range for three-month LIBOR to between –1.25% and –0.25%. The SNB's decision abruptly changed the status quo for the Swiss economy and, in turn, for the local construction and real estate markets too. The consequences are still noticeable until today and should continue to affect the trend in the real economy and investment markets to some extent even in 2016.

In the wake of the measure taken by the SNB, Switzerland was spared from facing any shock-like economic crisis. Nevertheless, the strong Swiss franc posed problems particularly for exports of goods and services. For 2016, Wüest & Partner forecasts that gross domestic product (GDP) in Switzerland will edge up by roughly 1%, which is a below-average rate compared with the figure of the past five years (this assessment is also in line with the forecasts of relevant Swiss economic institutions). As in past years, this trend will be underpinned especially by private and public consumption.

The overall employment level in Switzerland grew by around 40 000 full-time equivalents between the second quarter of 2014 and second quarter of 2015. As a consequence of the anticipated cooldown in economic growth, however, expectations indicate that the pace of new job creation will slow down. The Swiss State Secretariat for Economic Affairs (SECO) predicts that the unemployment rate will edge up slightly to 3.6% by the end of 2016.

Structural change intensified in the past year, driven by strengthening of the Swiss franc, stepped-up global competition and technological innovations. This situation has painted an especially challenging picture for the commercial property sector. Particularly businesses in the hotel and restaurant industry as well as the retail sector have come under pressure, while the education, social services and health-care sectors are growing. At the same time, the individual sectors have stepped-up their focus on activities for which highly skilled workers are required. Furthermore, new technological opportunities have revolutionised the services sector as well as distribution channels for goods and services.

Parallel to the structural change, signs are apparent that companies have taken a somewhat cautious stance regarding expansion endeavours and investment activities, resulting from the uncertainties surrounding the legal and economic climate. The economic change should therefore continue to persist in the medium to long term.

Expectations indicate that the number of new building projects and building modification projects will decrease by 3.1% and 5.4%, respectively, in the current year. Although the trend in building permits even points to a more pronounced decline in new building activity, the reduction in effective construction activity is decelerating due to the fact that construction periods for major projects extend over several years. Building modification activities have diminished as well, because many owners have renovated their commercial properties in the interim in order to make them marketable again.

With the introduction of negative interest rates at the outset of last year, indirect real estate investments experienced a strong boost. In fact, stock exchange-listed Swiss real estate companies and real estate funds exhibited robust share price gains already in January and February 2015. Consequently, premiums also surged and soon noticeably surpassed their historical averages. The strong share price gains subsequently underwent corrections again, with prices on the WUPIX-A (real estate companies) and WUPIX-F (real estate funds) at the end of June hovering back at the same levels as those prior to 15 January 2015. The brisk demand for real estate investments triggered two more share price rallies in the second half-year 2015, while the traditional stock market exhibited significant fluctuations. For the full-year 2015, the average total returns for listed real estate companies and real estate funds amounted to 9.2% and 4.2%, respectively. Real estate companies and real estate funds have also kicked off the year 2016 with a positive performance compared with the overall Swiss stock market. Hence, the situation for indirect real estate investments paints a favourable picture as at the beginning of this year too.

In view of the effective absence of returns on risk-free assets (for example, ten-year government bonds), direct real estate investments also remain very attractive. Investment appetite on the part of institutional as well as private investors increased anew last year, leading to further rising transaction prices. Net initial returns declined as a result. The lowest returns on commercial properties (2.3%) are currently being realised on transactions in prime locations in Zurich City. Returns here had hovered at 2.7%

prior to the introduction of negative interest rates. Expectations indicate that net initial returns will continue to waver at the present levels during the current year. Interested buyers should remain more selective and critical for properties situated in unfavourable locations with high vacancy rates or structural defects.

Office property market

The fact that the supply-side figures for the office property market have stabilised since the first quarter of 2015 is attributable primarily to diminishing construction activity in this sector since 2013. On the demand side, any additional impetus through new and expanding companies leaves something to be desired. However, the existing sources of demand continue to remain relatively mobile. Factors taken into account regarding relocation often include rent prices and operating expenses as well as location considerations in particular. The more closely office properties are adapted to the changing needs of tenants, the more promising are the prospects for finding new tenants.

Rent prices for market office floor space edged up by 2.9% last year. The increase can be attributed to the level of construction activity of recent years, among other things. On the one hand, many new properties were constructed in well-developed locations. On the other hand, the condition and in some cases also the construction standards of older buildings were improved, in order to ensure the prospects for higher, or at least stable, rents. Market rents are currently coming under further pressure, so Wüest & Partner forecasts a dip in prices of 2.4% in 2016.

Declines in prices are already visible in closing rents. The quality-adjusted price index for newly concluded rental agreements reveals decreasing prices in many locations. Prices in Switzerland declined by an average of 1.2% between mid-2014 and mid-2015, meaning that rents for equally valued floor space are sinking, and landlords are increasingly being compelled to make rent price concessions.

Retail property market

Market retail floor space had increased at the end of last year to more than 500 000 square metres per quarter, thus reaching levels that were last registered in 2006. Retail rent prices have come under heavier pressure due to the significantly greater supply. Accordingly, market rents in Switzerland dropped by an average of 3.3% during 2015. No change in this trend is expected in the current year either. Wüest & Partner forecasts a decline in retail rent prices of 3.2% in 2016.

The fact that rents are expected to decrease is attributable to various factors. First, shopping abroad remains attractive for the Swiss people due to the strong Swiss franc. Second, online shopping activity has continued to surge strongly, which further squeezes retail sales. And third, the trend in retail sales has been heading downward in the meantime. In fact, seasonally adjusted real retail sales dipped by 2.2% at end-November 2015 versus the comparable previous year's month.

Wüest & Partner AG
Zurich, 20 January 2016

Andreas Ammann
Partner

Gino Fiorentin
Partner

ANNEX:

VALUATION ASSUMPTIONS

VALUATION ASSUMPTIONS AS AT 31 DECEMBER 2015

In addition to the previous comments on the valuation standards and methods, the most significant general valuation assumptions for the present valuations are presented in the following section.

INVESTMENT PROPERTIES INCLUDING BUILDING LAND

Property valuations are fundamentally determined on a going-concern basis applying the «highest and best use» standards. At the same time, the valuation is based on the current rental situation and present condition of the property. Beyond the expiry of the existing rental agreements, earnings forecasts are based on the current market level.

On the cost side, the repair and maintenance costs as well as recurring property management costs are taken into account that are required to ensure realisation of sustainable income.

The valuation assumption is based on an average and expedient property management strategy. The specific scenarios of the owner are disregarded, or taken into account only to the extent that specific rental agreements had been made, or as far as they also seem plausible and practical to a third party. Possible optimisation measures consistent with the market – such as an improved rental situation in the future – are taken into account.

The valuation or calculation period (DCF method) extends for 100 years from the valuation date. A more detailed cash flow forecast is prepared for the first ten years, while approximate annualised assumptions are made for the remainder of the term.

The valuation implicitly assumes an annual inflation rate of 1.0%. However, cash flows and discount rates are generally reported on a real basis in the valuation reports.

The specific indexing of the existing rental agreements is taken into account. Following expiry of the agreements, an average indexing rate of 80% is used for the calculation, and rents are adjusted to the market level once every five years. Payments are generally assumed to be made monthly in advance after expiry of the rental agreements.

At the operating cost (owner's cost) level, it is generally assumed that completely separate ancillary cost accounts are maintained, and that ancillary and operating costs are outsourced, insofar as this is permitted by law. Maintenance costs (repair and maintenance costs) are determined on the basis of benchmarks and model calculations. The residual lifetime of the individual parts of the buildings is determined on the basis of a rough estimate of their condition, the regular renewal is modelled and the resulting annuities are calculated. The calculated values are subjected to a plausibility check based on benchmarks set by Wüest & Partner AG and figures for comparable properties. Repair costs are included in the calculation at 100% for the first ten years, while the earnings forecast takes into account, where appropriate, possible increases in rent. From the 11th year, repair costs of up to 50% to 70% are allowed (value-preserving components only) without including possible rent increases. Costs for cleaning up contaminated sites are not quantified in the individual valuations and are to be considered separately by the Company.

The relevant discounting method is based on constant monitoring of the real estate market and is derived from models with plausibility checks, on the basis of a real interest rate that consists of the risk-free interest rate (long-term government bonds) plus general real estate-related risks in addition to property-specific premiums. The risk is then adjusted for each property individually. The average real discount rate, weighted by fair value, applied to investment properties (existing properties includ-

ing initial valuation following completion) is 3.66% in the current valuation. Assuming an inflation rate of 1.0%, this rate corresponds to a nominal discount rate of 4.69%. The lowest real discount rate applied to a particular property is 2.7%, while the highest is 5.3%.

The valuations are based on the rental tables of the property managers as at 1 January 2016, as well as on floor space details provided by the Company/property managers

Risks relating to credit ratings of individual tenants are not explicitly taken into account in the valuation since it is assumed that appropriate contractual safeguards were concluded.

PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT SITES

Properties under construction and development sites designed for future use as investment properties are valued at project fair values, taking into account current market conditions, still-outstanding investment costs and a risk premium according to the progress of the project (IAS 40/IFRS 13).

Properties under construction that are designated for future divestment (e.g. apartments in freehold property) are valued at cost: i.e. current activities and costs are recognised and subsequent valuation carried out at the lower of cost and realisable value, according to IAS 2. Planned or possible construction development as at the balance sheet date is therefore valued on the basis of the same assumptions and methods used for investment properties. To determine the current fair value as at the balance sheet date, the still-outstanding investment costs are taken into account in the cash flows, and the additional risks are reported as a return premium on the discount rate. Information regarding projected construction work, schedules, building costs and future rentals is obtained from Swiss Prime Site AG insofar as it is specifically available (building permits, plans, cost calculations/investment applications, etc.) or appears to be plausible.

DISCLAIMER

The valuations carried out by Wüest & Partner AG represent an economic assessment based on available information, most of which was provided by Swiss Prime Site AG. Wüest & Partner AG did not conduct or commission any legal, structural engineering or other specific clarifications. Wüest & Partner AG assumes that the information and documents received are accurate. However, no guarantee can be provided in this respect. Value and price may deviate from each other. Specific circumstances that influence the price cannot be taken into account when making a valuation. The valuation performed as at the reporting date is only valid at that specific point in time and may be affected by subsequent or yet unknown events, in which case a revaluation would be necessary.

Since the accuracy of valuation results cannot be guaranteed objectively, no liability can be derived from it for Wüest & Partner AG and/or the author.

Zurich, 20 January 2016

..... **CONSOLIDATED FINANCIAL STATEMENTS**

CONSOLI DATED FINANCIAL STATE MENTS

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF SWISS PRIME SITE AG, OLTEN

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Prime Site AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes (pages 18 to 82, 104 to 111) for the year ended 31 December 2015.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange as well as the Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Claudius Rüeggsegger
Licensed Audit Expert

Zurich, 7 March 2016

CONSOLIDATED INCOME STATEMENT

in CHF 1 000	Notes	01.01.– 31.12.2014	01.01.– 31.12.2015
Rental income from properties	4/5	443 113	445 871
Income from sale of trading properties	4/5	–	105 081
Income from real estate services	4/5	100 084	109 004
Income from retail	4/5	151 855	136 808
Income from assisted living	3/4/5	153 259	184 152
Other operating income	4/5	4 361	14 294
Operating income		852 672	995 210
Revaluation of investment properties, properties under construction and development sites, net	4/18	113 234	124 571
Result from investments in associates	6	12 912	12 118
Result from investment property sales, net	4/7	2 062	30 910
Result from sale of participations, net	3/4	810	–
Real estate costs	4/8	– 96 324	– 103 312
Cost of trading properties sold	4	–	– 62 917
Cost of goods sold	4	– 87 881	– 84 724
Personnel costs	4/9	– 247 963	– 269 244
Other operating expenses	4/10	– 51 629	– 60 023
Depreciation, amortisation and impairment	4	– 35 092	– 29 159
Operating expenses		– 518 889	– 609 379
Operating profit (EBIT)		462 801	553 430
Financial expenses	11	– 99 968	– 100 753
Financial income	11	2 782	4 615
Profit before income taxes		365 615	457 292
Income tax expenses	12	– 78 957	– 102 231
Profit		286 658	355 061
Profit attributable to shareholders of Swiss Prime Site AG		285 763	355 905
Profit/loss attributable to non-controlling interests		895	– 844
Earnings per share (EPS), in CHF	27	4.72	5.30
Diluted earnings per share, in CHF	27	4.40	5.18

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1 000	Notes	01.01.– 31.12.2014	01.01.– 31.12.2015
Profit		286 658	355 061
Revaluation of owner-occupied properties	19	38 972	38 032
Deferred taxes on revaluation of owner-occupied properties	12	– 8 966	– 8 754
Remeasurement of net defined benefit obligations	9	– 36 828	– 9 356
Deferred taxes on remeasurement of net defined benefit obligations	12	8 404	2 125
Items that will not be reclassified subsequently to profit or loss		1 582	22 047
Items that will be reclassified subsequently to profit or loss		–	–
Other comprehensive income after income taxes		1 582	22 047
Comprehensive income		288 240	377 108
Comprehensive income attributable to shareholders of Swiss Prime Site AG		287 345	377 952
Comprehensive income attributable to non-controlling interests		895	– 844

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

in CHF 1 000	Notes	31.12.2014	31.12.2015
Assets			
Cash	13	257 196	234 929
Securities		477	482
Accounts receivable	14	126 097	80 432
Other current receivables		10 068	27 138
Current income tax assets		10 707	4 634
Inventories	15	25 532	25 549
Trading properties	16	45 747	–
Accrued income and prepaid expenses		35 715	33 482
Assets held for sale	17/18	254 418	–
Total current assets		765 957	406 646
Other non-current receivables		425	–
Pension plan assets	25	8 067	8 963
Non-current financial investments		1 261	1 261
Investments in associates		37 599	47 494
Investment properties and building land	18	8 424 867	8 445 335
Properties under construction and development sites	18/28	228 470	346 690
Owner-occupied properties	19	778 656	894 582
Owner-occupied properties under construction	19	52 890	–
Tangible assets	20	51 476	64 590
Goodwill	21	166 311	369 520
Intangible assets	21	78 092	80 524
Deferred tax assets	12/24	8 002	24 960
Total non-current assets		9 836 116	10 283 919
Total assets	4	10 602 073	10 690 565
Liabilities and shareholders' equity			
Accounts payable	22	16 151	13 307
Current financial liabilities	23	714 300	572 105
Other current liabilities		138 772	127 171
Advance payments	14	104 766	33 046
Current income tax liabilities		17 809	44 412
Accrued expenses and deferred income	22	101 900	96 708
Total current liabilities		1 093 698	886 749
Non-current financial liabilities	23	4 251 522	3 689 488
Other non-current financial liabilities	23	9 484	6 871
Deferred tax liabilities	12/24	963 412	1 035 945
Pension provision obligations	25	82 156	115 546
Total non-current liabilities		5 306 574	4 847 850
Total liabilities	4	6 400 272	5 734 599
Share capital	26	930 555	1 065 668
Capital reserves	26	781 123	1 023 578
Revaluation reserves	26	72 792	102 027
Retained earnings	26	2 415 735	2 764 450
Shareholders' equity attributable to shareholders of Swiss Prime Site AG		4 200 205	4 955 723
Non-controlling interests		1 596	243
Total shareholders' equity		4 201 801	4 955 966
Total liabilities and shareholders' equity		10 602 073	10 690 565

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1 000	Notes	adjusted ¹	01.01.–
		31.12.2014	31.12.2015
Profit		286 658	355 061
Depreciation, amortisation and impairment	4	35 092	29 159
Result from investment property sales, net	4/7/17	– 2 062	– 30 910
Result from sales of participations, net	3/4	– 810	–
Result from investments in associates		– 12 912	– 12 118
Revaluation of investment properties, properties under construction and development sites, net	4	– 113 234	– 124 571
Other non-cash items affecting net income		1 828	2 314
Financial expenses	11	99 968	100 753
Financial income	11	– 2 782	– 4 615
Income tax expenses	12	78 957	102 231
Change in inventories		844	673
Change in trading properties	16	– 17 346	46 381
Net change in other current assets		– 13 203	42 510
Net change in recognised pension plan assets/liabilities	25	1 493	2 270
Net change in other non-current receivables		1 700	425
Change in operating current liabilities		6 069	– 90 207
Income tax payments	12	379 460	– 30 935
Cash flow from operating activities		729 720	388 421
Investments in investment properties and building land	18	– 177 343	– 113 004
Investments in properties under construction and development sites	18	– 116 188	– 64 855
Investments in owner-occupied properties	19	– 2 230	– 2 560
Investments in owner-occupied properties under construction	19	– 43 246	– 12 690
Divestments of investment properties and building land	17/18	65 433	271 533
Divestments of properties under construction and development sites	18	–	152 031
Divestments of owner-occupied properties	19	–	2 800
Divestments of owner-occupied properties under construction	19	–	28 631
Acquisition of participations and operating businesses, less acquired cash	3	411	– 145 308
Divestments of participations, less divested cash	3	4 136	–
Investments in intangible assets	21	– 3 909	– 5 324
Investments in tangible assets	20	– 10 835	– 14 106
Divestments of securities		5	–
Interest payments received	11	1 036	768
Dividends received		2 380	2 489
Cash flow from investing activities		– 280 350	100 405
Increase in financial liabilities	23	6 263 300	2 023 000
Redemption of financial liabilities	23	– 6 929 043	– 2 574 919
Redemption of convertible bond	23	–	– 26 085
Issues of bonds	23	600 000	–
Cost of bonds		– 4 336	–
Acquisition of non-controlling interests without change of control		–	– 1 000
Interest payments made	11	– 107 220	– 105 126
Distribution from capital contribution reserves	26	– 217 801	– 235 611
Share capital increase	26	–	91 343
Premium from capital increase		–	332 732
Cost of capital increase		–	– 12 997
Purchase of treasury shares	26	– 736	– 2 430
Cash flow from financing activities		– 395 836	– 511 093
Change in cash		53 534	– 22 267
Cash at beginning of period		203 662	257 196
Cash at end of period		257 196	234 929

¹ see Note 2.2 «amendments relative to IFRS accounting principles»

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in CHF 1 000	Notes	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Shareholders' equity attributable to shareholders of Swiss Prime Site AG	Non-controlling interests	Total shareholders' equity
Total as at 01.01.2014		925 697	980 466	42 786	2 158 396	4 107 345	–	4 107 345
Profit		–	–	–	285 763	285 763	895	286 658
Revaluation of owner-occupied properties	19	–	–	38 972	–	38 972	–	38 972
Deferred taxes on revaluation of owner-occupied properties	12	–	–	– 8 966	–	– 8 966	–	– 8 966
Remeasurement of net defined benefit obligations	25	–	–	–	– 36 828	– 36 828	–	– 36 828
Deferred taxes on remeasurement of net defined benefit obligations	12	–	–	–	8 404	8 404	–	8 404
Other comprehensive income after income taxes		–	–	30 006	– 28 424	1 582	–	1 582
Comprehensive income		–	–	30 006	257 339	287 345	895	288 240
Increase to a majority shareholding with non-controlling interests	3	–	–	–	–	–	701	701
Distribution from capital contribution reserves on 25.04.2014	26	–	– 217 801	–	–	– 217 801	–	– 217 801
Conversion of 4 507 units of the CHF 300 million convertible bond into 317 521 registered shares	26	4 858	17 298	–	–	22 156	–	22 156
Share-based compensation		–	1 896	–	–	1 896	–	1 896
Purchase of treasury shares	26	–	– 736	–	–	– 736	–	– 736
Total as at 31.12.2014		930 555	781 123	72 792	2 415 735	4 200 205	1 596	4 201 801
Profit		–	–	–	355 905	355 905	– 844	355 061
Revaluation of owner-occupied properties	19	–	–	38 032	–	38 032	–	38 032
Sale of owner-occupied properties		–	–	– 43	43	–	–	–
Deferred taxes on revaluation of owner-occupied properties	12	–	–	– 8 754	–	– 8 754	–	– 8 754
Remeasurement of net defined benefit obligations	25	–	–	–	– 9 356	– 9 356	–	– 9 356
Deferred taxes on remeasurement of net defined benefit obligations	12	–	–	–	2 123	2 123	–	2 123
Other comprehensive income after income taxes		–	–	29 235	– 7 190	22 045	–	22 045
Comprehensive income		–	–	29 235	348 715	377 950	– 844	377 106
Acquisition of shareholding with non-controlling interests	3	–	–	–	–	–	491	491
Acquisition of non-controlling interests without change of control		–	–	–	–	–	– 1 000	– 1 000
Distribution from capital contribution reserves on 21.04.2015	26	–	– 235 611	–	–	– 235 611	–	– 235 611
Conversion of 40 607 units of the CHF 300 million convertible bond into 2 860 803 registered shares	26	43 770	155 976	–	–	199 746	–	199 746
Capital increase on 29.05.2015	26	91 343	321 991	–	–	413 334	–	413 334
Share-based compensation		–	2 529	–	–	2 529	–	2 529
Purchase of treasury shares		–	– 2 430	–	–	– 2 430	–	– 2 430
Total as at 31.12.2015		1 065 668	1 023 578	102 027	2 764 450	4 955 723	243	4 955 966

The Notes form an integral part of the consolidated financial statements.

1 BUSINESS ACTIVITIES

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations, primarily with commercially utilised floor space as well as project developments. The investment focal point is aimed at properties and projects with sustainable, attractive returns and long-term value-boosting potential. The real estate portfolio is actively managed. In addition, Swiss Prime Site operates in real estate-related business fields aimed at strengthening and broadening the earnings base, in addition to diversifying risks.

Further information regarding the individual business fields can be found in Note 4 «Segment reporting».

2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Principles of consolidated reporting

The Company's consolidated financial statements were produced in accordance with International Financial Reporting Standards (IFRS) and correspond to article 17 of the Directive on Financial Reporting of the Swiss stock exchange (SIX Swiss Exchange). The consolidated financial statements comprise the holding company as well as its group companies (hereinafter jointly referred to as «group companies»).

The consolidated financial statements are essentially based on the historical cost principle. Deviations from this principle are referred to in Notes 2.8 to 2.39. These apply to the investment properties, properties and owner-occupied properties under construction, development sites (except those designated for divestment) and owner-occupied properties. In accordance with the fair value model of IAS 40 «Investment property» and due to the revaluation model of IAS 16 «Property, plant and equipment», these properties are valued at fair value. In addition, securities and derivatives are recognised at stock-exchange prices or at fair values as at the balance sheet date. The significant accounting principles are explained in the following section.

These consolidated financial statements were prepared in Swiss francs (CHF). All amounts, except for the figures per share, are rounded to CHF 1000. All group companies maintain their accounts in Swiss francs as well. Transactions denominated in foreign currencies are immaterial.

2.2 Amendments relative to IFRS accounting principles

Apart from the changes described below, the applicable accounting principles remain the same as in the previous year. As at 1 January 2015, Swiss Prime Site introduced the following new or revised standards and interpretations:

Standard/ interpretation	Title
IAS 19 rev.	Defined benefit plans: Employee contributions
Various	Annual improvements to IFRSs 2010–2012 cycle
Various	Annual improvements to IFRSs 2011–2013 cycle

The amendments had no significant impact on these consolidated financial statements.

The following new and revised standards and interpretations have been adopted, but will go into effect at a later time and were not prematurely applied to these consolidated financial statements. The impact thereof on Swiss Prime Site's consolidated financial statements has not yet been systematically analysed, so the estimated effects as disclosed in the following section represent only an initial assessment by the Executive Board.

Standard/ interpretation	Title	Impact	Entering into force	Planned application by Swiss Prime Site
IAS 1	Disclosure initiative	1	01.01.2016	Financial year 2016
IAS 16/IAS 38 rev.	Clarification of acceptable methods of depreciation and amortisation	1	01.01.2016	Financial year 2016
IAS 16/IAS 41 rev.	Bearer plants	1	01.01.2016	Financial year 2016
IAS 27	Equity method in separate financial statements	1	01.01.2016	Financial year 2016
IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1	to be determined ¹	to be determined ¹
IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception	1	01.01.2016	Financial year 2016
IFRS 11 rev.	Accounting for acquisitions of interests in joint operations	1	01.01.2016	Financial year 2016
IFRS 14	Regulatory deferral accounts	1	01.01.2016	Financial year 2016
Various	Annual improvements to IFRSs 2012–2014 cycle	1	01.01.2016	Financial year 2016
IFRS 15	Revenue from contracts with customers	2	01.01.2018	Financial year 2018
IFRS 9	Financial instruments	2	01.01.2018	Financial year 2018

1 No or no significant impact on the consolidated financial statements is anticipated.

2 The effects on the consolidated financial statements cannot yet be determined with sufficient certainty.

¹ The effective date for these amendments was due to be 1 January 2016. In December 2015 the IASB has postponed the effective date for an indefinite period of time, as it believes that they could be affected by the outcome of its current research project on equity accounting. Early adoption continues to be permitted.

Presentation of interest paid and interest received in the consolidated cash flow statement was adjusted. Now, interest paid is reported as part of cash flow from financing activities and interest received as part of cash flow from investing activities, rather than as part of cash flow from operating activities. Swiss Prime Site believes that the new presentation more appropriately takes into account the standardised view of borrowing costs and the cost of equity. The effect of this adjustment on the consolidated cash flow statement is as follows:

in CHF 1 000	2014 reported	2014 adjustment	2014 adjusted	2015 before adjustment	2015 adjustment	2015 reported
Cash flow from operating activities	623 536	106 184	729 720	284 063	104 358	388 421
Cash flow from investing activities	– 281 386	1 036	– 280 350	99 637	768	100 405
Cash flow from financing activities	– 288 616	– 107 220	– 395 836	– 405 967	– 105 126	– 511 093

2.3 Valuations and assumptions

The preparation of semi-annual and annual accounts in accordance with IFRS accounting principles requires the use of appraisal values and assumptions that influence the amounts recognised as assets and liabilities, the disclosure of contingent assets and liabilities as at the balance sheet date and the revenues and expenses recognised during the reporting period. Although these appraisal values have been determined by Swiss Prime Site according to the best knowledge of the Executive Board with respect to current events and possible future measures, the results actually achieved may deviate from these appraisal values.

Fair value measurements

A number of Swiss Prime Site's accounting principles and disclosures require measurement of certain financial assets and liabilities at fair value. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly business transaction between market participants at the measurement date.

Swiss Prime Site uses, to the extent possible, the data observable in the market for the measurement of fair value of an asset or liability. Based on the input factors used in the valuation techniques, fair value is classified in various levels of the fair value hierarchy, as follows:

Fair value hierarchy

Level 1	Fair value was determined on the basis of quotations in active markets for identical assets and liabilities.
Level 2	Fair value was determined on the basis of input factors other than the quotations of level 1. The input factors for financial assets and liabilities in markets must be directly (for example quotations) or indirectly (for example derived from quotations) observable.
Level 3	Fair value was determined on the basis of input factors which are not based on observable markets.

When the input factors used to measure the fair value of an asset or liability might be classified in various levels of the fair value hierarchy, the fair value is categorised in its entirety in the same level of the fair value hierarchy as the lowest factor that is significant to the entire measurement.

The group holds investment properties, building land, properties under construction and development sites as well as properties held for sale with a book value of CHF 8792.025 million [CHF 8907.755 million], owner-occupied properties and owner-occupied properties under construction with a book value of CHF 894.582 million [CHF 831.546 million]. The properties are measured at fair value according to the principles of IFRS 13 «Fair value measurement». The valuations are based on estimates and assumptions that are described in Note 18 «Investment properties».

Impairment of goodwill and brand names

With respect to goodwill and brand names with indefinite useful life, assumptions as to the calculation of the value in use are applied in the impairment test, which is performed at least annually. The main assumptions with regard to the calculation of value in use are growth rates and discount rates. These assumptions may prove to be incorrect in the future. Moreover, the effective cash flows may differ from the discounted projections.

The book values based on these assumptions and valuations are specified in Note 21 «Goodwill and intangible assets».

Deferred taxes

Deferred tax liabilities are calculated on the valuation difference between the book value of an asset or a liability for consolidation purposes and the value relevant for tax purposes. In principle, deferred taxes are to be apportioned on all temporary differences at the current or future anticipated and full rate (balance sheet liability method).

If the revaluation of properties under IFRS compared with the tax base is due to recaptured, previously claimed depreciation, the tax is reported and treated separately on an individual property basis and taking into account the property gains tax.

Revaluations exceeding the recapture of previously claimed depreciation are taxed using two different systems. In cantons that do not levy any special taxes, the tax on the property gain is calculated at the respective valid maximum income tax rates. The other cantons levy a separate property gains tax, which also contains speculation premiums or discounts relating to and depending on the effective duration of ownership, in addition to the ordinary rate for property gains tax.

Accordingly, property gains taxes are reduced in proportion to the increased duration of ownership of the property. Swiss Prime Site generally assumes ownership for a minimum period of 20 years, meaning that potential speculation premiums are not taken into account. Determination of the minimum holding period is subject to considerable discretion. Devaluations below cost (losses) can also be taken into account due to the practice of the Swiss Federal Court and the circulation letter 27 of the Swiss Tax Conference dated 15 March 2007 regarding intercantonal loss offsetting.

Of the total losses carried forward, deferred tax assets are only recognised if the losses carried forward can probably be offset against future profits.

The tax liabilities resulting from these assumptions and valuations are described in Note 24 «Deferred tax liabilities».

2.4 Scope of consolidation and consolidation methods

The consolidated financial statements of Swiss Prime Site comprise Swiss Prime Site AG and all its group companies, controlled directly or indirectly via majority of votes or under a single management. These subsidiaries are included in the financial statements within the scope of full consolidation.

The scope of consolidation comprises 17 [15] companies (including the Holding Company). An overview of the group companies is provided in Note 31 «Group companies and investments in associates».

The consolidation is based on the audited annual financial statements of the group companies as at 31 December 2015, which have been prepared applying uniform accounting principles. All significant transactions and balances between the individual group companies as well as intercompany profits are eliminated.

Investments in associates in which Swiss Prime Site exercises a decisive influence, but which it does not control, are valued according to the equity method. In this case, the fair value of the pro-rated net assets is determined at the time of acquisition. These investments are recognised for the first time as pro-rated equity including any goodwill as investments in associates. In subsequent reporting periods after the acquisition, this value is adjusted to reflect Swiss Prime Site's share in the additional equity generated or net income earned. All balances/transactions with investments valued according to the equity method are reported separately as items with associates.

Companies in which Swiss Prime Site holds an investment of less than 20% are recognised at fair value (provided that this value can be reliably determined), either as securities or as non-current financial investments.

Investments in subsidiaries and associates are included in the consolidated financial statements from the time when control of the subsidiaries or associates is taken – or when significant influence is gained – and they are no longer included from the time when control is relinquished or significant influence is lost. These two dates are not necessarily identical to the date of acquisition or sale.

2.5 Capital consolidation

Capital consolidation is carried out using the purchase method. The difference between the purchase price of an acquired company and the fair value of the net assets acquired is recognised in the balance sheet as goodwill from acquisitions. Goodwill is subject to an impairment test annually or at shorter intervals, if there is any indication of impairment.

2.6 Segment reporting

Segment reporting complies with IFRS 8 «Operating segments» and is based on the management approach. Swiss Prime Site's primary decision-making authority is the Executive Board. The group's operational activities are divided into three segments that are subject to reporting requirements: Real Estate (comprising purchase and sale, lease and development of properties, as well as real estate services and the central group functions); Retail (consisting of sales activities in the retail trade); and Assisted Living (providing senior residences and geriatric care services). All properties are basically reported under the Real Estate segment, including the owner-occupied properties that are provided for the Retail and Assisted Living segments.

Property investments and real estate services are aggregated in the Real Estate segment. The segment comprises purchase, sale, lease and development of properties. Real estate services are provided especially in the realm of property management. The aggregation in one reportable segment is based on similar economic characteristics with regard to dependencies on market trends for leasing as well as comparable trends in revenue growth.

The disclosure on investments in non-current assets in the segment reporting comprises all investments in non-current assets including goodwill, with the exception of financial instruments and deferred tax assets during the reporting period.

2.7 Comparative figures of the previous period

The presentation of the comparative periods and figures is in accordance with IAS 1 «Presentation of financial statements». The figures for the comparative period are shown in the text in brackets [].

2.8 Cash

Cash comprises cash in hand and sight deposits held at financial institutions. Cash also comprises fixed-term deposits with financial institutions and short-term money market investments with a residual term to maturity of maximum three months, which are recognised in the balance sheet at nominal values.

2.9 Securities

Securities (qualified as held for trading, according to IFRS and affecting net income) include tradable equities held on a short-term basis that are valued at fair value as well as term deposits with a residual term to maturity of more than three months that are recognised at nominal value. Unrealised and realised gains from securities are recognised as financial result in the income statement.

2.10 Accounts receivable

Accounts receivable and other receivables are valued at amortised cost, which generally corresponds to the nominal value, less any requisite impairments for uncollectible receivables. Receivables can be short term (as a rule) or long term. The receivables of the Real Estate as well as Assisted Living segments are subject to individual valuation with strict credit-rating guidelines. The value of the receivables of the Retail segment is adjusted using statistical figures regarding default risk.

2.11 Impairments on receivables

To cover debtor risk, outstanding receivables are evaluated at the end of the reporting period by means of maturity lists and legal case reporting with respect to collectability. The necessary impairments are formed, and impairments that are no longer necessary are released. The setup/release of impairments is carried out in other operating expenses.

2.12 Inventories

Inventories are valued at average cost price, but not exceeding the net realisable value. The value of inventories with long storage periods and goods that are hard to sell is impaired.

2.13 Trading properties

Trading properties that are intended for future sale (e.g. condominiums) are valued at the lower of cost or net realisable value, according to IAS 2 «Inventories». The realisation of sales is recorded in operating income as «Income from the sale of trading properties» at the time of transfer to ownership (transfer of benefits and risks). The recognised costs are reported as expense from the sale of trading properties in operating expenses upon realisation of sales.

2.14 Assets held for sale

These are assets or groups of assets held for sale that have not yet been sold, but will be sold with high probability. Classifying such a divestment as highly probable necessitates the fulfilment of various criteria, including that the competent management level has determined a plan for divesting the asset (or group of assets) and actively commenced the process of searching for a buyer and executing the plan. Furthermore, the asset (or group of assets) must be actively offered for acquisition at a price that is appropriately relative to the current fair value. The divestment should also take place within a one-year period according to expectations. These assets are valued at the lower of book value or fair value less sales costs. Investment properties held for sale are subject to IFRS 5 «Non-current assets held for sale and discontinued operations» only with respect to their classification, but not for valuation purposes and are therefore recognised at fair value according to IFRS 13 «Fair value measurement».

2.15 Accrued income and prepaid expenses

Accrued income and prepaid expenses comprise prepaid expenses relating to the next reporting period and income for the current reporting period that will not be received until a later date.

2.16 Non-current financial investments

Non-current financial investments comprise tenants' loans with a residual term to maturity of more than one year and are valued at amortised cost less any requisite impairments. Impairment losses are

recognised in the income statement. Tenants' improvements and other collaterals are used as security for such loans. If necessary, loans secured by real estate can also be granted, provided that the pledged real estate collateral is located in Switzerland. The maximum loan-to-value ratio per property amounts to 70% of the fair value. Under financial investments, free capital can be invested in Swiss francs and euros. Investments in first-class, stock exchange-listed shares, in bonds with a minimum rating by a leading rating agency of «A» and money market paper are permitted. These financial investments are valued similar to securities (see Note 2.9 «Securities»).

2.17 Investment properties and building land

Investment properties and building land are classified according to IAS 40 «Investment property». The valuation at the time of initial classification is carried out at cost, taking into account directly accountable transaction costs. Thereafter, the valuation is carried out at fair value in accordance with IFRS 13 «Fair value measurement».

Replacement and expansion investments are recognised at the book value of the properties when it is probable that Swiss Prime Site will obtain a resulting future economic benefit.

The change in fair value is recognised in the income statement. Related deferred tax liabilities or assets on such sums are debited, or credited, to the consolidated income statement as deferred tax expense or deferred tax income. For further information regarding the calculation of the fair value see Note 18 «Investment properties».

2.18 Properties under construction and development sites

According to IAS 40 «Investment property» properties under construction and development sites with future utilisation as investment properties are recognised at fair value according to IFRS 13 already during construction – the same as other investment properties – provided that the fair value can be reliably determined. The existence of a legally valid building permit is an important indicator for Swiss Prime Site to reliably determine the fair value of a property under construction or a development site. The change in fair value is recognised in the income statement.

If a reliable valuation of the fair value of properties under construction and development sites is not possible, they are recognised at cost less any required impairments.

Direct allocable borrowing costs for properties under construction are recognised as land lease payments.

Insofar as the following criteria are fulfilled on a cumulative basis, existing investment properties are reclassified as properties under construction and development sites at the time of realisation:

- > total depletion of the property (elimination of the property's usefulness)
- > planned investments of more than 30% of fair value
- > duration of renovation longer than 12 months

Following completion of the development or total modification, these properties are classified as either commercial properties without significant residential space or mixed properties.

Existing investment properties are maintained under the category investment properties for the duration of modification or renovation, insofar as the aforementioned criteria are unfulfilled.

2.19 Owner-occupied properties and owner-occupied properties under construction

Owner-occupied properties and owner-occupied properties under construction are recognised on the balance sheet at fair value, according to IFRS 13. Positive revaluation is credited to other comprehensive income unless it is due to reversed, previously claimed impairments. In case of a negative valuation, any previous increases in value are first reversed in group shareholders' equity until the corresponding revaluation reserve is released, and any further devaluation is debited to the consolidated income statement. Owner-occupied properties under construction with future use are treated similarly. As with investment properties, owner-occupied properties are revalued on a semi-annual basis. Given disposal of an owner-occupied property, the attributable cumulated result from revaluation within shareholders' equity is reclassified from the revaluation reserves to retained earnings.

2.20 Tangible assets

Tangible assets are recognised at acquisition or production costs less cumulated depreciation and impairment. Expenses for repairs and maintenance are charged directly to the consolidated income statement. Depreciation is calculated according to the straight-line method based on the economic useful life.

2.21 Intangible assets and goodwill

Intangible assets are recognised at cost less amortisation and impairment and include software for which a licence was obtained from third parties or which was developed by third parties or within the group, as well as customer relationships and brand names. The amortisation period for software is five years and for customer base five to ten years, respectively (straight line). Goodwill is not amortised. An indefinite useful life is assumed for the brand names currently recognised in the balance sheet, with the exception of the SENIOcare brand.

2.22 Depreciation and amortisation

Useful life of assets

Asset categories	Years
Owner-occupied property Jelmoli – The House of Brands, Seidengasse 1, Zurich	100
Other owner-occupied properties	60
Equipment	20
Furniture and tenants' improvements	8
Computer and software	5
Customer base	5–10
SENIOcare brand name	10
Goodwill and other brand names	indefinite

2.23 Impairment of tangible and intangible assets including goodwill

The value of tangible and intangible assets is always reviewed if changed circumstances or events indicate the possibility of an overvaluation in the book values. If the book value exceeds the realisable value (fair value less disposal costs or higher value in use), an impairment is applied to the realisable value.

Goodwill and other intangible assets with indefinite useful life are subject to impairment test annually or at shorter intervals if there is any reason to presume an impairment.

2.24 Leasing

Swiss Prime Site as lessor

Property leases and land lease contracts are basically operating lease contracts, which are generally recognised in the consolidated income statement linearly over the duration of the contract. In some of the rental agreements, target turnovers have been agreed upon with the tenants (i.e. turnover-based rents). If these are exceeded on an annual basis, the resulting rental income is booked or accrued in the reporting year.

Swiss Prime Site as lessee

Contracts relating to the use of land and properties, for which land lease or right of use payments are effected, should be subject to review in terms of whether they are to be classified as operating or finance lease.

Payments within the scope of operating leases are recognised in the income statement linearly over the term of the lease or rental agreement, or duration of the land lease. Land lease payments during construction of new buildings are recognised as cost on the balance sheet.

Given finance lease transactions, the asset and leasing liability are recognised on the balance sheet. As at the balance sheet date, Swiss Prime Site held one owner-occupied property subject to finance lease.

2.25 Income taxes

Income taxes consist of current income taxes and deferred taxes.

Current income taxes comprise the expected tax liability on the taxable profit calculated at the tax rates applicable on the balance sheet date, property gains taxes on real estate sales and adjustments to tax liabilities or tax assets for previous years.

Deferred taxes are calculated on temporary valuation differences between the book value of an asset or a liability in the consolidated balance sheet and its tax base (i.e. balance sheet liability method). Determination of the deferred taxes takes into account the expected date of settlement of the temporary differences. In this regard, the tax rates used are those applicable or determined at the balance sheet date.

Tax effects from losses carried forward and tax credits are recognised as deferred tax assets if it seems likely that the losses carried forward can be offset against future profits within the stipulated statutory periods.

2.26 Financial liabilities

Financial liabilities include current financial liabilities that fall due for redemption within the year and non-current financial liabilities with residual terms to maturity of more than 12 months. Financial liabilities can consist of loans secured by real estate, borrowed capital components of convertible bonds, bonds and other financial debts. All loans were granted to Swiss Prime Site in Swiss francs. A maximum loan-to-value ratio of 65% of the fair value of the entire real estate portfolio is permitted. Financial liabilities are recognised in the balance sheet at cost.

2.27 Derivative financial instruments

Derivative financial instruments can be utilised within the scope of ordinary business activities (for example, to hedge interest risks). Hedge accounting in the context of IAS 39 «Financial instruments: recognition and measurement» is not used. Derivative financial instruments are reported at fair value and, given positive or negative fair value, recognised in the balance sheet as financial investments or other financial liabilities, respectively. They can be short or long term in nature. Profits and losses are reported in net financial income. Further information is provided in Note 34 «Financial instruments and financial risk management».

2.28 Advance payments

Advance payments comprise in particular payments from tenants for rent claims or payments on account for cumulative ancillary costs, as well as payments for property divestments as long as the benefits and risks have not yet been transferred. Advance payments are recognised in the balance sheet at nominal value.

2.29 Provisions and contingent liabilities

Provisions comprise liabilities that are uncertain because of their due date or amount. A provision is set up if a past event creates a legal or constructive obligation, and if future outflows of resources can be reliably estimated. Given any legal disputes, the amount of the provisions recognised for obligations is based on how the Executive Board judges the outcome of the dispute in good faith, according to the facts known at the balance sheet date.

2.30 Convertible bonds

The full amount of a convertible bond is recognised as a liability. If the convertible bond is issued on conditions that differ from a bond without conversion rights, it is divided into borrowed capital and equity components. The issuing costs are attributed to the borrowed capital and equity component based on their initial book values. Given premature redemption, the purchase price (less paid accrued interest) is compared with the pro rata book value. The loss or income attributable to the borrowed capital component from the redemption is recognised in net financial income. Given a conversion, the number of shares to be issued based on the conversion is determined by using the conversion price. The nominal value of the converted shares is credited to share capital and the residual amount to capital reserves.

A convertible bond can contain embedded derivatives, which should be recognised in the balance sheet separately from the basic contract depending on their form.

2.31 Shareholders' equity

Shareholders' equity is subdivided into share capital, capital reserves, revaluation reserves, retained earnings and non-controlling interests. The nominal share capital of the Company is stated in the share capital. Nominal value changes are recognised in the share capital. Revaluation gains of owner-occupied properties are recognised as revaluation reserves insofar as they exceed previous impairments. Impairments of owner-occupied properties primarily reduce the revaluation reserves. All impairments exceeding these reserves are recognised in the income statement. Profits/losses are credited/debited to retained earnings, respectively. Remeasurement of net defined benefit obligations and the resulting deferred taxes recognised in other comprehensive income are debited/credited to retained earnings. Any dividend payments are debited to retained earnings. All other changes of capital are recorded in the capital reserves.

2.32 Treasury shares

Treasury shares are recognised at acquisition cost in shareholders' equity (capital reserves). Proceeds from the sale of treasury shares are set off directly against shareholders' equity (capital reserves).

2.33 Dividends

In compliance with Swiss statutory provisions and the Company's Articles of Association, dividends are treated as an appropriation of profit in the financial year in which they were approved by the Annual General Meeting and subsequently paid out.

2.34 Employee benefits

All of Swiss Prime Site's pension plans are treated as defined benefit plans according to IAS 19 «Employee benefits».

The amount reported in the balance sheet corresponds to the difference between the fair value of pension plan assets and the present value of pension provision obligations. The present value of pension provision obligations from defined benefit plans is determined by external experts according to the projected unit credit method. The actuarial appraisals are prepared separately for each benefit plan. Actuarially derived overfunding is only recognised as net pension plan assets in the balance sheet to the extent that the group stands to gain a resulting future economic benefit in the form of reduced contributions in the context of IFRIC 14 «IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction».

Any changes in the present value of pension provision obligations and the fair value of pension plan assets are recognised at the time of occurrence.

Pension costs comprise the following three components:

- > service costs, recognised in the income statement (personnel costs)
- > net interest costs, recognised in the income statement (personnel costs)
- > remeasurement of net defined benefit obligations, recognised in other comprehensive income

Service costs comprise the current service costs, past service costs and profit and loss from plan compensation. Profit and loss from plan curtailments are treated equally as past service costs.

Net interest expense corresponds to the amount derived from multiplying net pension provision obligations (or pension plan assets) at the beginning of the financial year by the discount rate, taking into account the changes resulting from contributions and pension payments in the financial year.

Remeasurement gains consist of the following:

- > actuarial profits and losses from developments in the present value of defined benefit liabilities that result due to changes in assumptions and deviations from experience
- > gains on assets, less contributions, included in net interest expense
- > changes in unrecognised assets less effects included in net interest expense

Remeasurement gains are recognised in other comprehensive income and cannot be reclassified to the income statement.

2.35 Share plans and share-based compensation

The fees paid to the Board of Directors as well as the variable compensation paid to the Executive Board members and members of management employed by Swiss Prime Site Group AG are effected at 50% in the form of Swiss Prime Site AG shares. For the other members of the Executive Board, drawing shares of up to 25% of the variable compensation is optional. The fair value of these shares on the date they are granted is recognised as personnel costs according to the principles of IFRS 2 «Share-based payment», with a corresponding increase in shareholders' equity over the vesting period. The entitlements are settled by means of treasury shares.

2.36 Operating income and realisation of income

Operating income includes all rental income from leasing properties, income from the sale of development properties, income from real estate services, income from the Retail segment, income from the Assisted Living segment and other operating income. Vacancy costs are deducted directly from the target rental income. Operating income is recorded upon maturity or upon provision of services.

Gains from the divestment of properties and investments are presented net, taking into account any incidental selling expenses incurred, after operating income. In this context, the gain or loss of sale of investment properties is calculated as the difference between the net sales price and the carrying amount of the investment property according to the consolidated balance sheet of the prior financial year plus any investments.

Realisation of income is generally recognised in all segments when the right of use and risk has passed to the customer. Income from retail trade activities is recognised at the date of delivery of the goods, or in services operations in accordance with the extent of the services provided. For the divestment of properties, this date is designated in the sales contract (generally transfer to owner).

2.37 Interest

Interest on loans as well as land lease interest for qualified properties and owner-occupied properties under construction and development sites, in addition to trading properties, are attributed to cost. With this method, financial expenses and real estate costs, respectively, are relieved but, at the same time, the revaluation gain is lowered correspondingly.

Other interest on borrowed capital is recognised in the income statement using the effective interest rate method. Interest expense and interest income are apportioned as set out in the loan agreements and directly debited or credited to the financial result accordingly.

2.38 Transactions with related parties

Related parties are regarded as the Board of Directors, the Executive Board, the group companies, the pension fund foundations of the group, the associated companies and their subsidiaries as well as the Swiss Prime Investment Foundation.

All transactions with related parties are presented and itemised including the relevant amounts in Note 30 «Transactions with related parties».

2.39 Earnings per share

Basic earnings per share are determined by dividing the consolidated profit attributable to shareholders of Swiss Prime Site AG by the weighted average number of outstanding shares. Diluted earnings per share are determined by deducting expenses in connection with the convertible bonds, such as interest (coupon), amortisation of the proportional costs and tax effects. The potential shares (options and the like) that might lead to a dilution of the number of shares must be taken into account when determining the average number of outstanding shares.

3 ACQUISITIONS/DIVESTMENTS

3.1 Sternmatt Pflegewohngruppen, Lucerne

As at 5 January 2015, the operating business of Sternmatt Pflegewohngruppen, Lucerne, was acquired for CHF 5.100 million in cash. The acquisition price included tangible assets of CHF 0.350 million, pension plan liabilities of CHF 0.083 million and goodwill of CHF 4.833 million. Goodwill comprises primarily future estimated earnings. Goodwill is deductible for tax purposes.

Sternmatt Pflegewohngruppen in Lucerne provides a home for people with dementia thanks to special residences with adapted structures. The facility comprises 27 geriatric care units, which were 100% occupied at the time of acquisition. With the acquisition of Sternmatt Pflegewohngruppen, Swiss Prime Site also acquired 35 employees.

3.2 WGDM Papillon AG

As at 1 July 2015, 100% of the shares in WGDM Papillon AG, Winterthur, were acquired for CHF 2.398 million in cash. The acquisition price included assets amounting to CHF 3.922 million, liabilities of CHF 3.866 million and goodwill of CHF 2.342 million. Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. Goodwill is not deductible for tax purposes.

WGDM Papillon AG is a residential community for people with dementia, featuring 17 geriatric care beds and 12 day-care units.

3.3 SENIOcare Group

As at 1 October 2015, 100% of the shares in SENIOcare Group were acquired for CHF 144.483 million in cash. With 29 operating facilities (1 128 geriatric care beds and 224 apartments), SENIOcare Group is the leading provider of geriatric care centres in Switzerland in terms of revenues. The geographic distribution of SENIOcare's operating facilities ideally complements Tertium's current locations. The company's services portfolio comprises the areas of assisted living and inpatient geriatric care.

The fair values of the identifiable assets and liabilities of SENIOcare Group as at the acquisition date of 1 October 2015 were as follows:

Assets	
Cash	6 345
Accounts receivable	10 902
Other current receivables	209
Inventories	690
Accrued income and prepaid expenses	154
Total current assets	18 300
Owner-occupied properties	17 381
Tangible assets	13 333
Intangible assets	2 130
Deferred tax assets	1 204
Total non-current assets	34 048
Total assets	52 348
Liabilities	
Accounts payable	1 772
Current financial liabilities	468
Other current liabilities	432
Advance payments	4 007
Accrued expenses and deferred income	4 366
Total current liabilities	11 045
Non-current financial liabilities	64 468
Other non-current financial liabilities	7 760
Net pension provision obligations	20 137
Non-controlling interests	490
Total non-current liabilities	92 855
Total liabilities	103 900
Total identifiable net assets at fair value	- 51 552
Cash settlement (purchase price)	144 483
Goodwill	196 035

Acquired receivables

in CHF 1 000	Contractual receivables, gross	Non- collectable receivables	Fair value
Accounts receivable	11 519	- 617	10 902
Other current receivables	209	-	209
Total receivables	11 728	- 617	11 111

Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. With the acquisition of SENIOcare Group, Swiss Prime Site has tapped significant growth potential and further underpinned its strategic market position in the assisted living segment. Goodwill is not deductible for tax purposes.

From the date of acquisition until 31 December 2015, the acquired companies generated a contribution to consolidated operating income of CHF 33.611 million and to profit of CHF 1.008 million, of which the relevant contributions from SENIOcare Group amounted to CHF 27.854 million and CHF 0.264 million, respectively. For the full reporting period 2015, operating income amounted to CHF 116.189 million and profit totalled CHF 0.751 million. If the acquisitions had taken place as at 1 January 2015, consolidated operating income and consolidated profit would have amounted to CHF 1 077.788 million and CHF 354.805 million, respectively, in the financial year 2015.

The transaction costs amounted to CHF 0.381 million and were recognised in the consolidated income statement in consultancy costs under other operating expenses (reported in cash flow from operating activities). The transaction costs were already settled on the balance sheet date. The net money outflow amounted to CHF 145.308 million (reported in cash flow from investing activities).

3.4 Ensemble artisanal et commercial de Riantbosson S.A.

As at 17 December 2015, 42.6% of the shares (non-controlling interests without change of control) of Ensemble artisanal et commercial de Riantbosson S.A., Olten (real estate company), was acquired for CHF 1.000 million in cash. The stake in the company now amounts to 100%.

With the acquisition of the majority of the shares as at 15 January 2014, the company was fully consolidated for the first time in the last year. The fair values of the identifiable assets and liabilities of Ensemble artisanal et commercial de Riantbosson S.A. as at the time of first consolidation were as follows:

in CHF 1 000	15.01.2014
Cash	653
Non-current assets	5 174
Total assets	5 827
Liabilities	4 924
Shareholders' equity	903
Total liabilities and shareholders' equity	5 827

3.5 Permed AG

Swiss Prime Site concluded a sales agreement on 27 January 2014 for its indirect 100% shareholding in Permed AG, Zurich (provider of human resource services in the healthcare industry). The divestment was executed on 17 March 2014. The sales price amounted to CHF 6.221 million in cash, resulting in profit of sale totalling CHF 0.810 million.

The book values of Permed AG at the time of divestment were as follows:

in CHF 1 000	17.03.2014
Cash	2 085
Other current assets	4 880
Non-current assets	3 190
Total assets	10 155
Liabilities	4 733
Shareholders' equity	5 422
Total liabilities and shareholders' equity	10 155

4 SEGMENT REPORTING

Swiss Prime Site is a real estate group that primarily operates a real estate business comprising buying and selling, managing and developing investment properties as well as providing real estate services. In addition, Swiss Prime Site operates in real estate-related business fields. The consolidated financial data are subdivided into the segments subject to mandatory reporting of Real Estate, Retail and Assisted Living, enabling the assessment of the earnings potential and financial situation of each segment.

SEGMENT INCOME STATEMENT 01.01. – 31.12.2015

in CHF 1 000	Real Estate segment	Retail segment ¹	Assisted Living segment ²	Total segments	Eliminations	01.01.– 31.12.2015 Total group
Rental income from properties	432 022	16 528	51 310	499 860	– 53 989	445 871
thereof from third parties	378 033	16 528	51 310	445 871	–	445 871
thereof from other segments	53 989	–	–	53 989	– 53 989	–
Income from sale of trading properties	105 081	–	–	105 081	–	105 081
Income from real estate services	109 472	–	–	109 472	– 468	109 004
Income from retail ¹	–	137 005	–	137 005	– 197	136 808
Income from assisted living ²	–	–	184 980	184 980	– 828	184 152
Other operating income	10 197	2 910	1 290	14 397	– 103	14 294
Operating income	656 772	156 443	237 580	1 050 795	– 55 585	995 210
Revaluation of investment properties, properties under construction and development sites, net	153 586	–	–	153 586	– 29 015	124 571
Result from investments in associates	12 118	–	–	12 118	–	12 118
Result from investment property sales, net	30 910	–	–	30 910	–	30 910
Real estate costs	– 59 176	– 35 275	– 64 103	– 158 554	55 242	– 103 312
Cost of trading properties sold	– 62 917	–	–	– 62 917	–	– 62 917
Cost of goods sold	–	– 65 630	– 19 095	– 84 725	1	– 84 724
Personnel costs	– 104 628	– 39 215	– 125 474	– 269 317	73	– 269 244
Other operating expenses	– 34 427	– 9 925	– 15 940	– 60 292	269	– 60 023
Depreciation, amortisation and impairment	– 6 077	– 9 295	– 4 770	– 20 142	– 9 017	– 29 159
Operating expenses	– 267 225	– 159 340	– 229 382	– 655 947	46 568	– 609 379
Operating profit (EBIT)	586 161	– 2 897	8 198	591 462	– 38 032	553 430
Financial expenses						– 100 753
Financial income						4 615
Profit before income taxes						457 292

¹ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

² acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

SEGMENT INCOME STATEMENT 01.01. – 31.12.2014

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment ¹	Total segments	Eliminations	01.01.– 31.12.2014 Total group
Rental income from properties	431 324	18 609	47 103	497 036	–53 923	443 113
thereof from third parties	377 401	18 609	47 103	443 113	–	443 113
thereof from other segments	53 923	–	–	53 923	–53 923	–
Income from real estate services	100 518	–	–	100 518	–434	100 084
Income from retail	–	152 091	–	152 091	–236	151 855
Income from assisted living ¹	–	–	153 598	153 598	–339	153 259
Other operating income	2 149	1 584	1 194	4 927	–566	4 361
Operating income	533 991	172 284	201 895	908 170	–55 498	852 672
Revaluation of investment properties, properties under construction and development sites, net	137 085	–	–	137 085	–23 851	113 234
Result from investments in associates	12 912	–	–	12 912	–	12 912
Result from investment property sales, net	2 062	–	–	2 062	–	2 062
Result from sale of participations, net	–	–	810	810	–	810
Real estate costs	–59 203	–34 727	–57 487	–151 417	55 093	–96 324
Cost of goods sold	–	–71 878	–16 003	–87 881	–	–87 881
Personnel costs	–98 963	–44 173	–104 873	–248 009	46	–247 963
Other operating expenses	–29 400	–10 270	–12 317	–51 987	358	–51 629
Depreciation, amortisation and impairment	–6 627	–10 319	–3 026	–19 972	–15 120	–35 092
Operating expenses	–194 193	–171 367	–193 706	–559 266	40 377	–518 889
Operating profit (EBIT)	491 857	917	8 999	501 773	–38 972	462 801
Financial expenses						–99 968
Financial income						2 782
Profit before income taxes						365 615

¹ sale of Permed AG as at 17.03.2014

In the column «Eliminations», the revenues realised between the segments are eliminated. In addition, these columns contain ordinary depreciation and impairment on owner-occupied properties as well as the elimination of revaluations recorded that affect net income in the Real Estate segment on investment properties used within the group, which are recognised in the consolidated financial statements as owner-occupied properties.

Comparability of the eliminations of the years 2014 and 2015 of the positions depreciation, amortisation and impairment is affected by impairment and reversal of impairment (see Note 19 «Owner-occupied properties and owner-occupied properties under construction»).

COMPOSITION OF OPERATING INCOME BY PRODUCTS AND SERVICES

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Income from rental of properties	443 113	445 871
Income from sale of trading properties	–	105 081
Income from real estate services	100 084	109 004
Income from retail ¹	151 855	136 808
Income from assisted living ²	153 259	184 152
Other operating income	4 361	14 294
Total operating income	852 672	995 210

¹ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

² 2015: acquisition of SENIOcare Group as at 01.10.2015, WGD M Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015
2014: sale of Permed AG as at 17.03.2014

Operating income comprised CHF 229.285 million [CHF 132.803 million] from the sale of goods and CHF 765.925 million [CHF 719.869 million] from the provision of services.

Income from asset management is included in other operating income.

SEGMENT BALANCE SHEET AS AT 31.12.2015

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment	Total segments	Eliminations	31.12.2015 Total group
Total assets	10 194 315	144 861	394 553	10 733 729	– 43 164	10 690 565
Total liabilities	5 593 110	48 231	136 422	5 777 763	– 43 164	5 734 599
Investments in non-current assets	201 455	7 605	247 601	456 661	–	456 661

SEGMENT BALANCE SHEET AS AT 31.12.2014

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment	Total segments	Eliminations	31.12.2014 Total group
Total assets	10 338 807	156 468	132 861	10 628 136	– 26 063	10 602 073
Total liabilities	6 303 481	57 718	65 136	6 426 335	– 26 063	6 400 272
Investments in non-current assets	357 008	7 215	4 405	368 628	–	368 628

Investments in associates of CHF 47.494 million [CHF 37.599 million] are included in the total assets of the Real Estate segment.

All assets held by Swiss Prime Site are located in Switzerland.

5 OPERATING INCOME

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Target rental income from investment properties	449 210	449 363
Rental income from additionally leased properties	23 508	26 673
Rent loss from vacancies	– 29 605	– 30 165
Rental income from properties	443 113	445 871
Income from sale of trading properties	–	105 081
Income from real estate services	100 084	109 004
Income from retail, gross	167 642	152 291
Rebates	– 15 787	– 15 483
Income from retail¹	151 855	136 808
Income from assisted living²	153 259	184 152
Other operating income	4 361	14 294
Total operating income	852 672	995 210

¹ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

² 2015: acquisition of SENIOcare Group as at 01.10.2015, WGDm Papillon as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

2014: sale of Permed AG as at 17.03.2014

Swiss Prime Site's primary business activity is leasing investment properties. Net rental income from properties as well as land lease income totalled CHF 445.871 million [CHF 443.113 million], including CHF 19.730 million [CHF 23.449 million] of variable rental income (comprising turnover-based rent and parking fee income). Rental income included rental income from either the acquisition date of the individual properties or since 1 January 2015 [1 January 2014].

Total utilised floor space as at 31 December 2015 amounted to 1 455 126 m² [1 620 131 m²]. The total was subdivided into 1 442 220 m² [1 602 723 m²] of commercial floor space and 12 906 m² [17 408 m²] of residential floor space.

Rent losses from vacancies amounted CHF 30.165 million [CHF 29.605 million], equivalent to a vacancy rate of 6.7% [6.6%]. Rent losses from vacancies were deducted from the target rental income. Detailed information can be found under «Property details» starting from page 103.

Income from the sale of trading properties relates to the sale of condominiums at the Maag site in Zurich.

Wincasa AG provides services primarily for various institutional investors, in addition to services for the group's real estate holdings.

The Retail segment comprises Jelmoli – The House of Brands and Clouds Gastro AG up until 30 June 2015. The restaurant operating business of Clouds Gastro AG was transferred to Candrian Catering AG as at 1 July 2015.

The Assisted Living segment consists of Tertianum Group as well as SENIOcare Group, which was acquired as at 1 October 2015. The share of rent from the accommodation prices of the Tertianum residence guests was reported in rental income from investment properties and income from additionally leased properties.

Other operating income of CHF 14.294 million [CHF 4.361 million] included income from asset management and various other income from the Real Estate, Retail and Assisted Living segments.

Details on rental income

The following table depicts the breakdown of the contractual end of the term of individual rental agreements based on future net annual rental income and land lease income from investment properties (excluding properties under construction and development sites, and excluding additionally leased properties) as at 31 December 2015:

End of contract	31.12.2014 Future rental income in CHF 1 000	31.12.2014 Share in %	31.12.2015 Future rental income in CHF 1 000	31.12.2015 Share in %
Under 1 year ¹	56 070	12.5	35 500	8.5
Over 1 year	44 040	9.8	34 632	8.3
Over 2 years	38 774	8.7	51 822	12.4
Over 3 years	51 533	11.5	39 159	9.4
Over 4 years	41 356	9.2	49 717	11.9
Over 5 years	36 140	8.1	45 677	10.9
Over 6 years	34 521	7.7	17 025	4.1
Over 7 years	13 662	3.1	14 190	3.4
Over 8 years	10 937	2.4	13 334	3.2
Over 9 years	13 078	2.9	12 542	3.0
Over 10 years	108 185	24.1	104 117	24.9
Total	448 296	100.0	417 715	100.0

¹ includes all indefinite rental agreements (residential, parking facilities, commercial properties etc.)

Future rental income has been presented from the Real Estate segment perspective and based on the rental agreements of the Group's properties as at 31 December 2015 [31 December 2014].

Largest external tenants

As at the balance sheet date, the five largest external tenants accounted for 20.9% [21.9%] of future annual rental income and land lease income (Real Estate segment perspective). These individual tenants had good credit ratings and consist of the following corporations, in particular:

in %	31.12.2014	31.12.2015
Coop	6.7	6.6
Migros	4.9	5.0
Swisscom	3.7	3.5
Swiss Post	4.1	2.9
Inditex S.A.	n/a	2.9
Zurich Insurance Company Ltd.	2.5	n/a

According to IAS 17 «Leases», rental agreements represent leasing transactions. The rental agreements are generally indexed; in the case of retail property, additional turnover-based rents are sometimes agreed. Rental agreements are normally concluded for a term of five to ten years, often with a five-year extension option.

Swiss Prime Site as grantor of land leases

Land leases should be checked insofar as they are operating or finance leases using general criteria according to IAS 17 «Leases». Based on analyses and present value tests, it was determined that all current land lease contracts are operating leases.

KEY LAND LEASE FIGURES

Land lease areas	384 m ² to 2 839 m ²
Residual terms to maturity	6 to 70 years
Contract extension options	none to 3 times 5 years
Price adjustments	annually to every 10 years
Pre-emption rights	none, unilateral and bilateral

FUTURE LAND LEASE INCOME

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Land lease income up to 1 year	826	826
Land lease income from 1 year up to 5 years	3 303	3 303
Land lease income after 5 years	8 799	7 973
Total future land lease income	12 928	12 102

6 RESULT FROM INVESTMENTS IN ASSOCIATES

in CHF 1 000	31.12.2014	31.12.2015
Proportional result from continuing operations of the period	12 912	12 118
Proportional other comprehensive income of the period	–	–
Total proportional result from investments in associates	12 912	12 118

7 RESULT FROM INVESTMENT PROPERTY SALES

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Gains from sales of commercial properties without significant residential space	846	3 083
Losses from sales of commercial properties without significant residential space	– 982	– 12 658
Gains from mixed properties	–	269
Losses from mixed properties	– 596	–
Gains from sales of properties held for sale	3 104	45
Losses from sales properties held for sale	– 310	–
Gains from properties under construction and development sites	–	40 717
Losses from properties under construction and development sites	–	– 546
Total result from investment property sales, net	2 062	30 910

In 2015, ten [seven] investment properties were sold, eight of which to the Swiss Prime Investment Foundation. Further relevant information can be found in Note 30 «Transactions with related parties».

8 REAL ESTATE COSTS

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Property expenses	– 49 641	– 49 915
Third-party rents	– 30 761	– 35 542
Expenses for third-party services	– 6 444	– 6 573
Expenses for real estate services	– 4 657	– 5 126
Land lease expenses	– 4 821	– 6 156
Total real estate costs	– 96 324	– 103 312

Property expenses included maintenance and repair costs of CHF 22.009 million [CHF 19.931 million], ancillary costs borne by the owner of CHF 9.575 million [CHF 11.999 million], property-related insurance costs and fees of CHF 7.567 million [CHF 7.661 million] as well as costs for cleaning, energy and water of CHF 10.764 million [CHF 10.050 million].

Of third-party expenses, CHF 1.764 million [CHF 1.784 million] was attributable to property management fees. An additional CHF 0.713 million [CHF 0.840 million] constituted costs for the revaluation of properties by Wüest & Partner AG and CHF 4.096 million [CHF 3.819 million] was related to leasing expenses and other administrative costs for third-parties.

Expenses for real estate services primarily consisted of charged costs such as centre management services, website and various third-party services.

9 PERSONNEL COSTS

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Wages and salaries	– 204 367	– 220 689
Social security expenses	– 16 653	– 18 890
Pension plan expenses	– 18 550	– 19 795
Other personnel expenses	– 8 393	– 9 870
Total personnel costs	– 247 963	– 269 244
Number of employees as at 31.12.	3 097	4 446
Number of full-time equivalents as at 31.12.	2 370	3 311

As at 31 December 2015, Swiss Prime Site employed a workforce of 4446 [3097] persons. The increase is attributable particularly to the acquisitions in the Assisted Living segment.

Personnel costs reflected salaries from all segments, in addition to compensation to the members of the Board of Directors, including the relevant social security contributions incurred, as well as expenses for leasing of personnel.

10 OTHER OPERATING EXPENSES

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Expenses for tangible assets	– 10 748	– 13 357
Non-life insurance, fees	– 1 271	– 1 404
Capital taxes	– 2 853	– 3 647
Administrative expenses	– 18 686	– 20 759
Audit and consultancy costs	– 7 344	– 9 413
Advertising	– 9 043	– 10 402
Collection- and bad-debt-related losses	– 1 684	– 1 041
Total other operating expenses	– 51 629	– 60 023

Expenses for tangible assets included maintenance and repair expenses as well as leasing expenses.

Capital taxes were calculated according to the effective tax rates on the basis of intercantonal tax allocation. The capital taxes of Swiss Prime Site AG, SPS Beteiligungen Alpha AG, SPS Beteiligungen Beta AG and SPS Beteiligungen Gamma AG were reduced due to the holding privilege.

Administrative expenses included costs incurred for the reporting process, other administrative expenses and costs for various services provided by third parties such as management fees and consultancy services.

Audit and consultancy costs comprised consulting fees of CHF 8.246 million [CHF 6.404 million] and audit fees of CHF 1.167 million [CHF 0.940 million].

11 FINANCIAL RESULT

FINANCIAL EXPENSES

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Interest expenses	– 99 964	– 99 004
Fair value changes of financial instruments	– 4	–
Other financial expenses	–	– 1 749
Total financial expenses	– 99 968	– 100 753

FINANCIAL INCOME

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Interest income	662	816
Dividend income on securities and financial investments	249	271
Fair value changes of financial instruments	1 507	3 183
Other financial income	364	345
Total financial income	2 782	4 615

12 INCOME TAXES

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Current income taxes for the reporting period	– 16 805	– 47 166
Adjustments for current income taxes for other accounting periods	1 309	– 4 762
Total current income taxes	– 15 496	– 51 928
Deferred taxes resulting from revaluation and depreciation	– 69 051	– 83 131
Deferred taxes resulting from the sale of investment properties	3 886	24 236
Deferred taxes from tax rate changes and reductions from duration of ownership deductions	1 176	– 2 512
Deferred taxes resulting from losses carried forward	– 362	11 473
Other deferred taxes	890	– 369
Total deferred taxes	– 63 461	– 50 303
Total income taxes	– 78 957	– 102 231

Current income taxes were calculated at the effective maximum tax rates. At the same time, agreements with the relevant tax authorities were considered as well. According to IAS 12 «Income taxes», current income taxes were divided into current income taxes for the reporting period and current income taxes for other accounting periods.

Deferred taxes were split into deferred taxes due to revaluation and depreciation, sales of investment properties, tax rate changes and reductions resulting from duration of ownership deductions, losses carried forward and other deferred taxes. Deferred taxes are subject to the risk of tax rate changes as well as changes in the cantonal tax regulations.

Reconciliation of income taxes

Income taxes were calculated using the effective relevant tax rates. Deferred taxes were calculated with the estimated tax rates. Liabilities for current income taxes were recognised in the balance sheet as current income tax liabilities under current liabilities.

Factors leading to the deviation of the effective tax burden from the average tax rate of 23% [23%]:

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Profit before income taxes	365 615	457 292
Income taxes at average tax rate of 23%	– 84 091	– 105 177
Taxes at other rates (including property gains taxes)	– 1 353	4 999
Adjustment for current income taxes for other accounting periods	1 309	– 4 762
Effect of unrecognised losses carried forward	– 1 221	3 159
Taxes on intercompany revenues and expenses	4 909	2
Other effects	1 490	– 452
Total income taxes	– 78 957	– 102 231

Deferred taxes

Where the revaluations according to IFRS versus the fiscal values were due to recaptured, previously claimed depreciation, the taxes were allocated per property after deduction of any applicable property gains tax and taken into account separately. In this case, tax rates of between 4.9% and 17.9% [4.5% and 17.9%] were applied.

Upward revaluations exceeding the recaptured, previously claimed depreciation are subject to tax using two different systems. Cantons that do not levy any special taxes also calculate taxes at the above rates. The other cantons levy a separate property gains tax using rates of between 4.0% and 25.0% [4.0% and 25.0%], depending on duration of ownership.

Accordingly, property gains taxes are reduced in proportion to the increased duration of ownership of the property. Swiss Prime Site generally assumes ownership for a minimum period of 20 years, meaning that potential speculation premiums are not taken into account. Deferred tax expenses as a result of depreciation and revaluations according to commercial law amounted to CHF 83.131 million [CHF 69.051 million].

Total deferred tax expense of CHF 50.303 million [CHF 63.461 million] was debited to the consolidated income statement. This was mainly attributable to the fact that deferred tax liabilities or deferred tax assets had to be taken into account for revaluations and depreciation under commercial law. Of the total deferred tax assets subject to losses carried forward, only those were recognised that can probably be offset with future profits. The other deferred tax assets on losses carried forward were not recognised due to the insufficient future probability of offsetting losses.

DEFERRED TAX ASSETS

in CHF 1 000	31.12.2014	31.12.2015
Taxable losses carried forward of subsidiaries	14 211	79 410
Possible tax effect on taxable losses carried forward at expected tax rate	3 269	11 473
Losses carried forward which can in all probability be offset with future profits	– 473	– 79 410
Total recognised deferred tax assets at expected tax rate	– 109	– 11 473
Total deferred tax assets not recognised at expected tax rate	3 160	–
Recognised deferred tax assets on losses carried forward	109	11 473
Other deferred tax assets	7 893	13 487
Total deferred tax assets	8 002	24 960

EXPIRING TAXABLE LOSSES CARRIED FORWARD

Taxable losses carried forward of subsidiaries for which no deferred tax assets were recognised expired as follows:

in CHF 1 000	31.12.2014	31.12.2015
After 1 year	–	–
After 2 years	–	–
After 3 years	–	–
After 4 years	2 251	–
After 5 years	3 682	–
After 6 years	3 786	–
After 7 and more years	4 019	–
Total expiring taxable losses carried forward	13 738	–

Deferred tax liabilities not recognised on the balance sheet

On the balance sheet date, there were total temporary outside basis differences (i.e. temporary differences between IFRS book values of investments in subsidiaries and their lower income tax values) amounting to CHF 2 425.200 million [CHF 2 104.390 million], for which no deferred tax liabilities were recognised since the group controlled the timing of the reversal of the temporary differences and it is probable that these will not be reversed in the foreseeable future. The resulting amount not recognised in the balance sheet totalled CHF 9.700 million [CHF 8.418 million].

DEFERRED TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME

in CHF 1 000	31.12.2014	31.12.2015
Deferred taxes on revaluation of owner-occupied properties	-8 966	-8 754
Deferred taxes on remeasurement of net defined benefit obligations	8 404	2 125
Total deferred taxes recognised in other comprehensive income	-562	-6 629

13 CASH

in CHF 1 000	31.12.2014	31.12.2015
Cash on hand	2 609	2 444
Sight deposits	254 587	232 485
Total cash	257 196	234 929

Sight deposits comprised bank accounts exclusively. The investments were made in line with market conditions.

14 ACCOUNTS RECEIVABLE

in CHF 1 000	31.12.2014	31.12.2015
Accounts receivable, gross	129 963	83 814
Impairments	-3 866	-3 382
Total accounts receivable	126 097	80 432

Most of the accounts receivable related to claims for rent and ancillary costs, to customer claims for real estate management services and to accounts receivable from the Retail segment as well as the Assisted Living segment. In the reporting period, current claims for ancillary costs were reported after offsetting the advance payments.

DEVELOPMENT OF IMPAIRMENT OF RECEIVABLES

in CHF 1 000	31.12.2014	31.12.2015
Impairment at beginning of period	3 841	3 866
Increase of impairment based on individual valuation	1 905	1 635
Release of impairment based on individual valuation	-1 880	-2 119
Total impairment at end of period	3 866	3 382

Impairment changes were recognised in other operating expenses.

MATURITIES OF RECEIVABLES

in CHF 1 000	31.12.2014 Gross receivables	31.12.2014 Impairments	31.12.2015 Gross receivables	31.12.2015 Impairments
Not yet due	97 320		49 531	
Due between 0 and 30 days	6 415		7 286	
Due between 31 and 90 days	4 079		3 978	
Due between 91 and 120 days	887		646	
Due for more than 120 days	21 262		22 373	
Total gross receivables and impairments	129 963	-3 866	83 814	-3 382

Receivables maturing more than 120 days consist primarily of rent payments deposited in a blocked account resulting from a rental agreement dispute.

15 INVENTORIES

in CHF 1 000	31.12.2014	31.12.2015
Merchandise	23 871	23 569
Other inventories	2 107	2 218
Impairments	-446	-238
Total inventories	25 532	25 549

Inventories included merchandise from the Retail segment as well as Assisted Living segment field, which were recognised in the balance sheet at average cost – or if lower – at net realisable value.

16 TRADING PROPERTIES

in CHF 1 000	31.12.2014	31.12.2015
Zurich, Naphtastrasse 10/Maaghof North and East	24 005	–
Zurich, Turbinenstrasse 21/Maaghof North and East	21 742	–
Total trading properties	45 747	–

In the reporting year, all apartments, commercial floor space and parking places were sold. The fire insurance value in the previous year amounted to CHF 45.747 million.

17 ASSETS HELD FOR SALE

in CHF 1 000	31.12.2014	31.12.2015
Affoltern a.A., Obere Bahnhofstrasse 14 ¹	8 780	–
Burgdorf, Industrie Buchmatt	14 300	–
Eyholz, Kantonsstrasse 79	4 701	–
Glattbrugg, Schaffhauserstrasse 59 ¹	5 606	–
Heimberg, Gurnigelstrasse 38	8 791	–
Oberwil, Mühlemattstrasse 23	3 070	–
Spreitenbach, Pfadackerstrasse 6/Limmatpark	87 440	–
Vernier, Chemin de l'Etang 72/Patio Plaza	92 280	–
Zurich, Höggerstrasse 40/Röschibachstrasse 22 ¹	29 450	–
Total assets held for sale	254 418	–

¹ These properties were sold in 2015.

In line with active portfolio management, various properties were held as intended for sale. The divestment gains or losses were booked as the net result from investment property sales (see Note 7 «Result from investment property sales»). In light of new strategic options, the Company decided that the following properties will no longer be classified as assets held for sale: Industrie Buchmatt in Burgdorf, Kantonsstrasse 79 in Eyholz, Gurnigelstrasse 38 in Heimberg, Mühlemattstrasse 23 in Oberwil, Limmatpark in Spreitenbach and Patio Plaza in Vernier.

As at 31 December 2015, no properties were reported as assets held for sale due to unfulfilled criteria.

18 INVESTMENT PROPERTIES

CHANGE IN INVESTMENT PROPERTIES

in CHF 1 000	Building land	Commercial properties without significant residential space	Mixed properties	Total investment properties	Properties held for sale	Properties under con- struction/ develop- ment sites	Total
Total as at 01.01.2014	44 107	7 718 302	288 843	8 051 252	37 809	478 250	8 567 311
Purchases	6 164	121 754	–	127 918	–	–	127 918
Follow-up investments	2 452	52 080	535	55 067	522	116 188	171 777
Capitalised borrowing costs	–	–	–	–	–	8 200	8 200
Reclassifications	–	184 904	–36 894	148 010	248 397	–396 407	–
Net transfer of investment properties to owner-occupied properties	–	–17 314	–	–17 314	–	–	–17 314
Disposal by sale	–	–33 330	–4 282	–37 612	–25 759	–	–63 371
Positive fair value adjustment	2 887	179 590	4 937	187 414	1 804	22 239	211 457
Negative fair value adjustment	–2 478	–87 390	–	–89 868	–8 355	–	–98 223
Fair value adjustment	409	92 200	4 937	97 546	–6 551	22 239	113 234
Total as at 31.12.2014	53 132	8 118 596	253 139	8 424 867	254 418	228 470	8 907 755
Purchases	3 481	–	–	3 481	–	32 563	36 044
Follow-up investments	6 013	102 385	444	108 842	681	32 292	141 815
Capitalised borrowing costs	–	1 940	–	1 940	–	1 882	3 822
Reclassifications	3 201	24 280	–	27 481	–198 491	171 010	–
Net transfer of investment properties to owner-occupied properties	–	–29 875	–	–29 875	–	–	–29 875
Disposal by sale	–	–221 836	–15 120	–236 956	–43 836	–111 315	–392 107
Positive fair value adjustment	2 114	249 543	4 017	255 674	782	2 327	258 783
Negative fair value adjustment	–1 651	–105 635	–2 833	–110 119	–13 554	–10 539	–134 212
Fair value adjustment	463	143 908	1 184	145 555	–12 772	–8 212	124 571
Total as at 31.12.2015	66 290	8 139 398	239 647	8 445 335	–	346 690	8 792 025

FURTHER DETAILS ON INVESTMENT PROPERTIES

in CHF 1 000	Building land	Commercial properties without significant residential space	Mixed properties	Total investment properties	Properties held for sale	Properties under construction/development sites	Total
Fire insurance values¹							
On 01.01.2014	3 565	5 597 445	203 469	5 804 479	41 091	634 700	6 480 270
On 01.01.2015	3 547	5 876 118	149 722	6 029 387	233 070	318 033	6 580 490
On 31.12.2015	7 547	5 607 122	131 653	5 746 322	–	555 112	6 301 434
Net rental income²							
01.01.–31.12.2014	523	392 073	12 920	405 516	13 807	282	419 605
01.01.–31.12.2015	501	399 688	15 157	415 346	–	3 852	419 198
Vacancy rate in %							
01.01.–31.12.2014	1.6	6.3	1.2	6.1	18.9	6.9	6.6
01.01.–31.12.2015	1.7	6.2	4.1	6.2	–	42.7	6.7

¹ There were no building insurance values for properties under construction. For building projects, respective builders' liability insurance policies were concluded.

² generated with own investment properties and owner-occupied properties

As at the balance sheet date, there were no properties classified as assets held for sale or trading properties. In the previous year, nine investment properties and two development properties (condominiums) were classified as assets held for sale or trading properties, respectively.

The valuations of properties are determined at least on a semi-annual basis by an external, independent and qualified valuation expert: Wüest & Partner AG, Zurich. The Executive Board, in consultation with the Board of Directors, is responsible for selecting the valuation experts and assigning the mandate for the valuation on an annual basis. The results of the valuations and individual valuation assumptions are verified by the Executive Board and discussed in detail with the respective valuation experts.

The fair values of the designated properties are all categorised as level 3, based on the input factors of the applied valuation technique (see Note 2.3 «Valuations and assumptions»). This is attributable to the fact that the significant input factors for the valuation – such as discount rates or market rents – must be generally derived from information stemming from less active markets.

Valuation techniques and significant, unobservable input factors

The individual valuation of the designated properties is carried out by means of the discounted cash flow method (DCF method), under which the fair value of a property is determined by the total future expected net earnings discounted to the valuation date. The calculation period extends 100 years from the valuation date. A more detailed cash flow forecast is prepared for the first ten years, while approximate annualised assumptions are used for the remainder of the term.

IFRS 13 «Fair value measurement» requires the determination of fair value of real estate based on the highest-and-best-use concept, which corresponds to use of a property that maximises its value. This assumption implies a use that is physically feasible, legally permissible and financially realisable. Since the determination of fair value implies maximised benefits, the highest and best use can deviate from the actual or planned use of a property because of unconformity with strategy. Future capital expenditures that improve or enhance the value of a property are accordingly taken into account in the fair value measurement.

Valuation techniques

Building land

The valuation was determined based on the residual method, valuation of the property at the time of completion according to the DCF method (same calculation as for existing properties) and taking into account outstanding investments as well as development risk.

Commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale and owner-occupied properties

The valuation was determined based on the DCF method, taking into account the underlying cash flows, expected rental income and operating and maintenance costs over the entire projection period.

Commercial properties for which the valuation was based on the highest-and-best-use concept

The valuation was determined based on the DCF method. For five [seven] properties the highest and best use did not correspond to the effective use.

For one property, the valuation was based on potential conversion to condominiums. For the other six properties, the valuations were based on scenarios such as consideration of additional gross floor space for residential or office use, leasing land in land lease, development scenarios (demolition and construction of office buildings), or conversion to retail floor space.

Properties and owner-occupied properties under construction and development sites

The fair value was determined based on the residual method, valuation of the property at the time of completion according to the DCF method (same calculation as for residential and commercial properties) and taking into account outstanding investments as well as development risk. According to the highest-and-best-use concept, conversion into condominiums or continuation/leasing were taken into consideration in the DCF method. In accordance with the applied highest-and-best-use approach, the assumptions used were consistent with the ones described above for commercial properties for which continuation of current use was presumed for the valuation and for commercial properties that were valued according to the highest-and-best-use concept.

APPLICABLE UNOBSERVABLE INPUT FACTORS AS AT 31.12.2015

	in	Building land	Commercial properties (continuation of use) ¹	Commercial properties (highest and best use) ²	Properties/ owner-occupied properties under construction/ development sites
Fair value as at balance sheet date	CHF m	66.290	9 006.797	266.830	346.690
Unobservable input factors:					
Average discount rate	%	4.20	3.64	4.34	4.05
Maximum discount rate	%	5.10	5.10	5.30	4.60
Minimum discount rate	%	3.80	2.70	3.05	3.70
Residential	CHF per m ² p.a.	–	97 to 565	120 to 121	215 to 300
Offices	CHF per m ² p.a.	–	60 to 960	100 to 400	200 to 380
Retail/gastro	CHF per m ² p.a.	–	75 to 8 000	340 to 340	245 to 380
Commercial	CHF per m ² p.a.	–	30 to 450	100 to 280	–
Storage	CHF per m ² p.a.	–	40 to 540	50 to 150	80 to 285
Parking inside	CHF per piece and month	–	47 to 650	100 to 250	140 to 350
Parking outside	CHF per piece and month	–	25 to 320	40 to 120	50 to 120

¹ commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale and owner-occupied properties

² commercial properties for which the valuation was based on highest and best use

APPLICABLE UNOBSERVABLE INPUT FACTORS AS AT 31.12.2014

	in	Building land	Commercial properties (continuation of use) ¹	Commercial properties (highest and best use) ²	Properties/ owner-occupied properties under construction/ development sites
Fair value as at balance sheet date	CHF m	53.132	9 009.929	394.880	281.360
Unobservable input factors:					
Average discount rate	%	4.69	3.91	3.88	4.23
Maximum discount rate	%	5.20	5.30	5.40	4.40
Minimum discount rate	%	4.00	2.90	3.15	4.00
Residential	CHF per m ² p.a.	–	103 to 554	120 to 410	315 to 410
Offices	CHF per m ² p.a.	30	60 to 1 100	100 to 945	325 to 400
Retail/gastro	CHF per m ² p.a.	–	105 to 7 600	110 to 7 500	245 to 380
Storage	CHF per m ² p.a.	–	35 to 290	50 to 280	100 to 150
Parking inside	CHF per piece and month	–	42 to 825	100 to 580	180 to 220
Parking outside	CHF per piece and month	92 to 180	25 to 350	38 to 150	–

¹ commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale and owner-occupied properties

² commercial properties for which the valuation was based on highest and best use

Additional information on valuation assumptions

Rental income

Rental income was incorporated in the valuation based on current rent prices and contractually stipulated conditions (including indexing). For fixed-term rental agreements, the sustainably realisable potential rental income for the period following the fixed term from the current perspective was used. The determination of the market-based potential rent was derived from the most recently concluded rental agreements for the relevant property, or other comparable properties in the immediate vicinity, as well as from real estate market research provided by Wüest & Partner AG. The rent potential for retail properties (retail trade business, restaurants, etc.) was determined based on calculations for realistic revenue figures. For existing rental agreements comprising different uses, the rent potential was determined based on separate, individual uses. Tenants' extension options were then taken into account, when the effective rent fell below the derived market rent. For indefinite-term rental agreements, the adjustment to the determined rent potential was carried out considering general legal conditions for rental properties as well as property-specific fluctuations. Credit risks of the respective tenants were not explicitly taken into account in the valuation since relevant contractual safeguards were concluded, as required. The valuation of current vacant rental properties took into account a market- and property-specific marketing period.

For properties for which conversion into condominiums was an underlying assumption, rental income was applied up until the most immediate time of conversion of the rental property into condominiums. Consideration of such rental income was subject to the acknowledgement of the terms stipulated in the rental agreements, particularly the earliest termination of agreement, extension options as well as general legal conditions and practices. In this regard, assumptions regarding termination deadlines were based on current applicable laws governing rental property.

Operating and maintenance costs

The process of determining operating and maintenance costs took into account past experience, authorised budgets and benchmark values from a data pool provided by Wüest & Partner AG. For properties for which conversion into condominiums has been presumed, costs were applied only up until the estimated point in time of sale of the last condominium.

Repair costs, construction expenses for conversion to condominiums

Repair costs for preserving the value of the properties as well as long-term costs were determined with the support of construction cost analysis tools, taking into account the investment plans prepared by Swiss Prime Site. The aforementioned tools were used to derive the future investment needs,

considering the age of the property, new construction costs and the current condition of individual property components. Repair costs were incorporated in the valuation at 100% in the first ten years, taking into account any potential rental price hikes in the earnings forecast. Starting from the 11th year, repair costs of up to 50% to 70% are allowed (value-preserving components only) without including possible rent increases.

The requisite construction expenses for transforming properties presumed as designated for conversion into condominiums are modelled and estimated by means of construction and renovation cost benchmarks provided by Wüest & Partner AG.

Discounting

The applied discounting was based on ongoing monitoring of the real estate market and was derived and verified on the basis of real interest rates – comprising the risk-free interest rate (long-term government bonds) plus general real estate risks plus property-specific premiums – and determined on a risk-adjusted basis per property. The selected discounting factors were empirically evaluated and verified by means of known changes in ownership and transactions.

For properties for which conversion into condominiums has been presumed, the applied discount rate corresponded to a weighted average cost of capital (WACC), with an interest rate in line with a short-term bank financing rate as well as adequate return on equity. For continuing long-term rental contracts, a mixed value was applied that is derived from the current WACC and the conventional discount rate of an investment property, up until the point in time of possible conversion and sale as condominium.

Sensitivity of fair value measurement to changes in unobservable input factors

An increase in the discount rate reduces fair value, whereas a rise in the market rent price and/or sales proceeds increases fair value. There are correlations between these input factors since they are to some extent dependent on market data. For properties under construction and development sites, the outstanding investments and time to completion of construction reduce fair value, whereas the incurrence of these costs over the period up until completion increases fair value.

In the following analysis, the existing properties (excluding building land, projects and development sites) were taken into account at the current fair value as at the balance sheet date of CHF 9 273.600 million (fair value of overall portfolio CHF 9 686.607 million).

In relation to potential changes in the market environment, sensitivity to discount rates is significant. Fair value changes due to the changes in discount rates were as follows (discount rate derived for overall portfolio, approximate calculation):

AVERAGE DISCOUNT RATE

	Change in fair value in %	Change in fair value in CHF 1 000	Fair value in CHF 1 000
3.36%	7.8%	723 300	9 996 900
3.46%	5.1%	473 000	9 746 600
3.56%	2.5%	231 800	9 505 400
3.66% (valuation as at 31.12.2015)	–	–	9 273 600
3.76%	–2.4%	–222 600	9 051 000
3.86%	–4.7%	–435 900	8 837 700
3.96%	–6.9%	–639 900	8 633 700
4.06%	–9.0%	–834 600	8 439 000
4.16%	–11.0%	–1 020 100	8 253 500
4.26%	–12.9%	–1 196 300	8 077 300

An increase in the discount rate (expected return) over the entire portfolio of more than 50 basis points within a short period seems very improbable. In this regard, real estate returns trend much more sluggishly than nominal interest rates on bonds or mortgages. Vice versa, in the current environment marked by still moderate returns on real estate in Switzerland, a discount rate that is more than 30 basis points lower over the entire portfolio also seems improbable.

The impact of changes in market rent prices on fair value is also significant. However, substantial changes in rental income over the entire portfolio (with a varying diversity of uses and tenants) in accumulated form and within a shorter period are less probable, whereas more significant effects on the portfolio would occur with a prolonged time lag. A linear correlation between rental income and fair value can be approximately assumed, whereby the rental income forecast in the valuation comprises several components, such as current contractually guaranteed rents and market rental estimates after the present contracts have expired. If just one of these components changes (for example, fair value declines by 3.7% given a reduction of market rent potential of 4.0%), the impact on fair value is diminished.

CHANGE IN MARKET RENTAL POTENTIAL

	Change in fair value in %	Change in fair value in CHF 1 000	Fair value in CHF 1 000
6.0%	5.5%	510 000	9 783 600
4.0%	3.7%	343 100	9 616 700
2.0%	1.8%	166 900	9 440 500
0.0% (valuation as at 31.12.2015)	–	–	9 273 600
–2.0%	–1.8%	–166 900	9 106 700
–4.0%	–3.7%	–343 100	8 930 500
–6.0%	–5.5%	–510 000	8 763 600
–8.0%	–7.4%	–686 200	8 587 400
–10.0%	–9.2%	–853 200	8 420 400

The sensitivity of fair value to changes in recurring real estate costs for operation and proper maintenance is considerably lower than in the case of the aforementioned factors. However, the impact of modified costs for renovations and restructuring or construction costs for projects can have substantial effects on the fair value of the relevant real estate. Since this concerns only a limited number of affected properties over the entire portfolio, the sensitivity is relativised in this regard.

The introduction of negative interest rates accentuated the investment crisis, while real estate investments have gained significance. Amid such an environment of negative interest rates, institutional investors in particular are willing to pay high prices for properties situated in prime locations with corresponding low expectations for returns. This can lead to sales prices for individual properties that noticeably deviate from the fair value assessment.

CURRENT DEVELOPMENT AND NEW BUILDING PROJECTS

Berne, Viktoriastrasse 21 (Schönburg)

Project description	The office property comprising total usable floor space of more than 30 000 square metres was constructed as the Swiss Post headquarters in 1970 by Theo Hotz following a project contest. The effective layout plan is oriented toward the current condition. Swiss Prime Site was able to acquire the Schönburg property in 2014 and (following Swiss Post's departure) decided to preserve the structure and create a high-quality residential and hotel complex – possibly with a proportion of condominiums – based on extensive variant studies. The property should house a three-star business hotel, in addition to around 150 first-class apartments spread across the eight upper floors. The building structure will be preserved, including the enormous subterranean level, while four additional emergency staircases will be installed. Façades, the entire building technology and interior will be replaced. Clean-up of hazardous substances from the façade demolition work will extend the construction period by several months. Construction costs (excluding hotel interior) are estimated at CHF 130 million.
Project status	By means of feasibility studies for various options, the preliminary project for the residential and hotel modification process was completed as at end-2015. The building application should be submitted at end-May 2016. Thereafter, preparations for the total contractor submission will be initiated. The construction start-up date is planned for the beginning of 2017.
Occupancy rate ¹	No leasing; search for hotel operator and grocery store business is underway
Completion	Ready for occupancy in spring to summer 2019

Schlieren, Zürcherstrasse 39 (NZZ printing facility)

Project description	The former NZZ printing facility was acquired from NZZ Media Group in December 2015, and the property is to be converted into an innovative educational centre. Infrastructure for training and further education as well as research and development, in addition to co-working spaces and facilities for community activities, sports and culture are all envisaged for the centre. At the same time, the building structure should be largely maintained, providing future users with a fascinating spatial experience with its rooms featuring up to 18-metre-high ceilings. The development of an innovative platform for education as well as the exchange of knowledge and information will address the growing demand for training and further education. Furthermore, the supplemental utilisation through innovative forms of work, sports and wellness concurrently will actively interface with numerous trends, combining these into attractive, new offerings. The property's location as well as position and structure are ideally suitable for such a purpose.
Project status	Building on the underlying utilisation concept of the acquisition, the development process will kick off in 2016, with the objective of fine-tuning the vision by year-end, specifying the offering and building up an autonomous brand. The planning and execution of the requisite structural measures will be concluded as at end-2018. Potential interim utilisation concepts as well as ideas for step-by-step preparations and leasing of partial floor space are flowing into the development process on a continuous basis.
Occupancy rate ¹	The printing facility is currently still being utilised by NZZ. Potential tenants have been contacted regarding restructuring of the property.
Completion	2018

Zurich, Brandschenkestrasse 25 (Motel One)

Project description	The office property located at Brandschenkestrasse 25 is being modified as a roughly 400-room hotel. The investment volume amounts to around CHF 65 million to convert the courtyard-rimmed complex into a hotel. Modification of the four buildings situated on a total area of 3 900 square metres will be carried out under strict compliance with their diverse and, to some extent, landmark-protected architecture. The excellent urban location near the Bahnhofstrasse as well as the property's floor space offering are superbly appropriate for a hotel according to the operating and design concept of Motel One Group.
Project status	The execution order was issued to the total contractor at the beginning of 2015. The green light for construction was issued in September 2015. The modification activities are proceeding according to plan. The hotel plans to open its doors in the summer of 2017.
Occupancy rate ¹	The entire building is leased to Motel One Group as at summer 2017.
Completion	Summer 2017

Zurich, Flurstrasse 55/Flurpark (Media Park)

Project description	The building was constructed in 1979 and comprises six upper floors, a ground floor and four subterranean levels. Following the departure of the single tenant UBS at end-2012, which had used the building as an IT centre, the property is undergoing total renovation and being equipped with state-of-the-art technology. Subsequent to the renovation – with new office/services as well as warehouse floor space of 16 700 and 7 700 square metres, respectively – the layout will be based on a multi-tenant concept. Utilisation will be expanded with retail, restaurant and commercial space on the ground floor. The subterranean levels are expected to contain 456 parking places. The property will be visibly repositioned too, with a new façade and designated Minergie certification, in order to ensure sustainable occupancy rates in the future.
Project status	The execution order was issued to the total contractor in September 2013. The green light for construction was issued in December 2013. The modification activities are proceeding according to plan. The building will be ready for occupancy as at 15 January 2016.
Occupancy rate ¹	An agreement has been concluded with the newly established company Ringier Axel Springer Switzerland AG, covering 10 000 square metres (of which 9 000 square metres office space), with an additional option for 2 500 square metres of office space.
Completion	2016

¹ occupancy rate and sales status as at 31.12.2015

19 OWNER-OCCUPIED PROPERTIES AND OWNER-OCCUPIED PROPERTIES UNDER CONSTRUCTION

CHANGE IN OWNER-OCCUPIED PROPERTIES

in CHF 1 000	31.12.2014	31.12.2015
Owner-occupied properties as at 01.01.	732 032	778 656
Follow-up investments	2 230	2 560
Additions from acquisitions	–	20 181
Disposals	–	–2 800
Transferred depreciation	–11 850	–12 127
Positive fair value adjustment	38 942	35 370
Negative fair value adjustment	–12	–263
Reclassifications into/from investment properties and owner-occupied properties under construction, net	17 314	73 005
Owner-occupied properties as at 31.12.	778 656	894 582

SUMMARY OF TRANSFERRED DEPRECIATION AND IMPAIRMENT

in CHF 1 000	31.12.2014	31.12.2015
Cumulative depreciation and impairment as at 01.01.	–	–
Depreciation	11 849	12 127
Impairment	1	189
Transferred depreciation and impairment	–11 850	–12 316
Cumulative depreciation and impairment as at 31.12.	–	–

UTILISATION OF OWNER-OCCUPIED PROPERTIES

	31.12.2014	31.12.2015
Berlingen, Seestrasse 110	completely	completely
Berlingen, Seestrasse 83, 88, 101, 154	completely	completely
Frauenfeld, St. Gallerstrasse 30–30c	completely	completely
Lucerne, Kreuzbuchstrasse 33/35	completely	completely
Meilen, Seestrasse 545	completely	completely
Olten, Frohburgstrasse 1	partly	partly
Opfikon, Müllackerstrasse 2, 4/Bubenholz	n/a	completely
Ostermundigen, Mitteldorfstrasse 16	completely	completely
Pfäffikon/SZ, Huobstrasse 5	completely	completely
Stadel b. Niederglatt, Buechenstrasse 80	n/a	completely
Thun, Göttibachweg 2–2a, 4, 6, 8	completely	completely
Wabern, Nesslerenweg 30	completely	completely
Wattwil, Ebnaterstrasse 45	n/a	completely
Zurich, Carl Spitteler-Strasse 68/70	completely	completely
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	completely	completely
Zurich, Kappenhühlweg 9, 11/Holbrigstrasse 10/Regensdorferstrasse 18a	completely	completely
Zurich, Restelbergstrasse 108	completely	completely
Zurich, Seidengasse 1/Jelmoli – The House of Brands	partly	partly

Fair values of the owner-occupied properties were all classified as hierarchy level 3, based on the input factors of the applied valuation technique (see Note 2.3 «Valuations and assumptions»). Further information on fair value measurement is provided in Note 18 «Investment properties». The relevant dates of the revaluation were 30 June and 31 December.

Reclassification of investment properties into owner-occupied properties and vice-versa is implemented on a semi-annual basis by means of using the current rent tables. If the owner-occupied properties had been valued according to the historical cost model, the book value would have been CHF 790.135 million [CHF 718.652 million] as at the balance sheet date. Transferred depreciation was based on the cumulative depreciation as at the revaluation date, which was eliminated against the gross book value of the revalued owner-occupied properties.

Owner-occupied properties were valued according to the discounted cash flow (DCF) method by the independent valuation expert Wüest & Partner AG, Zurich, based on regular (semi-annual) fair value appraisals. The applied real discount rate hovered in range between 3.1% to 5.0% [3.2% to 5.0%] on the balance sheet date. These valuations were based on market prices of recently executed transactions.

Fire insurance values of owner-occupied properties amounted to CHF 580.735 million [CHF 510.719 million]. Rental income from owner-occupied properties totalled CHF 40.958 million [CHF 41.889 million].

OWNER-OCCUPIED PROPERTIES UNDER CONSTRUCTION

in CHF 1 000	31.12.2014	31.12.2015
Owner-occupied properties under construction as at 01.01.	12 360	52 890
Additions	43 246	12 690
Capitalised borrowing costs	513	693
Disposals	–	–29 178
Positive fair value adjustment	42	6 035
Negative fair value adjustment	–3 271	–
Reclassifications into owner-occupied properties, net	–	–43 130
Owner-occupied properties under construction as at 31.12.	52 890	–

SUMMARY OF TRANSFERRED DEPRECIATION AND IMPAIRMENT

in CHF 1 000	31.12.2014	31.12.2015
Cumulative depreciation and impairment as at 01.01.	–	–
Reversal of impairment	–	–3 300
Impairment	3 271	–
Transferred depreciation and impairment	–3 271	3 300
Cumulative depreciation and impairment as at 31.12.	–	–

The owner-occupied property under construction at Via San Gottardo 99–99b in Bellinzona was sold to the Swiss Prime Investment Foundation in the reporting year. The Bubenholz property located at Mül-lackerstrasse 2, 4 in Opfikon was completed in the first half-year 2015 and recognised on the balance sheet as owner-occupied properties.

If these particular owner-occupied properties under construction were valued according to the historical cost model, the book value would have been CHF 56.109 million as at 31 December 2014.

The fire insurance value of these properties amounted to CHF 56.109 million as at 31 December 2014.

20 TANGIBLE ASSETS

in CHF 1 000	Equipment	Furniture/ tenants' improvements	31.12.2015 Total
Cost as at 01.01.2015	6 691	92 840	99 531
Additions	3 485	10 630	14 115
Additions from acquisitions	2 092	11 842	13 934
Disposals	–	–1 563	–1 563
Cost as at 31.12.2015	12 268	113 749	126 017
Cumulative depreciation and impairment as at 01.01.2015	647	47 408	48 055
Depreciation	744	14 182	14 926
Disposals	–	–1 554	–1 554
Cumulative depreciation and impairment as at 31.12.2015	1 391	60 036	61 427
Total tangible assets as at 31.12.2015	10 877	53 713	64 590

in CHF 1 000	Equipment	Furniture/ tenants' improvements	31.12.2014 Total
Cost as at 01.01.2014	3 862	87 257	91 119
Additions	2 829	8 007	10 836
Disposals	–	– 16	– 16
Reduction due to sale of Permed AG	–	– 2 408	– 2 408
Cost as at 31.12.2014	6 691	92 840	99 531
Cumulative depreciation and impairment as at 01.01.2014	89	37 154	37 243
Depreciation	558	12 436	12 994
Disposals	–	– 9	– 9
Reduction due to sale of Permed AG	–	– 2 173	– 2 173
Cumulative depreciation and impairment as at 31.12.2014	647	47 408	48 055
Total tangible assets as at 31.12.2014	6 044	45 432	51 476

21 GOODWILL AND INTANGIBLE ASSETS

in CHF 1 000	Goodwill	Software	Customer base	Brand names	31.12.2015 Total
Cost as at 01.01.2015	166 311	12 959	29 630	51 906	260 806
Additions	–	5 324	–	–	5 324
Additions from acquisitions	203 209	–	863	1 267	205 339
Disposals	–	– 179	–	–	– 179
Cost as at 31.12.2015	369 520	18 104	30 493	53 173	471 290
Cumulative amortisation and impairment as at 01.01.2015	–	8 000	8 403	–	16 403
Amortisation	–	1 643	3 347	32	5 022
Disposals	–	– 179	–	–	– 179
Cumulative amortisation and impairment as at 31.12.2015	–	9 464	11 750	32	21 246
Total goodwill and intangible assets as at 31.12.2015	369 520	8 640	18 743	53 141	450 044

in CHF 1 000	Goodwill	Software	Customer base	Brand names	31.12.2014 Total
Cost as at 01.01.2014	167 775	9 035	29 630	53 397	259 837
Additions	–	3 924	–	–	3 924
Reduction due to sale of Permed AG	– 1 464	–	–	– 1 491	– 2 955
Cost as at 31.12.2014	166 311	12 959	29 630	51 906	260 806
Cumulative amortisation and impairment as at 01.01.2014	–	4 349	5 077	–	9 426
Amortisation	–	3 651	3 326	–	6 977
Cumulative amortisation and impairment as at 31.12.2014	–	8 000	8 403	–	16 403
Total goodwill and intangible assets as at 31.12.2014	166 311	4 959	21 227	51 906	244 403

Impairment test for cash-generating units including goodwill and brand names

To perform the impairment test, goodwill and brand names are attributed to the cash-generating units of Swiss Prime Site that correspond to the operating segments.

GOODWILL

in CHF 1 000	31.12.2014	31.12.2015
Real Estate segment	87 368	87 368
Retail segment	35 930	35 930
Assisted Living segment	43 013	246 222
Total goodwill	166 311	369 520

The Real Estate, Retail and Assisted Living segments each constitute an operating segment. The amount to be realised by the cash-generating units was based on value in use.

Value in use was based on the following underlying key assumptions:

- > Taking into consideration past experience, cash flows were based on a business plan for the forthcoming four years. A constant growth rate of 1.0% [1.0%] was used for cash flows of the detailed horizon of the subsequent periods for the Real Estate segment, while a relevant rate of 2.0% [1.5%] was used for the Retail segment and 1.5% [1.5%] for the Assisted Living segment.
- > A pre-tax discount rate of 6.7% [9.8%] was applied for the goodwill and brand names in the Real Estate segment, while the relevant rates applied to the goodwill and brand names in the Retail segment as well as Assisted Living segment were 7.4% [9.3%] and 7.0% [6.4%], respectively.

In the opinion of the Executive Board, no realistically expected, possible changes in the designated key assumptions could lead to a situation in which the book value of goodwill would exceed the relevant realisable amount as at the balance sheet date. The impairment tests were carried out in the fourth quarter of 2015.

The increase in goodwill is attributable to the acquisitions of SENIOcare Group, WGDM Papillon AG and Sternmatt Pflegewohngruppen.

BRAND NAMES

in CHF 1 000	31.12.2014	31.12.2015
Real Estate segment	4 395	4 395
Retail segment	22 797	22 797
Assisted Living segment	24 714	25 949
Total brand names	51 906	53 141

The useful life of the brand names acquired in connection with the acquisition of Jelmoli Group (Jelmoli including The House of Brands) (Retail segment), Wincasa AG (Real Estate segment) and Tertianum AG (Assisted Living segment) were regarded as indefinite. The useful life of the brand names of SENIOcare Group (Assisted Living segment) acquired in the reporting period amounts to ten years.

Based on the impairment tests, there was no need for any impairment as at end-2015.

22 CURRENT LIABILITIES

Accounts payable comprised mainly liabilities from ancillary cost accounts, property expense and commercial invoices, as well as liabilities from the Assisted Living segment.

The breakdown of accrued expenses and deferred income was as follows:

in CHF 1 000	31.12.2014	31.12.2015
Renovation and project costs	58 200	52 350
Cost of goods sold	15 570	16 426
Other operating expenses	28 130	27 932
Total accrued expenses and deferred income	101 900	96 708

23 FINANCIAL LIABILITIES

in CHF 1 000	31.12.2014	31.12.2015
Mortgage-backed loans	486 500	382 000
Convertible bonds	227 800	189 589
Other loans	–	516
Total current financial liabilities	714 300	572 105
Mortgage-backed loans	3 120 824	2 737 525
Convertible bonds	188 821	–
Bonds	939 784	940 672
Non-current loans	2 093	11 291
Total non-current financial liabilities	4 251 522	3 689 488
Other non-current financial liabilities	9 484	6 871
Total financial liabilities	4 975 306	4 268 464

The convertible bond of CHF 189.589 million reported in current financial liabilities in the reporting year will be redeemed on 21 June 2016 [CHF 227.800 million was redeemed on 20 January 2015].

Non-current financial liabilities of CHF 3 689.488 million [CHF 4 251.522 million] were recognised in the balance sheet at amortised cost, which generally corresponded to the nominal value. There were no extraordinary debt covenants for loans secured by real estate or for bonds. The contractual limits were complied with by the Company and are continually monitored.

To secure the financial liabilities, various credit line agreements were concluded under market conditions (at arm's length), both with third-party banks and with related banks. Within the scope of the general credit lines, the maximum credit available is determined and adjusted by the banks on the basis of the valuation of the land mortgage rights transferred to them as security. Increasing credit lines or individual loans, redemption of existing loans and refinancing are carried out continuously on the basis of the liquidity plan.

As at the balance sheet date, the loan-to-value ratio of the real estate portfolio amounted to 44.0% [50.7%].

BONDS

	in	CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 100 m 2024
Issuing volume, nominal	CHF m	115.000	200.000	230.000	300.000	100.000
Book value as at 31.12.2015	CHF m	114.746	199.032	229.359	298.280	99.255
Book value as at 31.12.2014	CHF m	114.645	198.787	229.226	297.954	99.172
Interest rate	%	1.125	1.0	2.0	1.75	2.0
Term to maturity	years	5	5	7	7	10
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)
Fair value as at 31.12.2015 (level 1)	CHF m	118.450	204.900	243.455	315.000	106.050
Fair value as at 31.12.2014 (level 1)	CHF m	116.783	203.700	242.420	309.600	102.750

The bonds are redeemed at their nominal value.

CONVERTIBLE BONDS

	in	CHF 300 m 2015	CHF 190.35 m 2016
Issuing volume, nominal	CHF m	300.000	190.350
Nominal value as at 31.12.2015	CHF m	0.000	190.350
Book value as at 31.12.2015	CHF m	0.000	189.589
Book value as at 31.12.2014	CHF m	227.800	188.821
Conversion price	CHF	70.97	81.89
Interest rate	%	1.875	1.875
Term to maturity	years	5	5
Maturity	date	20.01.2015	21.06.2016
Securities number		10 877 415 (SPS10)	13 119 623 (SPS11)
Fair value as at 31.12.2015 (level 1)	CHF m	0.000	192.806
Fair value as at 31.12.2014 (level 1)	CHF m	230.953	194.538

In 2015, conversions took place with a volume amounting to nominal CHF 203.035 million [CHF 22.535 million]. The conversions resulted in an increase in share capital of CHF 43.770 million [CHF 4.858 million] or 2 860 803 [317 521] registered shares, and addition to capital reserves of CHF 155.976 million [CHF 17.298 million]. The remaining amount of this CHF 300 million convertible bond of CHF 26.085 million was redeemed on 20 January 2015.

No conversions have taken place to date for the CHF 190.350 million convertible bond. Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time. The newly issued shares are secured by conditional capital.

The equity component resulting from the convertible bond was recognised directly in shareholders' equity. The other embedded options of the convertible bond – i.e. premature redemption option under certain preconditions (clean-up call and issuer call) – as well as the put option granted under certain preconditions (delisting of shares put) are contained within the borrowed capital component and are not recognised separately.

More information regarding non-current financial liabilities can be found in Note 34 «Financial instruments and financial risk management».

CONVERSION PRICE AND NUMBER OF POSSIBLE SHARES GIVEN 100% CONVERSION

Convertible bonds	31.12.2014 Conversion price in CHF	31.12.2014 Number of possible shares	31.12.2015 Conversion price in CHF	31.12.2015 Number of possible shares
1.875%-convertible bond 20.01.2010–20.01.2015, (issuing volume CHF 300.000 million)	70.97	3 228 406	n/a	n/a
1.875%-convertible bond 21.06.2011–21.06.2016, CHF 190.350 million	82.89	2 296 417	81.89	2 324 460
Total number of possible shares		5 524 823		2 324 460

24 DEFERRED TAX LIABILITIES

in CHF 1 000	31.12.2014	31.12.2015
Deferred tax liabilities as at 01.01.	891 872	963 412
Increase due to acquisition of a majority shareholding	247	–
Reduction due to sale of Permed AG	– 245	–
Increase through depreciation/revaluation, net, recognised in income statement	69 051	83 131
Increase through depreciation/revaluation, net, recognised in other comprehensive income	11 499	8 764
Decrease through property disposals	– 3 886	– 24 236
Provisions and other liabilities	– 3 950	2 362
Tax rate changes and reductions from duration of ownership deductions	– 1 176	2 512
Deferred tax liabilities as at 31.12.	963 412	1 035 945

Deferred tax liabilities resulted from differences in valuation between statutory reporting of financial results and reporting according to IFRS standards. They resulted particularly from revaluations and statutory depreciation of investment properties and owner-occupied properties. Conversely, deferred tax liabilities decreased upon disposals of the properties.

The calculation of deferred taxes on real estate assets was based on the assumption of a holding period of a minimum of 20 years. Given a holding period of 15 years, the relevant deferred tax liabilities on future property gains would have been roughly 2% higher. Given a reduction of the holding period to ten years, deferred tax liabilities would have been around 3% higher.

Information about the status and changes in revaluations can be found in Note 18 «Investment properties» and Note 19 «Owner-occupied properties and owner-occupied properties under construction». Note 12 «Income taxes» explains the calculation of the deferred taxes.

25 PENSION PLANS

Information relating to Swiss Prime Site's defined benefit pension plans

Swiss Prime Site maintains occupational pension plans for its employees to safeguard against the economic consequences of old age, disability and death, within the scope of various pension schemes (e.g. pension funds and collective foundations, set up primarily through a life insurance company) that are legally and financially independent of the employer. The pension plan assets are totally separated from the employer's assets as well as from insured employees' assets. The Swiss Federal Law on Occupational Old-age, Survivors' and Disability Insurance (BVG) and its regulatory statutes as well as Swiss Federal Law on Vesting in Pension Plans stipulate minimum benefits in the area of obligatory insurance and, to some extent, also the area of over-obligatory insurance. The respective benefit plans of the individual group companies are defined in the regulations of their pension fund or collective foundations and in the affiliation agreement as well as in the affiliation's pension plan. Swiss Prime Site maintained four [four] autonomous pension fund solutions, four [two] pension schemes in fully insured collective foundations and three [two] pension schemes in partly-autonomous collective foundations as at the balance sheet date.

The board of trustees of a pension scheme is the predominant governing body, comprising on equal terms the same number of employer and employee representatives. The board of trustees makes decisions regarding the contents of the pension regulations (particularly the insured benefits), financing of the pension scheme (e.g. employer and employee contributions) and asset management (e.g. investment of pension funds, assignment of asset management activities to an external party, reinsurance of regulatory obligations by a life insurance firm). Insofar as a group company is affiliated with a collective foundation, a respective administrative committee, in addition to the board of trustees of the collective foundation, is directly responsible for the pension scheme of the affiliated group company. In addition, these entities are set up on equal terms and make the relevant decisions for the pension scheme. The pension scheme is entered in the Occupational Old-age, Survivors' and Disability Insurance register and subject to supervision by a cantonal regulatory authority, or directly by the Swiss Federal Social Insurance Office (FSIO), depending on its geographic scope of activity.

The occupational pension plan functions according to the fully funded principle. In this context, an individual retirement fund is accumulated in the course of a working life, taking into account the insured party's annual salary and annual retirement credits plus interest. The interest rate on individual retirement funds ranged from 1.50% to 1.75% [1.50% to 2.25%]. The life-long pension is derived from the individual retirement funds available at the time of retirement multiplied by the current effective pension conversion rate of 4.88% to 6.80% [5.48% to 6.80%]. The employee has the option of drawing the pension benefits as a partial or full payment of capital. In addition to the pension benefits, the pension plan entitlements also comprise survivors' and disability pensions, calculated as a percentage of the insured annual salary. Upon an employee's exit from a group company, the individual retirement funds are transferred to the pension scheme of the new employer or a vested benefits account.

To finance the benefits, savings and risk contributions are collected from employee and employer as a percentage of the insured salary according to the respective pension regulations and/or premium accounts of the collective foundation. In this regard, the employer is responsible for a minimum of 50% of the financing.

Depending on the organisational structure of the pension institution, the employer can be exposed to various risks resulting from the occupational pension plan.

The autonomous pension schemes harbour risks from the savings process as well as from the asset management and directly bear the demographic risks (longevity, death, disability). The respective pension scheme can change its financing system at any time (e.g. contributions and future benefits). The pension scheme may require recapitalisation contributions from the employer for the duration of underfunding according to Swiss law (BVG), insofar as other measures do not achieve the objective.

The semi-autonomous pension schemes safeguard against the demographic risks through a life insurance company, but directly carry out the savings process and the asset management. The respective pension scheme can change its financing system at any time (e.g. contributions and future benefits). The pension scheme may require recapitalisation contributions from the employer for the duration of underfunding according to Swiss law (BVG), insofar as other measures do not achieve the objective. Regarding the insured demographic risks, additional risks also loom that the insurance coverage is only temporary in nature (e.g. cancellation by the life insurance firm), and that the inherent risks of the plan may lead to variable insurance premiums over time.

The fully insured pension schemes safeguard against any investment and demographic risks through a life insurance company. Consequently, the pension plan's funding ratio amounts to 100% at all times, according to Swiss law (BVG). However, additional risks also loom that the insurance coverage is only temporary in nature (e.g. cancellation by the life insurance firm), and that the inherent risks of the plan may lead to variable insurance premiums over time.

Furthermore, the respective collective foundation may cancel the affiliation agreement with the relevant group company subject to compliance with a notice of termination, compelling it to seek affiliation with another pension scheme. This could result in the transfer of an underfunding and/or longevity risks (current pensions) depending on the terms of the affiliation agreement and the current partial liquidation regulations.

Actuarial assumptions

The following assumptions were applied to the valuation of the occupational benefit plans (presented as weighted averages):

ASSUMPTIONS

	in	31.12.2014	31.12.2015
Discount rate	%	1.2	1.0
Future salary increases	% p.a.	1.0	1.0
Future pension increases	% p.a.	0.0	0.0
Percentage of retirement benefits as pension upon retirement	%	20.0	20.0
Assumption to longevity of active insured persons with age of 45	years	39.2	41.6
Assumption to longevity of retirees with age of 65	years	21.4	21.5
Weighted average duration of defined benefit obligations	years	14.5	15.0

Reconciliation of defined benefit obligations and plan assets

DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Present value of defined benefit obligations as at 01.01.	568 703	648 250
Interest expense on defined benefit obligations	13 046	8 021
Current service cost (employer)	17 538	24 072
Contributions by plan participants	10 985	12 579
Benefits paid	– 24 774	– 23 602
Past service cost	– 88	– 5 580
Effect of business combinations and disposals ¹	– 4 274	71 289
Administration cost (excluding cost for managing plan assets)	283	333
Actuarial gain (–)/loss (+) on benefit obligations	66 831	14 300
Total present value of defined benefit obligations as at 31.12.	648 250	749 662

¹ 2015 acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015. Transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015
2014 sale of Permed AG as at 17.03.2014

The present value of defined benefit obligations for active insured persons amounted to CHF 445.354 million [CHF 342.983 million] and for retirees to CHF 304.308 million [CHF 305.267 million].

PLAN ASSETS

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Fair value of plan assets as at 01.01.	557 178	588 481
Interest income on plan assets	12 773	7 223
Contributions by the employer	15 765	17 523
Contributions by plan participants	10 985	12 579
Benefits paid	– 24 774	– 23 602
Effect of business combinations and disposals ¹	– 3 587	50 423
Return on plan assets excluding interest income	20 141	– 644
Total fair value of plan assets as at 31.12.	588 481	651 983

¹ 2015 acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015. Transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015
2014 sale of Permed AG as at 17.03.2014

Swiss Prime Site is expected to contribute CHF 19.580 million [CHF 15.900 million] to the defined benefit plans in the financial year 2016.

NET DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	31.12.2014	31.12.2015
Present value of defined benefit obligations	648 250	749 662
Fair value of plan assets	-588 481	-651 983
Underfund as at 31.12.	59 769	97 679
Adjustment due to asset ceiling	14 320	8 904
Net defined benefit obligations	74 089	106 583

Net defined benefit obligations of CHF 106.583 million [CHF 74.089 million] were split into CHF 8.963 million [CHF 8.067 million] in assets and CHF 115.546 million [CHF 82.156 million] in obligations. The assets or available economic benefits were derived in the form of reduced future contribution payments.

RECONCILIATION OF EFFECT OF ASSET CEILING

in CHF 1 000	31.12.2014	31.12.2015
Asset ceiling as at 01.01.	-23 638	-14 320
Interest expense on effect of asset ceiling	-544	-172
Change in effect of asset ceiling excluding interest expense	9 862	5 588
Total asset ceiling as at 31.12.	-14 320	-8 904

DEFINED BENEFIT COST

in CHF 1 000	01.01.- 31.12.2014	01.01.- 31.12.2015
Current service cost (employer)	-17 538	-24 072
Past service cost	88	5 580
Interest expense on defined benefit obligations	-13 046	-8 021
Interest income on plan assets	12 773	7 223
Interest expense on effect of asset ceiling	-544	-172
Administration cost (excluding cost for managing plan assets)	-283	-333
Defined benefit cost	-18 550	-19 795

Changes to the pension plan

In the reporting year, the conversion rates were reduced in the SPS and Jelmoli pension fund as well as the SPS and Jelmoli welfare foundation. At the same time, support measures were implemented via a one-time deposit in the retirement funds. The over-obligatory conversion rates were reduced for Perlavita Rosenau AG. In addition, a pension plan disposal resulted from the transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 1 July 2015.

REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Actuarial gain (+)/loss(–) on defined benefit obligations	–66 831	–14 300
Return on plan assets excluding interest income	20 141	–644
Change in effect of asset ceiling excluding interest expense	9 862	5 588
Remeasurement of net defined benefit obligations recognised in other comprehensive income	–36 828	–9 356

ACTUARIAL GAIN/LOSS ON DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	31.12.2014	31.12.2015
Actuarial gain (+)/loss (–) arising from changes in financial assumptions	–84 441	–9 722
Actuarial gain (+)/loss (–) arising from experience adjustments	3 150	–4 578
Actuarial gain (+)/loss (–) arising from changes in demographic assumptions	14 460	–
Total actuarial gain (+)/loss (–) on defined benefit obligations	–66 831	–14 300

RECONCILIATION OF NET DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	31.12.2014	31.12.2015
Net defined benefit obligations as at 01.01.	35 163	74 089
Defined benefit cost recognised in the consolidated income statement	18 550	19 795
Remeasurement of net defined benefit obligations recognised in other comprehensive income (OCI)	36 828	9 356
Contributions by the employer	–15 765	–17 523
Effect of business combinations and disposals ¹	–687	20 866
Total net defined benefit obligations as at 31.12.	74 089	106 583

¹ 2015 acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015. Transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015
2014 sale of Permed AG as at 17.03.2014

PLAN ASSET CLASSES

Asset classes, in CHF 1 000	31.12.2014	31.12.2015
Cash and cash equivalents with quoted market price	31 873	13 830
Cash and cash equivalents without quoted market price	10 791	10 679
Equity instruments with quoted market price	183 947	208 149
Debt instruments (e.g. bonds) with quoted market price	168 738	162 639
Real estate with quoted market price	85 558	129 327
Real estate without quoted market price	53 554	56 884
Investment funds with quoted market price	368	299
Others with quoted market price	45 950	62 181
Others without quoted market price	7 702	7 995
Total plan assets at fair value	588 481	651 983

Sensitivity analysis

Sensitivity analyses were compiled for the key assumptions – while constantly maintaining the other assumptions – used to calculate defined benefit obligations, based on changes that were reasonably possible at the balance sheet date.

The discount rate as well as assumptions for future trends in salaries and future growth in pensions were increased and decreased, respectively, by fixed percentage points. Sensitivity to mortality rates was calculated through decreasing and/or increasing the mortality rate with a lump-sum factor, resulting in a roughly one-year increase or decrease, respectively, in the life expectancy of most of the age categories.

in CHF 1 000	31.12.2014	31.12.2015
Value of defined benefit obligations as at 31.12.	648 250	749 662
Defined benefit obligations as at 31.12. with discount rate – 0.25%	672 648	778 869
Defined benefit obligations as at 31.12. with discount rate + 0.25%	625 456	722 425
Defined benefit obligations as at 31.12. with life expectancy + 1 year	671 322	775 366
Defined benefit obligations as at 31.12. with life expectancy – 1 year	624 722	723 510
Defined benefit obligations as at 31.12. with pension increase + 0.25%	666 012	770 409
Service cost (employer) of next year with discount rate + 0.25%	21 320	23 102

26 SHAREHOLDERS' EQUITY

SHARE CAPITAL

	Number of registered shares issued	Nominal value in CHF	Share capital in CHF 1 000
Share capital as at 01.01.2014	60 503 081	15.30	925 697
Conversions from November to December 2014	317 521	15.30	4 858
Share capital as at 31.12.2014	60 820 602	15.30	930 555
Conversions from January 2015	2 860 803	15.30	43 770
Capital increase from May 2015	5 970 129	15.30	91 343
Share capital as at 31.12.2015	69 651 534	15.30	1 065 668

The 2 780 [2 682] treasury shares held at 31 Dezember 2015 were not entitled to dividends. At the balance sheet date, the dividend-entitled share capital of CHF 1 065.626 million [CHF 930.514 million] therefore comprised 69 648 754 [60 817 920] registered shares.

AUTHORISED CAPITAL

	Number of registered shares	Nominal value in CHF	in CHF 1 000
Authorised capital as at 01.01.2014	–	–	–
Approval of increase by Annual General Meeting of 15.04.2014	6 000 000	15.30	91 800
Authorised capital as at 31.12.2014	6 000 000	15.30	91 800
Capital increase on 29.05.2015	– 5 970 129	15.30	– 91 343
Authorised capital as at 31.12.2015	29 871	15.30	457

The Board of Directors is authorised to increase the share capital to the extent mentioned above at any time until 15 April 2016.

CONDITIONAL CAPITAL

	Number of registered shares	Nominal value in CHF	in CHF 1 000
Conditional capital as at 01.01.2014	7 321 234	15.30	112 015
Conversions from November to December 2014	- 317 521	15.30	- 4 858
Conditional capital as at 31.12.2014	7 003 713	15.30	107 157
Conversions from January 2015	- 2 860 803	15.30	- 43 770
Conditional capital as at 31.12.2015¹	4 142 910	15.30	63 387

¹ of which for options and/or conversion rights CHF 40.284 million respectively 2 632 910 shares [CHF 84.054 million respectively 5 493 713 shares]
of which for option rights granted to shareholders CHF 23.103 million respectively 1 510 000 shares [CHF 23.103 million respectively 1 510 000 shares]

The precise wording regarding conditional capital can be found in the Company's Articles of Association. In 2015, convertible bonds with a volume amounting to nominal CHF 203.035 million [CHF 22.535 million] were converted to shareholders' equity. Further relevant information can be found in Notes 27 «Key figures per share» and 23 «Financial liabilities».

CAPITAL RESERVES

	in CHF 1 000
Capital reserves as at 01.01.2014	980 466
Distribution from capital contribution reserves on 25.04.2014	- 217 801
Conversions of 4 507 units of the CHF 300 million convertible bond into 317 521 registered shares	17 298
Share-based compensation, 26 234 shares	1 896
Purchase of treasury shares, 10 000 shares	- 736
Capital reserves as at 31.12.2014	781 123
Distribution from capital contribution reserves on 21.04.2015	- 235 611
Conversions of 40 607 units of the CHF 300 million convertible bond into 2 860 803 registered shares	155 976
Capital increase on 29.05.2015	321 991
Share-based compensation, 32 302 shares	2 529
Purchase of treasury shares, 32 400 shares	- 2 430
Capital reserves as at 31.12.2015	1 023 578

Capital reserves were based on above-par issues on foundation, capital increases as well as changes from trading with subscription rights, treasury shares and share-based compensation.

REVALUATION RESERVES

	in CHF 1 000
Revaluation reserves as at 01.01.2014	42 786
Revaluation of owner-occupied properties	38 972
Deferred taxes on revaluation of owner-occupied properties	- 8 966
Revaluation reserves as at 31.12.2014	72 792
Revaluation of owner-occupied properties	38 032
Sale of owner-occupied properties	- 43
Deferred taxes on revaluation of owner-occupied properties	- 8 754
Revaluation reserves as at 31.12.2015	102 027

Revaluation reserves are not available to the Company shareholders.

RETAINED EARNINGS

	in CHF 1 000
Retained earnings as at 01.01.2014	2 158 396
Profit	285 763
Remeasurement of net defined benefit obligations	- 36 828
Deferred taxes on remeasurement of net defined benefit obligations	8 404
Retained earnings as at 31.12.2014	2 415 735
Profit	355 905
Reclassification of cumulative revaluation gains from revaluation reserves	43
Remeasurement of net defined benefit obligations	- 9 356
Deferred taxes on remeasurement of net defined benefit obligations	2 123
Retained earnings as at 31.12.2015	2 764 450

Retained earnings are derived from earnings retained since the foundation of the Company as well as from cumulative revaluations of net defined benefit obligations.

NON-CONTROLLING INTERESTS

	in CHF 1 000
Non-controlling interests as at 01.01.2014	-
Increase to a majority shareholding with non-controlling interests	701
Comprehensive income, attributable to non-controlling interests	895
Non-controlling interests as at 31.12.2014	1 596
Acquisition of shareholding with non-controlling interests	491
Acquisition of non-controlling interests without change of control	- 1 000
Comprehensive income, attributable to non-controlling interests	- 844
Non-controlling interests as at 31.12.2015	243
Shareholders' equity as at 31.12.2015, in CHF 1 000	4 955 966
Shareholders' equity as at 31.12.2014, in CHF 1 000	4 201 801

Distributions

The Annual General Meeting of 14 April 2015 passed the following resolutions:

A distribution from capital contribution reserves of CHF 3.70 per share.

The share capital on which the distribution was based consisted of 63 678 684 shares. The distribution from capital contribution reserves amounting to CHF 235.611 million was carried out on 21 April 2015.

27 KEY FIGURES PER SHARE

The profit used to calculate earnings per share or diluted earnings per share was the reported profit attributable to shareholders of Swiss Prime Site AG.

WEIGHTED AVERAGE NUMBER OF SHARES

	01.01.– 31.12.2014	01.01.– 31.12.2015
Shares issued as at 01.01.	60 503 081	60 820 602
Weighted number of shares issued on conversions	16 028	2 814 537
Weighted number of shares on capital increase as at 29.05.2015	–	3 499 159
Average number of treasury shares (360 days)	–6 458	–6 506
Total weighted average number of shares 01.01.–31.12. (360 days)	60 512 651	67 127 792
Weighted number of shares issued on conversions	–16 028	–2 814 537
Effective number of converted shares	317 521	2 860 803
Highest possible number of shares that can be issued on conversions	5 524 823	2 324 460
Basis for calculation of diluted earnings per share	66 338 967	69 498 518

BASIS FOR CALCULATION OF DILUTED EARNINGS PER SHARE

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Profit attributable to shareholders of Swiss Prime Site AG	285 763	355 905
Interests on convertible bonds, amortisation of proportional costs and tax effects	6 118	4 370
Relevant profit for calculation of diluted earnings per share	291 881	360 275

EARNINGS AND NAV PER SHARE

in CHF	01.01.– 31.12.2014	01.01.– 31.12.2015
Earnings per share (EPS)	4.72	5.30
Diluted earnings per share	4.40	5.18
Shareholders' equity per share (NAV) before deferred taxes ¹	84.77	85.83
Shareholders' equity per share (NAV) after deferred taxes ¹	69.06	71.15

¹ Non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV.

28 FUTURE OBLIGATIONS AND CONTINGENT LIABILITIES

in CHF 1 000	31.12.2014	31.12.2015
2015	73 197	–
2016	8 290	41 570
2017	400	16 592
Total future obligations based on total contractor agreements	81 887	58 162

Swiss Prime Site concluded agreements with various total contractors for the construction of new and modified buildings within the scope of new construction activities as well as restructuring and renovation of existing properties. The due dates for the respective residual payments for these total contractor agreements are shown in the table above. The relevant properties were as follows:

Properties	Planned completion	31.12.2014 Outstanding payments in CHF 1 000	31.12.2015 Outstanding payments in CHF 1 000
Basel, Freie Strasse 68/Motel One	2016	–	3 835
Basel, Hochbergerstrasse 60a	2015	980	–
Bellinzona, Via San Gottardo 99–99b ¹	2016	20 700	–
Berne, Wankdorfallee 4/Espace Post	2014	4 616	–
Berne, Weltpoststrasse 5/Murifeld	2015	3 189	–
Grand-Lancy, Route des Jeunes 10/CCL La Praille	2014	212	–
Neuchâtel, Rue du Temple-Neuf 14	2014	413	–
Zurich, Brandschenkestrasse 25/Motel One	2017	7 755	43 517
Zurich, Etzelstrasse 14	2017	–	10 810
Zurich, Flurstrasse 55/Flurpark	2015	15 466	–
Zurich, Hagenholzstrasse 60/SkyKey	2014	4 919	–
Zurich, Maaghof North and East ¹	2015	23 637	–
Total outstanding payments/future obligations		81 887	58 162

¹ sold in 2015

Operating lease agreements

As at the balance sheet date, the following future obligations relating to land lease payments, leasing of office equipment as well as renting office, retail and residential floor space, as well as owner-occupied properties in the Assisted Living segment were in effect:

in CHF 1 000	31.12.2014	31.12.2015
Lease expenses up to 1 year	33 693	53 262
Lease expenses from 1 year up to 5 years	74 894	235 117
Lease expenses over 5 years	363 366	769 652
Total future lease expenses	471 953	1 058 031

In the reporting period, CHF 41.698 million [CHF 35.582 million] in real estate costs including land lease expenses as well as CHF 0.835 million [CHF 0.871 million] in lease expenses for the rental of office equipment were recognised in other operating expenses.

Contingent liabilities

Since end-2013, there was a contingent liability related to an unresolved difference of opinion with the Swiss Federal Tax Administration (FTA). This claim is linked to the reporting procedure surrounding withholding tax on dividend distributions within the group. Notwithstanding what we view as proper and timely reporting of the distributions in 2012, four subsidiaries received requests for effective payment of the withholding tax and interest on arrears toward the end of 2013 and beginning of 2014. Due to the risk of substantial interest on arrears, Swiss Prime Site paid the withholding tax on 24 December 2013 as a precautionary measure, which was subsequently reimbursed by the FTA on 10 January 2014.

Swiss Prime Site filed an objection to the decision that was issued by the FTA. Based on a legal opinion, the Company believes that there are no legitimate or legal grounds for either the subsequent imposition of withholding taxes or the obligation to effect payment of interest on arrears. Although Swiss Prime Site is convinced that its actions are appropriate and is attempting to legally assert its point of view, a litigation risk exists. According to internal calculations, the interest on arrears would amount to a maximum of CHF 25.0 million in the case that a final decision in favour of the FTA is taken. Since the outcome of the dispute is still uncertain and the extent of the amounts to be ultimately paid in case of a negative outcome cannot be reliably determined at present due to the various possible outcome scenarios, the Company has waived setting up a provision, in accordance with IAS 37.

There were no other contingent liabilities at the balance sheet date, neither securities nor guarantees.

29 PLEDGED ASSETS

in CHF 1 000	31.12.2014	31.12.2015
Fair value of affected investment properties	8 378 215	7 907 295
Fair value of affected owner-occupied properties	609 266	702 728
Nominal value of pledged mortgage notes	5 032 102	4 718 030
Current claim (nominal)	3 605 500	3 118 850

30 TRANSACTIONS WITH RELATED PARTIES

Related parties are regarded as the Board of Directors, the Executive Board, the group companies, the pension fund foundations of the group, the associated companies and their subsidiaries as well as the Swiss Prime Investment Foundation.

Board of Directors and Executive Board

Disclosure of the following fixed compensation to members of the Board of Directors and the fixed and variable compensation to the Executive Board was based on the accrual principle (i.e. recognised in the relevant period, regardless of cash flow).

The compensation paid to the Board of Directors as well as the variable compensation paid to the Executive Board members and members of management employed by Swiss Prime Site Group AG are effected at 50% in the form of Swiss Prime Site AG shares. For the other members of the Executive Board, drawing shares of up to 25% of the variable compensation is optional. The corresponding expense was reported as share-based compensation. The number of Swiss Prime Site AG shares granted to the members of the Board of Directors was determined using the closing price as at the end of the previous year (or as at the beginning of the financial year) of CHF 73.00 [CHF 69.05], less 10% discount to CHF 65.70 [CHF 62.15]. The shares are subject to blocking for periods of four and three years for members of the Board of Directors and Executive Board, respectively.

COMPENSATION TO THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

in CHF 1 000	2014	2015
Fixed compensation in cash, gross	4 844	4 459
Variable compensation in cash, gross	1 140	1 214
Share-based variable compensation ¹	1 401	1 385
Termination benefits ²	1 500	—
Other compensation component ²	64	172
AVS/invalidity insurance contributions	605	473
Other social security contributions	492	503
Total compensation to the Board of Directors and the Executive Board	10 046	8 206
Expense allowance	99	120

¹ The shares are subject to blocking for four years (Board of Directors) respectively three years (Executive Board)

² including AVS/invalidity insurance contributions and other social security contributions of CHF 0.397 m

Options

There were no outstanding or allocated options as at the balance sheet date.

Additional fees and compensation

No additional fees and compensation were paid.

Loans to members of governing bodies

There were no outstanding loans to governing bodies as at the balance sheet date.

Other related parties

There were existing current accounts payable relative to various pension funds and the SPS and Jelmoli welfare foundation of CHF 1.033 million [CHF 0.916 million]. An amount of CHF 0.197 million [CHF 0.076 million] was settled with the SPS and Jelmoli welfare foundation for services.

Income from asset management and other real estate services with the Swiss Prime Investment Foundation (founded in 2015) amounted to CHF 7.942 million. Swiss Prime Site Group sold a real estate package to the Swiss Prime Investment Foundation in the reporting period, comprising eight properties at a price of CHF 411.467 million. This one-time package transaction under related parties was approved by the supervisory authority of the Swiss Prime Investment Foundation and executed at market conditions. The price determined for the transaction was based on estimates from three independent appraisal experts.

A condominium was sold to Markus Graf, CEO of Swiss Prime Site Group until 31 December 2015, at a price of CHF 1.230 million. The sale was executed at market conditions and is included in the income statement in income from the sale of trading properties.

There were no additional transactions with other related parties carried out either in the reporting period or previous period.

31 GROUP COMPANIES AND ASSOCIATES

Swiss Prime Site AG holds the following investments in group companies

FULLY CONSOLIDATED INVESTMENTS IN GROUP COMPANIES (DIRECT OR INDIRECT)

		31.12.2014		31.12.2015	
	Purpose	Share capital in CHF 1 000	Shareholding in %	Share capital in CHF 1 000	Shareholding in %
Clouds Gastro AG, Zurich ¹	Restaurant business	500	100.0	n/a	n/a
Ensemble artisanal et commercial de Riantbosson S.A., Olten ²	Real estate company	1 000	57.4	1 000	100.0
Jelmoli AG, Zurich	Retail company	6 600	100.0	6 600	100.0
Perlavita AG, Zurich	Services provider in the residential sector, particularly assisted living	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg	Operation of private senior residence and care facility with related services	300	100.0	300	100.0
SENIOcare AG, Wattwil ³	Operation, maintenance and creation of senior, residential and geriatric care accommodation	–	–	2 400	100.0
SPS Beteiligungen Alpha AG, Olten	Investment company	650 000	100.0	650 000	100.0
SPS Beteiligungen Beta AG, Olten	Investment company	450 000	100.0	450 000	100.0
SPS Beteiligungen Gamma AG, Olten	Investment company	300 000	100.0	300 000	100.0
SPS Immobilien AG, Olten	Real estate company	50 000	100.0	50 000	100.0
Swiss Prime Site Fund Advisory AG II, Olten ⁴	Management, administration and general partner of a collective investment scheme	100	100.0	100	100.0
Swiss Prime Site Group AG, Olten	Services company	100	100.0	100	100.0
Tertianum AG, Zurich	Services provider in the residential sector, particularly assisted living	9 562	100.0	9 562	100.0
Vitadomo AG, Zurich ⁵	Services provider in the residential sector, particularly assisted living	100	100.0	100	100.0
WGDM Papillon AG, Winterthur ⁶	Geriatric care for people afflicted with dementia in shared accommodation	–	–	100	100.0
Wincasa AG, Winterthur	Real estate services company	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden ³	Operation of senior residences and geriatric care facilities	–	–	1 000	51.0

¹ merged with SPS Immobilien AG as at 15.06.2015

² increase shareholding interest to 100% as at 17.12.2015

³ acquisition as at 01.10.2015

⁴ founded as at 28.03.2014

⁵ founded as at 05.11.2014

⁶ acquisition as at 01.07.2015

INVESTMENTS IN ASSOCIATES VALUED ACCORDING TO THE EQUITY METHOD

		31.12.2014		31.12.2015	
	Purpose	Share capital in CHF 1 000	Shareholding in %	Share capital in CHF 1 000	Shareholding in %
Parkgest Holding S.A., Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

32 MAJOR SHAREHOLDERS

	31.12.2014 Shareholding interest in %	31.12.2015 Shareholding interest in %
Major shareholders (shareholding interest > 3%)		
BlackRock Investment Management (UK) Ltd., London	5.0	4.4
State Street Corporation, Boston	4.9	4.0
Credit Suisse Funds AG, Zurich	4.5	3.5

33 RISK MANAGEMENT

Principles

Swiss Prime Site places significant emphasis on its approach toward seizing opportunities and managing risks. The Company has therefore implemented a systematic and continuous risk management process. The objective of Swiss Prime Site's risk management is based on examining strategies and operating activities according to opportunities and risks, assessing the identified risks and controlling these risks with appropriate measures. At the same time, the focal point is directed at adequately mitigating any relevant potential losses, as well as consciously seizing opportunities. Risk management therefore provides a significant contribution to the continuity and successful development of the Company. The principles and processes of risk management are set out in separate regulations.

Risk management is an ongoing process in which all of the Company's employees are basically involved. The responsibility is assigned at appropriate levels to the various entities of the Company such as the Board of Directors and Executive Board, etc. Swiss Prime Site has divided the risk management process into the following sub-processes, in conformity with internationally recognised risk management frameworks:

- > Risk identification
- > Risk analysis and evaluation
- > Determination of risk-response strategy
- > Implementation of risk management and control measures
- > Risk communication and monitoring

The various risks are monitored and controlled by several Swiss Prime Site bodies and departments, as follows:

- > Board of Directors
- > Audit Committee of the Board of Directors
- > Members of executive management identified as risk owners
- > Internal risk management
- > Internal audit

Risk types

Swiss Prime Site's businesses are subject to specific risks that can be divided into the following primary categories (list is not exhaustive):

- > real estate-specific risks
- > environmental risks and risks associated with contamination
- > risks associated with construction activities
- > market risk and diversification
- > valuation risks
- > credit, refinancing and liquidity risks (Note 34)
- > risks associated with the real estate services business
- > retail business-specific risks
- > risks associated with the assisted living sector
- > regulatory and fiscal risks
- > risks associated with litigation

These risks are addressed by means of appropriate selection and diversification of properties and tenants, adjustments of the expiry profile of rental agreements, constructional measures, finance assurances, the degree of indebtedness, as well as regular monitoring of processes and procedures.

34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

in CHF 1 000	Fair value level 1	Fair value level 2	Fair value level 3	Total levels	31.12.2015 Book value
Cash (without cash in hand)					232 485
Accounts receivable					80 432
Current accounts receivable					574
Other receivables					26 564
Non-current financial investments		254	134	388	1 261
Total receivables and non-current financial investments					108 831
Total financial assets, not recognised at fair value					341 316
Securities	482			482	482
Total financial assets held for trading					482
Total financial assets at fair value					482
Accounts payable					13 307
Current financial liabilities					382 000
Other current liabilities					127 688
Other non-current financial liabilities					11 291
Mortgage-backed loans			2 913 692	2 913 692	2 737 525
Convertible bonds	192 806			192 806	189 589
Bonds	987 855			987 855	940 672
Total financial liabilities at amortised cost					4 402 072
Total financial liabilities, not recognised at fair value					4 402 072
Derivatives with negative fair value		6 871		6 871	6 871
Total financial liabilities held for trading					6 871
Total financial liabilities at fair value					6 871

in CHF 1 000	Fair value level 1	Fair value level 2	Fair value level 3	Total levels	31.12.2014 Book value
Cash (without cash in hand)					254 587
Accounts receivable					126 097
Current accounts receivable					587
Other receivables					6 301
Other non-current receivables		1 076		1 076	425
Non-current financial investments		255	134	389	1 261
Total receivables and non-current financial investments					134 671
Total financial assets, not recognised at fair value					389 258
Securities	477			477	477
Total financial assets held for trading					477
Total financial assets at fair value					477
Accounts payable					16 151
Current financial liabilities					486 500
Other current liabilities					138 772
Other non-current financial liabilities			2 093	2 093	2 093
Mortgage-backed loans			3 324 656	3 324 656	3 120 824
Convertible bonds	425 491			425 491	416 620
Bonds	975 253			975 253	939 784
Total financial liabilities at amortised cost					5 120 744
Total financial liabilities, not recognised at fair value					5 120 744
Derivatives with negative fair value		9 484		9 484	9 484
Total financial liabilities held for trading					9 484
Total financial liabilities at fair value					9 484

No fair value information was disclosed for financial instruments such as current receivables and liabilities since their relevant book values represent an appropriate approximation of the fair value.

Non-current financial investments includes two [two] fixed-rate loans amounting to CHF 0.385 million [CHF 0.385 million] with a residual term of up to eight [nine] years and an interest rate of 0% to 6%.

The following table shows the valuation techniques used to determine the fair value at level 2 and level 3, as well as the significant, unobservable input factors:

FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE

Nature	Derivatives (swaps and caps)
Valuation technique	Market comparison process: Fair value is based on brokers' listed prices. Similar contracts are traded on an active market, and the listed prices reflect the actual transactions for similar instruments.

FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE

Nature	Other non-current receivables, non-current financial investments, mortgage-backed loans
Valuation technique	Discounted cash flows

The valuation techniques remained unchanged year-on-year.

Financing and liquidity risks

Financial risk and capital management are addressed in accordance with the following principles of capital structure and interest commitment as determined by the Board of Directors in the investment regulations:

- > a maximum average of 65% borrowed capital may be used to finance the real estate portfolio
- > the equity ratio target is 40%, although the Board of Directors can approve a shortfall of this ratio
- > a return on equity (ROE) of 6% to 8% is targeted in the long term
- > borrowing with a residual term to maturity of less than one year should account for a maximum of 50% of financial liabilities
- > the objective is a balanced maturity profile of the financial liabilities

SELECTED GROUP KEY FIGURES

in %	31.12.2014	31.12.2015
Loan-to-value ratio for the property portfolio ¹	50.7	44.0
Non-current financial liabilities relative to property portfolio ¹	43.7	38.1
Current financial liabilities relative to overall financial liabilities	14.4	13.4
Current assets relative to current liabilities	70.0	45.9
Equity ratio	39.6	46.4
Borrowed capital ratio	60.4	53.6
Return on equity (ROE)	7.0	7.6
Return on invested capital (ROIC)	3.7	4.3

¹ without derivatives

To minimise refinancing risk on the part of lenders and to avoid cluster risks, diversification of lenders receives particular attention when borrowing capital.

Interest commitment is determined, among other things, by taking into account the maturity structure of the existing rental agreements, the intended purchases and sales of properties, and the potential trends in market rents, inflation and interest rates.

Liquidity risk is the risk that Swiss Prime Site may not be in a position to meet its contractual financial obligations through providing means of payment or other financial assets. Current income basically ensures sufficient cash flow to meet current obligations. Any lack of liquidity is financed through current loans.

Sight deposits are invested in secure investments. Foreign currencies are immaterial. Cash and cash equivalents are kept as low as possible and are used primarily to redeem loans. The goal is to invest available cash in real estate. To secure larger liabilities, non-secured but open credit lines are available. The Executive Board is responsible for the timely provision of the required cash. Hence, the Executive Board complies with, among others, the provisions of the investment regulations and use of rolling liquidity planning as a tool. The Board of Directors monitors compliance with the provisions of the investment regulations.

Overview of future contractual cash outflows (including interest) from all financial liabilities:

in CHF 1 000	31.12.2015 Book value	Contractual cash flows	< 6 months		6 to 12 months		1 to 2 years		2 to 5 years		> 5 years	
			Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation
Accounts payable	13 307	13 307	–	13 307	–	–	–	–	–	–	–	–
Current financial liabilities	572 105	580 654	6 038	339 608	1 750	233 258	–	–	–	–	–	–
Other current liabilities	127 171	127 176	3	127 092	2	79	–	–	–	–	–	–
Non-current financial liabilities	3 689 488	4 051 951	37 812	–	37 811	–	69 035	513 777	153 495	1 504 433	60 656	1 674 932
Total non-derivative financial liabilities	4 402 071	4 773 088	43 853	480 007	39 563	233 337	69 035	513 777	153 495	1 504 433	60 656	1 674 932
Derivatives with negative fair values	6 871	6 871	–	1 812	–	1 832	–	934	–	2 071	–	222
Total derivative financial liabilities	6 871	6 871	–	1 812	–	1 832	–	934	–	2 071	–	222
Total financial liabilities	4 408 942	4 779 959	43 853	481 819	39 563	235 169	69 035	514 711	153 495	1 506 504	60 656	1 675 154

in CHF 1 000	31.12.2014 Book value	Contractual cash flows	< 6 months		6 to 12 months		1 to 2 years		2 to 5 years		> 5 years	
			Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation
Accounts payable	16 151	16 151	–	16 151	–	–	–	–	–	–	–	–
Current financial liabilities	714 300	721 637	4 792	499 620	1 225	216 000	–	–	–	–	–	–
Other current liabilities	138 772	138 772	–	138 772	–	–	–	–	–	–	–	–
Non-current financial liabilities	4 251 522	4 709 446	44 422	–	45 159	–	83 274	572 350	182 044	1 452 000	100 197	2 230 000
Total non-derivative financial liabilities	5 120 745	5 586 006	49 214	654 543	46 384	216 000	83 274	572 350	182 044	1 452 000	100 197	2 230 000
Derivatives with negative fair values	9 484	10 560	–	3 342	–	2 575	–	2 618	–	1 438	–	587
Total derivative financial liabilities	9 484	10 560	–	3 342	–	2 575	–	2 618	–	1 438	–	587
Total financial liabilities	5 130 229	5 596 566	49 214	657 885	46 384	218 575	83 274	574 968	182 044	1 453 438	100 197	2 230 587

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.4 [4.7] years due to the contractual maturities.

Currency risks

Currency risk is the risk that movements in the exchange rates could have an effect on the profit or book value of the financial instruments held by Swiss Prime Site. There is currently no significant currency risk.

Credit risks

Credit risk is the risk that Swiss Prime Site suffers financial losses if a customer or counterparty of a financial instrument does not meet its contractual obligations. In order to minimise counterparty risk, the particular counterparties for concluding derivative financial instrument transactions are diligently selected in terms of credit ratings and diversification. The quality of the transactions and settlements is subject to monitoring on an ongoing basis. In order to achieve a positive impact on cash flows, outstanding debt risk is managed through active debt management.

Rent defaults are prevented as far as possible by maintaining a balanced tenant mix and avoiding dependencies on major tenants. First, arrears are prevented by performing strict credit rating checks before entering into a contract. Second, efficient debt collection and legal case reporting by the property managers ensure that debt levels are kept as low as possible.

The threat of outstanding debt risks is influenced by general economic development. As a result, it is possible that tenants have a good credit rating at the time of signing a contract, but then run into payment difficulties if the economic situation deteriorates.

Credit risk is limited to the book value of the relevant financial assets.

MAXIMUM DEFAULT RISKS

in CHF 1 000	31.12.2014	31.12.2015
Cash (without cash in hand)	254 587	232 485
Securities	477	482
Accounts receivable	126 097	80 432
Current accounts receivable	587	574
Other receivables	6 301	26 564
Other non-current receivables	425	–
Non-current financial investments	1 261	1 261
Maximum credit risk	389 735	341 798

Interest risks

Interest risk is the risk that movements in interest rates can have an effect on the profit and/or fair value of the financial instruments held by Swiss Prime Site.

FIXED AND VARIABLE INTEREST-BEARING FINANCIAL INSTRUMENTS

in CHF 1 000	31.12.2014	31.12.2015
Fixed interest-bearing financial instruments		
Financial assets	1 686	1 261
Financial liabilities	4 859 970	4 266 164
Surplus of fixed interest-bearing financial liabilities	4 858 284	4 264 903
Variable interest-bearing financial instruments		
Financial assets	254 587	232 485
Financial liabilities	110 000	–
Surplus of variable interest-bearing financial assets	144 587	232 485

Interest risk is continuously monitored and assessed by the Executive Board. Depending on the expected trends in long-term interest rates and taking into account the current market environment, an individual decision as to the term to maturity is made with each refinancing. At the same time, particular attention is paid to a balanced maturity profile, and the entire interest exposure is continuously taken into account. Derivatives are used as well.

The group's cash is invested on a short-term basis. For more information regarding interest-bearing borrowed capital, see Note 23 «Financial liabilities».

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES CATEGORISED BY INTEREST RATE

in CHF 1 000	31.12.2014 Total nominal value	31.12.2015 Total nominal value
Financial liabilities up to 1.00%	201 800	91 800
Financial liabilities up to 1.50%	696 000	695 850
Financial liabilities up to 2.00%	1 336 070	1 106 950
Financial liabilities up to 2.50%	1 284 400	1 249 400
Financial liabilities up to 3.00%	729 000	729 630
Financial liabilities up to 3.50%	275 500	100 000
Financial liabilities up to 4.00%	413 200	257 200
Financial liabilities up to 4.50%	34 000	34 000
Financial liabilities up to 5.00%	–	1 334
Total financial liabilities	4 969 970	4 266 164

The weighted average interest rate for all interest-bearing financial liabilities amounted to 2.1% [2.2%]. The loans were mainly obtained at fixed interest rates.

Interest rate sensitivity of fixed interest-bearing financial instruments

Swiss Prime Site has not recognised any fixed interest-bearing financial instruments at fair value in the balance sheet. Therefore, a change in interest rates would not influence comprehensive income.

Interest rate sensitivity of variable interest-bearing financial instruments

The following sensitivity analysis is based on the book values of variable interest-bearing financial instruments as at the balance sheet date and shows how the interest result would change if the interest level increased or decreased by 0.5%.

Change of interest result with increase of interest rate by 0.50%	703	752
Change of interest result with decrease of interest rate by 0.50%	– 703	– 752

Derivatives and hedge accounting

Swiss Prime Site utilises various derivatives (swaps and caps) for the purpose of partial interest fixing of variable interest-bearing financial liabilities. Hedge accounting in the context of IAS 39 «Financial instruments: recognition and measurement» is not used. Swaps are balanced on a net basis.

Other price risk

Other price risk is the risk of changes in fair value of securities, which can have an effect on the fair value of securities held by Swiss Prime Site as well as on profit.

A change in the fair value of securities amounting to 10% would accordingly increase or decrease profit by CHF 0.048 million [CHF 0.048 million]. The fair value of securities corresponds to the listing price as at the balance sheet date.

35 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated financial statements were approved for publication by the Board of Directors on 7 March 2016. They are subject to the approval of the Annual General Meeting of Swiss Prime Site AG of 12 April 2016.

As at 29 February 2016, 100% of the shares in Boas Senior Care were acquired at a provisionally determined acquisition price of roughly CHF 70 million. Because the closing of the transaction had occurred just shortly before the approval of publication of these consolidated financial statements, the initial recognition of the business combination was not yet carried out in the balance sheet. In order to secure the transaction, Swiss Prime Site effected an advance payment of CHF 20 million already in 2015, in the form of a loan (other current receivables), which was offset against the acquisition price payment. The acquisition paves the way for Tertianum Group to achieve comprehensive geographic coverage of Switzerland in the assisted living sector and further extend its market leadership. Boas Senior Care realised revenues of roughly CHF 70 million in 2014 and manages a total of 15 operating facilities with 632 geriatric care beds and 176 apartments.

There were no other events occurring between 31 December 2015 and the date of publication of these consolidated financial statements that would result in adjustment of the carrying amounts of the group's assets and liabilities as at 31 December 2015, or which would need to be disclosed at this point.

..... **FINANCIAL STATEMENTS OF SWISS PRIME SITE AG**

FINANCIAL STATE MENTS

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF SWISS PRIME SITE AG, OLTEN

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of Swiss Prime Site AG, which comprise the income statement, balance sheet and notes (pages 86 to 94) for the year ended 31 December 2015.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Claudius Rügsegger
Licensed Audit Expert

Zurich, 7 March 2016

INCOME STATEMENT

in CHF 1 000	Notes	01.01.– 31.12.2014	01.01.– 31.12.2015
Dividend income	2.1	20 000	173 000
Other financial income	2.2	90 309	72 778
Other operating income		–3	2
Total operating income		110 306	245 780
Financial expenses	2.3	–101 703	–97 751
Personnel costs		–1 552	–1 725
Other operating expenses	2.4	–5 182	–6 131
Total operating expenses		–108 437	–105 607
Result before taxes		1 869	140 173
Direct taxes		–	–
Profit	4	1 869	140 173

BALANCE SHEET

in CHF 1 000	Notes	31.12.2014	31.12.2015
Assets			
Cash		45 527	24 856
Securities with market price		204	213
Other current receivables	2.5	20 193	173 291
Accrued income and prepaid expenses		2 000	1 616
Total current assets		67 924	199 976
Financial investments	2.6	2 827 477	2 496 075
Investments in subsidiaries	2.7	4 029 072	4 029 072
Accrued income and prepaid expenses		4 693	3 439
Total non-current assets		6 861 242	6 528 586
Total assets		6 929 166	6 728 562
Liabilities and shareholders' equity			
Current interest-bearing liabilities	2.8	715 620	522 350
Other current liabilities	2.9	8 521	7 846
Accrued expenses and deferred income		816	448
Total current liabilities		724 957	530 644
Non-current interest-bearing liabilities	2.10	3 995 850	3 473 350
Other non-current liabilities		9 093	6 399
Total non-current liabilities		4 004 943	3 479 749
Total liabilities		4 729 900	4 010 393
Share capital		930 555	1 065 668
Statutory reserves			
Statutory reserves from capital contributions		765 507	1 009 132
Legal retained earnings			
Reserves for treasury shares		–	3
Other legal retained earnings		147 378	147 375
Voluntary retained earnings			
Balance sheet profit	4	194 998	335 171
Other voluntary retained earnings		161 025	161 025
Treasury shares	2.11	– 197	– 205
Total shareholders' equity		2 199 266	2 718 169
Total liabilities and shareholders' equity		6 929 166	6 728 562

1 PRINCIPLES OF ACCOUNTING AND VALUATION

1.1 General

The financial statements of Swiss Prime Site AG, Olten, were prepared according to the provisions of Swiss Accounting Law (Section 32 of the Swiss Code of Obligations (CO)). The significantly applicable valuation principles that are not stipulated by law are described in the following section.

1.2 Securities

Short-term held securities are valued at the stock exchange price on the balance sheet date. Formation of a fluctuation reserve has been waived.

1.3 Interest-bearing liabilities

Interest-bearing liabilities are recognised in the balance sheet at nominal value. The discounts on the bonds and convertible bonds as well as issue costs are recorded in accrued income and prepaid expenses and amortised over the term to maturity of the bonds or convertible bonds.

1.4 Treasury shares

Treasury shares are recognised in the balance sheet at the time of acquisition at historical costs as a minus position in shareholders' equity. Given future re-divestment of the shares, the profit or loss is recorded as financial income or financial expense, respectively, affecting net income.

1.5 Share-based compensation

When treasury shares are used for share-based compensation to Board of Directors members and employees, the value of the allocated shares is posted as personnel costs. Any difference versus the book value is posted to the financial result.

1.6 Dispensation of cash flow statement and additional information in the Notes

In view of the fact that Swiss Prime Site AG prepares its consolidated financial statements according to recognised accounting standards (International Financial Reporting Standards (IFRS)), the Company has dispensed with providing information in the Notes regarding interest-bearing liabilities and audit fees as well as the presentation of a cash flow statement.

2 INFORMATION ON BALANCE SHEET AND INCOME STATEMENT POSITIONS

2.1 Dividend income

Dividend income includes the dividends of SPS Beteiligungen Alpha AG of CHF 173.000 million [CHF 20.000 million] for the financial year 2015. The dividends were recognised as receivables. This approach was permitted since the companies close their accounts on the same balance sheet date, and the resolution to pay the dividend was passed.

2.2 Other financial income

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Interests on loans from group companies	89 178	70 059
Valuation of financial instruments	936	2 696
Other financial income	195	23
Total	90 309	72 778

2.3 Financial expenses

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Interests on loans	–84 973	–76 927
Interest expenses on bonds and convertible bonds	–14 272	–18 621
Amortisation of cost of bonds and convertible bonds	–2 270	–1 697
Other financial expenses	–188	–506
Total	–101 703	–97 751

2.4 Other operating expenses

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Administration costs	–2 948	–3 833
Capital taxes	–204	–250
Other operating expenses	–2 030	–2 048
Total	–5 182	–6 131

2.5 Other current receivables

in CHF 1 000	31.12.2014	31.12.2015
Other current receivables from third parties	193	273
Other current receivables from group companies	20 000	173 018
Total	20 193	173 291

2.6 Financial investments

in CHF 1 000	31.12.2014	31.12.2015
Loans to group companies	2 827 477	2 496 075
Total	2 827 477	2 496 075

2.7 Investments in subsidiaries

DIRECT INVESTMENTS IN SUBSIDIARIES

	31.12.2014 Share capital in CHF 1 000	31.12.2014 Shareholding interest in %	31.12.2015 Share capital in CHF 1 000	31.12.2015 Shareholding interest in %
SPS Beteiligungen Alpha AG, Olten	650 000	100.0	650 000	100.0

INDIRECT INVESTMENTS IN SUBSIDIARIES

	31.12.2014 Share capital in CHF 1 000	31.12.2014 Shareholding interest in %	31.12.2015 Share capital in CHF 1 000	31.12.2015 Shareholding interest in %
Clouds Gastro AG, Zurich ¹	500	100.0	n/a	n/a
Ensemble artisanal et commercial de Riantbosson S.A., Olten	1 000	57.4	1 000	100.0
Jelmoli AG, Zurich	6 600	100.0	6 600	100.0
Parkgest Holding S.A., Geneva	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	5 160	27.1	5 160	27.1
Perlavita AG, Zurich	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg	300	100.0	300	100.0
SENIOcare AG, Wattwil	–	–	2 400	100.0
SPS Beteiligungen Beta AG, Olten	450 000	100.0	450 000	100.0
SPS Beteiligungen Gamma AG, Olten	300 000	100.0	300 000	100.0
SPS Immobilien AG, Olten	50 000	100.0	50 000	100.0
Swiss Prime Site Fund Advisory AG II, Olten	100	100.0	100	100.0
Swiss Prime Site Group AG, Olten	100	100.0	100	100.0
Tertianum AG, Zurich	9 562	100.0	9 562	100.0
Vitadomo AG, Zurich	100	100.0	100	100.0
WGDM Papillon AG, Winterthur	–	–	100	100.0
Wincasa AG, Winterthur	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden	–	–	1 000	51.0

¹ merged with SPS Immobilien AG as at 15.06.2015

2.8 Current interest-bearing liabilities

in CHF 1 000	31.12.2014	31.12.2015
Convertible bonds	229 120	190 350
Other current interest-bearing liabilities	486 500	332 000
Total	715 620	522 350

Further information regarding bonds and convertible bonds can be found in Notes 3.2 «Convertible Bonds» and 3.3 «Bonds».

2.9 Other current liabilities

in CHF 1 000	31.12.2014	31.12.2015
Other current liabilities to group companies	433	221
Other current liabilities to shareholders	115	134
Other current liabilities to third parties	7 973	7 491
Total	8 521	7 846

2.10 Non-current interest-bearing liabilities

in CHF 1 000	31.12.2014	31.12.2015
Convertible bonds	190 350	—
Bonds	945 000	945 000
Other non-current interest-bearing liabilities	2 860 500	2 528 350
Total	3 995 850	3 473 350

Maturity structure of non-current interest-bearing liabilities

in CHF 1 000	31.12.2014	31.12.2015
Up to five years	1 874 350	1 831 850
Over five years	2 121 500	1 641 500
Total	3 995 850	3 473 350

2.11 Treasury shares

As at the balance sheet date, Swiss Prime Site AG held 2 741 [2 682] treasury shares. Swiss Prime Site Group AG additionally held 39 [0] shares of Swiss Prime Site AG, as at the balance sheet date. Purchases and sales were carried out at the applicable daily market rate.

Change in number of treasury shares	Volume-weighted average share price in CHF	2014 Number of treasury shares	Volume-weighted average share price in CHF	2015 Number of treasury shares
Holdings of treasury shares on 01.01.	—	18 916	—	2 682
Purchases at the volume-weighted average share price	73.62	10 000	74.95	9 600
Share-based compensation	71.76	— 10 085	74.95	— 9 541
Sales at the volume-weighted average share price ¹	68.52	— 16 149	—	—
Holdings of treasury shares on 31.12.	—	2 682	—	2 741

¹ sales to group companies for share-based compensation

3 ADDITIONAL INFORMATION

3.1 Full-time positions

Swiss Prime Site AG has no employees.

3.2 Convertible bonds

	in	CHF 300 m 2015	CHF 190.35 m 2016
Issuing volume, nominal	CHF m	300.000	190.350
Book value as at 31.12.2015	CHF m	0.000	190.350
Book value as at 31.12.2014	CHF m	229.120	190.350
Conversion price	CHF	70.97	81.89
Interest rate	%	1.875	1.875
Term to maturity	Years	5	5
Maturity	Date	20.01.2015	21.06.2016
Securities number		10 877 415 (SPS10)	13 119 623 (SPS11)

3.3 Bonds

	in	CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 100 m 2024
Issuing volume, nominal	CHF m	115.000	200.000	230.000	300.000	100.000
Book value as at 31.12.2015	CHF m	115.000	200.000	230.000	300.000	100.000
Book value as at 31.12.2014	CHF m	115.000	200.000	230.000	300.000	100.000
Interest rate	%	1.125	1.0	2.0	1.75	2.0
Term to maturity	Years	5	5	7	7	10
Maturity	Date	11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)

3.4 Shareholding rights for Board of Directors and Executive Board

Number of shares	31.12.2014	31.12.2015
Board of Directors		
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	28 376	33 657
Dr. Thomas Wetzol, Vice-Chairman of the BoD	2 341	2 652
Christopher M. Chambers, member of the BoD	40 415	45 528
Dr. Bernhard Hammer, member of the BoD	7 702	9 746
Dr. Rudolf Huber, member of the BoD	19 526	22 756
Mario F. Seris, member of the BoD	6 849	8 818
Klaus R. Wecken, member of the BoD	820 000	900 000
Executive Board		
Markus Graf, member of the Executive Board (CEO) ¹	35 169	31 683
René Zahnd, member of the Executive Board (CEO) ²	n/a	–
Markus Meier, member of the Executive Board (CFO) ³	n/a	2 519
Peter Wullschleger, member of the Executive Board (CFO) and secretary of the BoD ⁴	11 000	n/a
Peter Lehmann, member of the Executive Board (CIO)	9 294	13 001
Oliver Hofmann, member of the Executive Board and CEO of Wincasa AG	–	–
Franco Savastano, member of the Executive Board and CEO of Jelmoli – The House of Brands	–	–
Dr. Luca Stäger, member of the Executive Board and CEO of Tertianum AG	–	770
Total share ownership	980 672	1 071 130

¹ until 31.12.2015

² since 01.01.2016

³ since 01.06.2015

⁴ until 31.12.2014

3.5 Major shareholders

	31.12.2014 Shareholding interest in %	31.12.2015 Shareholding interest in %
Major shareholders (shareholding interest > 3%)		
BlackRock Investment Management (UK) Ltd., London	5.0	4.4
State Street Corporation, Boston	4.9	4.0
Credit Suisse Funds AG, Zurich	4.5	3.5

3.6 Significant events after the balance sheet date

There were no significant events occurring after the balance sheet date that would have an effect on the book values of the reported assets or liabilities, or which would need to be disclosed at this point.

4 PROPOSED APPROPRIATION OF BALANCE SHEET PROFIT

The Board of Directors proposes to the Annual General Meeting that the balance sheet profit for the financial year ended 31 December 2015 in the amount of CHF 335.171 million be appropriated as follows:

in CHF 1 000	31.12.2014	31.12.2015
Retained earnings brought forward	193 129	194 998
Profit	1 869	140 173
Total balance sheet profit	194 998	335 171
Dividend payment	—	—
Balance brought forward to new account	194 998	335 171

The Board of Directors proposes to the Annual General Meeting of 12 April 2016 a withholding tax-exempt distribution of CHF 3.70 per share from the capital contribution reserves. Based on the total number of 69 651 534 shares issued as at 7 March 2016, this distribution is equivalent to a reduction in capital contribution reserves of CHF 257.711 million.

..... EPRA KEY FIGURES

EPRA KEY FIGURES

EPRA KEY FIGURES
(EUROPEAN PUBLIC REAL ESTATE ASSOCIATION)

EPRA EARNINGS AND EPRA EARNINGS PER SHARE

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Earnings per consolidated income statement	286 658	355 061
Excluding:		
Revaluations of investment properties	– 113 234	– 124 571
Result from investment property sales	– 2 062	– 30 910
Result on sales of trading properties, gross	n/a	– 42 164
Tax on profits on disposals, gross	259	19 936
Negative goodwill/goodwill impairment	n/a	n/a
Changes in fair value of financial instruments	– 1 501	– 3 183
Transaction costs on acquisitions of group companies and associated companies	–	2 324
Deferred taxes in respect of EPRA adjustments	23 007	21 688
Adjustments in respect of associated companies	n/a	n/a
Adjustments in respect of non-controlling interests	n/a	n/a
EPRA earnings	193 127	198 181
Average number of outstanding shares	60 512 651	67 127 792
EPRA earnings per share in CHF	3.19	2.95

EPRA NET ASSET VALUE (NAV)

in CHF 1 000	31.12.2014	31.12.2015
NAV as per consolidated balance sheet	4 200 205	4 955 723
Dilution effects from exercise of options, convertibles and other equity interests	416 621	189 589
Diluted NAV, after the exercise of options, convertibles and other equity interests	4 616 826	5 145 312
Including:		
Revaluation of investment properties ¹	n/a	n/a
Revaluation of properties under construction ¹	n/a	n/a
Revaluation of other non-current investments	n/a	n/a
Revaluation of tenant leases held as finance leases	n/a	n/a
Revaluation of trading properties	8 793	–
Excluding:		
Fair value of derivative financial instruments	9 484	6 871
Deferred taxes	955 410	1 010 985
Goodwill as a result of deferred taxes	n/a	n/a
Adjustments in respect of associated companies	n/a	n/a
EPRA NAV	5 590 513	6 163 168
Number of outstanding shares (diluted)	66 342 666	71 973 214
EPRA NAV per share in CHF	84.27	85.63

¹ if IAS 40 cost option is used

EPRA TRIPLE NET ASSET VALUE (NNNAV)

in CHF 1 000	31.12.2014	31.12.2015
EPRA NAV	5 590 513	6 163 168
Excluding:		
Fair value of derivative financial instruments	– 9 484	– 6 871
Revaluation of financial debts	– 246 331	– 226 966
Deferred taxes	– 938 167	– 995 097
EPRA NNAV	4 396 531	4 934 234
Number of outstanding shares (diluted)	66 342 666	71 973 214
EPRA NNAV per share in CHF	66.27	68.56

EPRA NET YIELD ON RENTAL INCOME (NIY)

in CHF 1 000		31.12.2014	31.12.2015
Investment properties – wholly owned		9 739 301	9 686 607
Investment properties – share of joint ventures/funds		n/a	n/a
Trading properties		45 747	–
Less properties under construction and development sites, building land and trading properties		– 380 239	– 412 980
Value of completed property portfolio		9 404 809	9 273 627
Allowance for estimated purchasers' costs		n/a	n/a
Gross up value of completed property portfolio	A	9 404 809	9 273 627
Annualised rental income		430 518	417 129
Property outgoings		– 54 658	– 58 265
Annualised net rental income	B	375 860	358 864
Add: notional rent expiration of rent-free periods or other lease incentives		2 541	3 733
Topped-up net annualised rental income	C	378 401	362 597
EPRA NIY	B/A	4.0%	3.9%
EPRA topped-up NIY	C/A	4.0%	3.9%

EPRA VACANCY RATE

in CHF 1 000		31.12.2014	31.12.2015
Estimated rental value of vacant space		27 697	26 644
Estimated rental value of the whole portfolio		460 928	444 218
EPRA vacancy rate		6.0%	6.0%

..... FIVE-YEAR SUMMARY OF KEY FIGURES

FIVE-YEAR SUMMARY OF KEY FIGURES

FIVE-YEAR SUMMARY OF KEY FIGURES

	in	Restated ¹ 31.12.2011	Restated ¹ 31.12.2012	31.12.2013	31.12.2014	31.12.2015
Group key figures						
Investment properties at fair value ²	CHF m	8 165.1	8 600.3	9 339.5	9 785.0	9 686.6
Rental income	CHF m	410.8	408.8	420.1	443.1	445.9
Vacancy rate	%	4.6	5.0	6.4	6.6	6.7
Income from sale of trading properties	CHF m	–	–	–	–	105.1
Income from real estate services ³	CHF m	–	14.1	98.6	100.1	109.0
Income from retail ⁶	CHF m	155.1	159.0	156.2	151.9	136.8
Income from assisted living ⁴	CHF m	–	–	85.7	153.3	184.2
Operating profit (EBIT)	CHF m	604.1	514.4	539.2	462.8	553.4
Key figures Real Estate segment³						
Rental income from third parties	CHF m	393.6	391.0	376.7	377.4	378.0
Rental income from group companies	CHF m	36.4	36.4	47.5	53.9	54.0
Net yield on properties	%	4.8	4.5	4.2	4.1	3.9
Vacancy rate	%	4.4	4.8	6.1	6.4	6.5
Income from sale of trading properties	CHF m	–	–	–	–	105.1
Income from real estate services ²	CHF m	–	14.1	98.7	100.5	109.5
Operating profit (EBIT)	CHF m	607.8	525.8	561.3	491.9	586.2
Key figures Retail segment⁶						
Income from retail	CHF m	155.1	159.1	156.4	152.1	137.0
Rental income	CHF m	17.3	17.8	18.0	18.6	16.5
Operating profit (EBIT)	CHF m	9.3	–1.1	–6.5	0.9	–2.9
Key figures Assisted Living segment⁴						
Income from assisted living services	CHF m	–	–	85.7	153.6	185.0
Rental income from owner-occupied properties	CHF m	–	–	11.4	23.6	24.6
Rental income from leased properties	CHF m	–	–	14.0	23.5	26.7
Operating profit (EBIT)	CHF m	–	–	5.0	9.0	8.2
Group key financial figures						
EBITDA	CHF m	618.2	531.5	565.9	497.9	582.6
Operating profit (EBIT)	CHF m	604.1	514.4	539.2	462.8	553.4
Profit ⁵	CHF m	355.1	311.3	343.9	286.7	355.1
of which attributable to non-controlling interests	CHF m	–	–	–	0.9	–0.8
Comprehensive income ⁵	CHF m	365.1	323.5	378.2	288.2	377.1
of which attributable to non-controlling interests	CHF m	–	–	–	0.9	–0.8
Shareholders' equity ⁵	CHF m	3 434.9	3 913.9	4 107.3	4 201.8	4 956.0
of which non-controlling interests	CHF m	–	–	–	1.6	0.2
Equity ratio	%	39.9	42.4	39.1	39.6	46.4
Borrowed capital	CHF m	5 174.3	5 323.1	6 404.8	6 400.3	5 734.6
Borrowed capital ratio	%	60.1	57.6	60.9	60.4	53.6
Total shareholders' equity and borrowed capital	CHF m	8 609.2	9 237.0	10 512.2	10 602.1	10 690.6

¹ restatement due to IAS 19 rev.; 2011 only shareholders' equity

² includes all properties, irrespective of their recognition in the balance sheet; trading properties are recognised at lower of cost or net realisable value

³ acquisition of Wincasa AG as at 25.10.2012

⁴ acquisition of Tertianum AG as at 12.07.2013, sale of Permed AG as at 17.03.2014, acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

⁵ including non-controlling interests

⁶ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

FIVE-YEAR SUMMARY OF KEY FIGURES

	in	Restated ¹ 31.12.2011	Restated ¹ 31.12.2012	31.12.2013	31.12.2014	31.12.2015
Interest-bearing financial liabilities	CHF m	4 188.7	4 144.7	5 066.7	4 963.7	4 261.6
Interest-bearing financial liabilities in % of balance sheet total	%	48.7	44.9	48.2	46.8	39.9
Loan-to-value ratio of property portfolio (LTV)	%	51.0	48.0	54.1	50.7	44.0
Weighted average interest rate on financial liabilities	%	2.8	2.6	2.2	2.2	2.1
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.5	4.5	4.0	4.7	4.4
Return on equity (ROE)	%	10.6	8.9	9.1	7.0	7.6
Return on invested capital (ROIC)	%	5.8	4.8	4.6	3.7	4.3
Cash flow from operating activities	CHF m	327.2	213.9	-74.0	729.7	388.4
Cash flow from investing activities	CHF m	114.6	-137.8	-349.7	-280.4	100.4
Cash flow from financing activities	CHF m	-325.0	-0.9	425.6	-395.8	-511.1
Key financial figures excluding revaluation effects²						
Operating profit (EBIT)	CHF m	426.0	327.1	352.5	349.6	428.9
Profit	CHF m	250.8	198.2	222.8	236.0	280.8
of which attributable to non-controlling interests	CHF m	-	-	-	-	-0.2
Comprehensive income	CHF m	250.8	202.4	241.3	207.6	273.6
of which attributable to non-controlling interests	CHF m	-	-	-	-	-0.2
Return on equity (ROE)	%	7.7	5.9	6.1	5.9	6.1
Return on invested capital (ROIC)	%	4.5	3.5	3.4	3.2	3.6
Key figures per share						
Share price at end of period	CHF	70.55	76.35	69.05	73.00	78.50
Share price, highest	CHF	74.60	82.95	78.45	76.00	87.80
Share price, lowest	CHF	65.85	69.30	66.35	68.95	70.65
Earnings per share (EPS)	CHF	6.53	5.67	5.70	4.72	5.30
Earnings per share (EPS) excluding revaluation effects ²	CHF	4.62	3.61	3.69	3.90	4.20
NAV before deferred taxes ³	CHF	76.72	78.62	82.65	84.77	85.83
NAV after deferred taxes ³	CHF	63.34	65.22	67.91	69.06	71.15
Distribution from capital contribution reserves ⁴	CHF	3.60	3.60	3.60	3.70	3.70
Cash yield on closing price of the reporting period ⁴	%	5.1	4.7	5.2	5.1	4.7

¹ restatement due to IAS 19 rev.; 2011 only shareholders' equity² revaluations and deferred taxes³ non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV⁴ 31.12.2015 according to proposal to Annual General Meeting

FIVE-YEAR SUMMARY OF KEY FIGURES

	in	Restated ¹ 31.12.2011	Restated ¹ 31.12.2012	31.12.2013	31.12.2014	31.12.2015
Key figures per share						
Share performance (TR) p.a. in the last 12 months	%	6.1	14.9	– 5.1	10.9	13.7
Share performance (TR) p.a. in the last 3 years	%	18.0	15.7	5.0	6.5	6.2
Share performance (TR) p.a. in the last 5 years	%	4.6	12.0	12.4	10.3	7.8
Premium	%	11.4	17.1	1.7	5.7	10.3
Market capitalisation						
	CHF m	3 835.7	4 581.9	4 177.7	4 439.9	5 467.6
Employees						
Number of employees ²	People	771	1 462	3 105	3 097	4 446
Full-time equivalents ²	FTE	547	1 239	2 321	2 370	3 311
Share statistics						
Shares issued	Number	54 368 714	60 011 611	60 503 081	60 820 602	69 651 534
Average treasury shares held	Number	– 36 117	– 4 369	– 5 847	– 6 458	– 6 506
Average outstanding shares	Number	54 332 597	54 873 552	60 368 821	60 512 651	67 127 792
Treasury shares held	Number	– 4 244	– 4 828	– 18 916	– 2 682	– 2 780
Outstanding shares	Number	54 364 470	60 006 783	60 484 165	60 817 920	69 648 754

¹ restatement due to IAS 19 rev.; 2011 only shareholders' equity

² 2013 adjusted to new, standardised reporting of employees (including temporary staff and other, according to personnel expenses)

..... **PROPERTY DETAILS**

PROPERTY DETAILS

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Aarau , Bahnhofstrasse 23	15 570	596	–	sole ownership	1946	1986	685
Affoltern a.A. , Obere Bahnhofstrasse 14	–	44		sold 01.03.2015			
Amriswil , Weinfelderstrasse 74	7 341	470	0.2	sole ownership	2004		3 672
Baden , Bahnhofstrasse 2	9 741	405	–	sole ownership	1927	1975	212
Baden , Weite Gasse 34, 36	9 070	389	–	sole ownership	1953	1975	366
Basel , Aeschenvorstadt 2–4	45 730	2 011	5.8	sole ownership	1960	2005	1 362
Basel , Barfüsserplatz 3	39 080	1 481	–	sole ownership	1874	1993	751
Basel , Centralbahnplatz 9/10	20 980	842	–	sole ownership	1870/ 2005	2005	403
Basel , Elisabethenstrasse 15	28 500	1 356	–	sole ownership	1933	1993	953
Basel , Freie Strasse 26/ Falknerstrasse 3	40 570	1 478	3.7	sole ownership	1854	1980	471
Basel , Freie Strasse 36	43 690	1 690	–	sole ownership	1894	2003	517
Basel , Freie Strasse 68	59 820	2 753	48.2	sole ownership	1930	2015/ 2016	1 461
Basel , Henric Petri-Strasse 9/ Elisabethenstrasse 19	31 240	1 506	0.7	sole ownership	1949	1985	2 387
Basel , Hochbergerstrasse 40/ parking	4 067	609	16.0	sole ownership, land lease	1976		4 209
Basel , Hochbergerstrasse 60/ building 805	4 064	301	–	sole ownership	1958	2006	5 420
Basel , Hochbergerstrasse 60/ building 860	2 098	134	65.1	sole ownership	1990		980
Basel , Hochbergerstrasse 60/ Stückli Business Park 60A–E	102 130	6 242	35.6	sole ownership	2008		8 343
Basel , Hochbergerstrasse 62	9 617	424	–	sole ownership	2005		2 680
Basel , Hochbergerstrasse 70/ Stückli shopping centre	218 580	15 047	15.7	sole ownership	2009		46 416
Basel , Messeplatz 12/Messeturm	206 310	9 342	–	sole ownership, partial land lease	2003		2 137
Basel , Peter Merian-Strasse 80	52 310	2 574	2.5	freehold property	1999		19 214
Basel , Rebgrasse 20	40 060	2 483	1.7	sole ownership	1973	1998	3 713
Belp , Aemmenmattstrasse 43	15 540	1 618	49.3	sole ownership	1991		5 863
Berlingen , Seestrasse 110	1 513	148	33.1	sole ownership	1992		1 293
Berlingen , Seestrasse 83, 88, 101, 154	36 680	1 970	–	sole ownership	1948– 1998		10 321
Berne , Bahnhofplatz 9	14 320	618	–	sole ownership	1930	1985	275
Berne , Genfergasse 14	109 380	4 305	–	sole ownership	1905	1998	4 602
Berne , Laupenstrasse 6	11 960	591	–	sole ownership	1911	1998	503
Berne , Mingerstrasse 12–18/ PostFinance Arena	113 840	6 582	–	sole ownership, land lease	1969/ 2009	2009	29 098

OVERVIEW OF TYPE OF USE

Total m² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
2 069	60.8	12.3	–	–	26.9	–
3 083	41.7	0.7	41.6	–	5.2	10.8
979	93.4	–	–	–	6.6	–
1 565	37.7	40.4	–	–	10.8	11.1
6 263	15.1	63.8	–	–	21.1	–
3 864	46.8	33.2	–	–	19.9	0.1
1 442	8.5	38.1	20.9	–	11.7	20.8
4 265	20.8	72.5	–	–	6.7	–
2 870	43.6	50.3	–	–	6.1	–
2 429	59.3	13.6	–	–	11.5	15.6
6 159	14.4	74.6	–	–	10.3	0.7
6 696	4.3	72.6	–	–	21.1	2.0
–	–	–	–	–	–	–
4 782	–	23.4	–	–	10.5	66.1
897	–	82.2	–	–	14.0	3.8
37 441	–	86.3	–	–	5.0	8.7
–	–	–	–	–	–	–
54 442	59.7	8.0	18.0	–	12.2	2.1
24 093	0.7	54.2	41.7	–	3.2	0.2
9 110	–	85.3	–	–	14.7	–
9 231	47.2	11.1	13.7	–	26.2	1.8
9 255	–	76.2	5.3	–	16.4	2.1
1 882	–	100.0	–	–	–	–
8 650	–	–	–	100.0	–	–
1 616	67.5	–	–	–	32.5	–
15 801	4.1	85.0	–	–	0.7	10.2
2 067	41.4	49.9	–	–	0.3	8.4
46 348	0.2	17.8	–	–	0.1	81.9

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Berne, Schwarztorstrasse 48	50 750	2 812	–	sole ownership	1981	2011	1 959
Berne, Wankdorfallee 4/ EspacePost	165 450	8 150	–	sole ownership, land lease	2014		5 244
Berne, Weltpoststrasse 5 ⁴	73 680	5 454	13.8	sole ownership, land lease	1975/1985	2013	19 374
Biel, Solothurnstrasse 122	8 401	516	0.2	sole ownership, land lease	1961	1993	3 885
Brugg, Hauptstrasse 2	15 240	1 033	8.6	sole ownership	1958	2000	3 364
Buchs, St. Gallerstrasse 5	6 729	425	0.4	sole ownership	1995		2 192
Burgdorf, Emmentalstrasse 14	8 246	551	5.6	sole ownership	1972	1998	1 845
Burgdorf, Industrie Buchmatt	14 030	794	–	sole ownership, partial land lease	1973		15 141
Carouge, Avenue Cardinal-Mermillod 36–44	152 820	8 866	0.9	sole ownership	1956	2002	14 372
Cham, Dorfplatz 2	5 062	254	0.1	sole ownership	1992		523
Conthey, Route Cantonale 2	7 419	383	–	sole ownership	1989		3 057
Conthey, Route Cantonale 4	18 570	1 321	9.5	sole ownership, land lease	2009		7 444
Conthey, Route Cantonale 11	27 580	1 581	7.1	sole ownership, land lease	2002		10 537
Dietikon, Bahnhofplatz 11/ Neumattstrasse 24	10 140	505	0.8	sole ownership	1989		1 004
Dietikon, Kirchstrasse 20	12 270	596	0.1	sole ownership	1988		1 087
Dietikon, Zentralstrasse 12	7 234	489	–	sole ownership	1965		1 215
Dübendorf, Bahnhofstrasse 1	6 458	446	–	sole ownership, land lease	1988		1 308
Eyholz, Kantonsstrasse 79	3 093	289	–	sole ownership, land lease	1991		2 719
Frauenfeld, St. Gallerstrasse 30–30c	34 970	1 710	–	sole ownership	1991		8 842
Frauenfeld, Zürcherstrasse 305	8 740	562	7.2	sole ownership	1982	2006	3 866
Frick, Hauptstrasse 132/ Fricktal Centre A3	21 720	1 139	4.1	sole ownership	2007		13 365
Geneva, Centre Rhône-Fusterie	108 750	3 088	–	freehold property	1990		2 530
Geneva, Place Cornavin 10	–	932		sold 01.10.2015			
Geneva, Place du Molard 2–4	255 400	8 769	0.8	sole ownership	1690	2002	1 718
Geneva, Route de Meyrin 49	66 310	3 845	13.4	sole ownership	1987		9 890
Geneva, Rue Céard 14/ Croix-d'Or 11	28 450	751	1.8	sole ownership	1974/1985	1981	285
Geneva, Rue de Rive 3	33 050	1 236	13.1	sole ownership	1900	2002	377
Geneva, Rue du Rhône 48–50	515 370	17 715	2.9	sole ownership	1921	2002	5 166

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
8 148	–	75.7	–	–	23.0	1.3
33 650	–	94.2	–	–	4.9	0.9
25 838	–	67.3	4.5	–	21.0	7.2
3 320	74.9	2.7	–	–	15.3	7.1
4 211	60.5	4.1	3.5	–	30.4	1.5
1 784	13.2	60.1	–	–	18.3	8.4
2 061	46.2	43.5	–	–	8.6	1.7
11 966	2.9	5.4	–	–	89.4	2.3
35 084	23.7	59.2	0.8	–	14.8	1.5
1 067	11.4	61.5	–	–	27.1	–
2 480	71.6	4.6	–	–	19.8	4.0
5 038	86.3	–	3.0	–	6.0	4.7
7 326	73.6	7.6	0.7	–	14.3	3.8
1 783	19.5	56.1	–	–	24.4	–
1 894	23.5	65.0	–	–	11.5	–
3 266	40.9	6.2	–	–	46.4	6.5
1 671	17.7	59.3	–	–	23.0	–
1 321	92.2	5.7	–	–	–	2.1
9 528	–	–	–	100.0	–	–
4 319	56.6	18.4	–	–	18.2	6.8
4 984	64.6	–	3.2	–	15.6	16.6
11 186	76.2	0.3	–	–	23.5	–
7 178	35.4	56.3	2.2	–	3.7	2.4
10 134	–	85.6	–	–	13.1	1.3
1 677	66.0	–	–	–	34.0	–
1 860	50.0	29.9	9.6	–	8.2	2.3
33 420	44.3	33.3	7.2	–	9.1	6.1

¹ Property included in Assisted Living segment² Reclassified from investment properties to properties under construction due to total refurbishment³ Condominium trading properties⁴ Split into lots

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Glattbrugg, Schaffhauserstrasse 59	–	24	–	sold 01.02.2015			
Gossau, Wilerstrasse 82	20 560	1 121	–	sole ownership	2007		13 064
Grand-Lancy, Route des Jeunes 10/CCL La Praille	273 120	15 956	0.4	sole ownership, land lease	2002		20 597
Grand-Lancy, Route des Jeunes 12	52 960	3 158	0.5	sole ownership, land lease	2003		5 344
Heimberg, Gurnigelstrasse 38	8 878	604	–	sole ownership, land lease	2000		7 484
Horgen, Zugerstrasse 22, 24	11 580	628	–	sole ownership	1990		868
La Chaux-de-Fonds, Boulevard des Eplatures 44	6 883	434	–	sole ownership	1972		3 021
Lachen, Seidenstrasse 2	6 511	346	–	sole ownership	1993		708
Lausanne, Rue de Sébeillon 9/ Sébeillon Centre	12 850	959	5.4	sole ownership	1930	2001	2 923
Lausanne, Rue du Pont 5	144 900	6 893	0.6	sole ownership	1910	2004	3 884
Locarno, Largo Zorzi 4/ Piazza Grande	25 990	1 398	–	sole ownership	1956	2001	2 365
Locarno, Parking Centro	13 960	1 308	–	sole ownership, land lease	1990	2001	4 013
Locarno, Via delle Monache 8	886	68	1.1	freehold property	1989		2 409
Lutry, Route de l'Ancienne Cible 2	28 650	1 738	2.0	freehold property	2006		13 150
Lucerne, Kreuzbuchstrasse 33/35	21 540	1 882	–	sole ownership, land lease	2010		14 402
Lucerne, Pilatusstrasse 4/Flora	64 680	2 741	–	freehold property	1979	2008	4 376
Lucerne, Schwanenplatz 3	15 700	618	–	sole ownership	1958	2004	250
Lucerne, Weggisgasse 20, 22	17 570	662	–	sole ownership	1982		228
Lucerne, Weinberglistrasse 4/ Tribtschenstrasse 62	–	2 447	–	sold 01.10.2015			
Meilen, Seestrasse 545	6 733	510	–	sole ownership, land lease	2008		1 645
Meyrin, Route de Meyrin 210	2 447	247	–	sole ownership, partial land lease	1979	1999	3 860
Neuchâtel, Avenue J.-J. Rousseau 7	6 975	516	5.1	sole ownership	1991	1992	1 020
Neuchâtel, Rue de l'Ecluse 19/parking	627	38	4.5	sole ownership	1960	1997	715
Neuchâtel, Rue du Temple-Neuf 11	5 070	265	0.9	sole ownership	1953	1993	262
Neuchâtel, Rue du Temple-Neuf 14	40 530	2 096	8.8	sole ownership	1902/ 2014		1 928

OVERVIEW OF TYPE OF USE

Total m² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
4 689	78.1	2.1	–	–	10.7	9.1
36 095	51.9	0.9	28.5	–	16.6	2.1
12 765	3.3	38.0	42.9	–	13.7	2.1
1 543	83.6	2.8	–	–	7.0	6.6
2 408	11.0	75.5	–	–	13.5	–
2 506	94.7	1.7	–	–	3.0	0.6
1 532	13.9	67.6	–	–	18.5	–
10 123	8.4	56.4	–	–	24.7	10.5
20 802	50.5	23.3	9.2	–	10.1	6.9
6 690	61.4	14.0	1.7	–	10.2	12.7
50	–	–	–	–	100.0	–
256	–	–	–	–	93.4	6.6
3 232	72.4	2.8	4.6	–	14.8	5.4
10 533	–	–	–	100.0	–	–
9 892	69.4	12.2	–	–	9.6	8.8
1 512	10.8	62.6	–	–	18.7	7.9
1 285	76.8	–	–	–	23.2	–
2 458	–	–	–	100.0	–	–
1 117	65.6	4.4	–	–	15.7	14.3
3 127	–	70.0	–	–	22.5	7.5
–	–	–	–	–	–	–
1 153	18.4	56.5	–	–	13.9	11.2
6 896	45.4	24.6	–	–	11.0	19.0

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Niederwangen b. Bern, Riedmoosstrasse 10	40 150	2 364	–	sole ownership	1985	2006	12 709
Oberbüren, Buchental 2	13 090	767	–	sole ownership	1980	2007	6 401
Oberbüren, Buchental 3	3 344	341	12.4	sole ownership	1964		4 651
Oberbüren, Buchental 3a	3 277	240	–	sole ownership	1964		3 613
Oberbüren, Buchental 4	26 500	1 498	–	sole ownership	1990		4 963
Oberbüren, Buchental 5	941	65	–	sole ownership	1920		3 456
Oberwil, Mühlemattstrasse 23	2 980	305	–	freehold property, land lease	1986		6 200
Oftringen, Spitalweidstrasse 1/ shopping centre a1	90 360	5 697	7.4	sole ownership	2006		42 031
Olten, Bahnhofquai 18	28 000	1 575	0.8	sole ownership	1996		2 553
Olten, Bahnhofquai 20	39 670	2 045	0.1	sole ownership	1999		1 916
Olten, Frohburgstrasse 1	6 559	109	9.8	sole ownership	1899	2009	379
Olten, Frohburgstrasse 15	11 940	602	0.7	sole ownership	1961	1998	596
Olten, Solothurnerstrasse 201	6 620	333	–	sole ownership	2006		5 156
Olten, Solothurnerstrasse 231–235/Usego	23 420	1 895	44.4	sole ownership	1907	2011	12 922
Opfikon, Müllackerstrasse 2, 4/ Bubenholz	43 130	750	–	sole ownership	2015		6 169
Ostermundigen, Mitteldorfstrasse 16	33 830	1 596	–	sole ownership	2009		7 503
Otelfingen, Industriestrasse 19/21	102 600	7 414	18.0	sole ownership	1965	2000	101 933
Otelfingen, Industriestrasse 31	22 660	1 494	15.7	sole ownership	1986	1993	12 135
Payerne, Route de Bussy 2	24 170	1 222	–	sole ownership	2006		12 400
Petit-Lancy, Route de Chancy 59	121 220	6 461	36.0	sole ownership	1990		13 052
Pfäffikon SZ, Huobstrasse 5	61 300	2 800	–	sole ownership	2004		7 005
Rapperswil-Jona, Rathausstrasse 8	18 990	981	0.3	sole ownership	1992	2008	1 648
Romanel, Chemin du Marais 8	19 380	1 237	–	sole ownership	1973	1995	7 264
Schwyz, Oberer Steisteg 18, 20	8 618	526	–	sole ownership	1988	2004	1 039
Solothurn, Amthausplatz 1	12 980	854	0.8	sole ownership	1955	1988	1 614
Spreitenbach, Industriestrasse/ Tivoli	10 640	570	–	freehold property	1974	2010	25 780
Spreitenbach, Müslistrasse 44	4 317	226	–	sole ownership	2002		2 856
Spreitenbach, Pfadackerstrasse 6/Limmatpark	75 910	6 600	14.2	sole ownership	1972	2003	10 318
St. Gallen, Bohl 1/Goliathgasse 6	–	999		sold 01.10.2015			
St. Gallen, Spisergasse 12	11 240	490	–	sole ownership	1900	1998	208

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
12 925	33.2	13.1	–	–	45.7	8.0
6 486	34.3	1.8	–	–	62.4	1.5
2 342	20.7	32.5	–	–	31.6	15.2
2 464	–	–	–	–	100.0	–
9 547	38.5	20.3	–	–	41.2	–
1 648	–	12.1	–	–	–	87.9
1 651	63.3	4.2	–	–	28.9	3.6
19 968	78.9	3.2	1.4	–	13.8	2.7
5 134	–	93.6	–	–	6.4	–
7 366	–	85.4	–	–	14.6	–
1 196	–	78.3	–	–	21.7	–
1 882	–	88.0	–	–	12.0	–
1 592	62.3	–	–	–	31.5	6.2
11 920	23.3	64.0	–	–	9.9	2.8
10 802	–	–	–	100.0	–	–
10 925	–	–	–	100.0	–	–
80 366	–	16.6	–	–	78.1	5.3
11 560	–	34.6	0.4	–	57.3	7.7
6 018	84.0	4.4	–	–	7.1	4.5
22 057	–	69.5	5.6	–	21.7	3.2
11 660	–	–	–	100.0	–	–
3 143	23.6	50.7	–	–	25.7	–
6 791	88.3	0.2	–	–	10.4	1.1
2 672	8.6	58.4	–	–	33.0	–
3 355	17.9	57.9	–	–	24.2	–
980	87.2	–	–	–	12.8	–
517	–	7.0	30.2	–	4.1	58.7
27 371	56.7	28.1	–	–	14.5	0.7
1 070	82.7	–	–	–	–	17.3

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
St. Gallen , Zürcherstrasse 462–464/Shopping Arena	307 790	16 941	1.0	sole ownership, parking 73/100 co-ownership	2008		33 106
Stadel b. Niederglatt , Buechenstrasse 80 ¹	16 230	–	–	finance lease, bought 01.10.2015	2008		3 947
Sursee , Moosgasse 20	11 980	654	–	sole ownership	1998		4 171
Thalwil , Gotthardstrasse 40	5 880	278	–	sole ownership	1958	2004	541
Thun , Bälliz 67	17 240	636	–	sole ownership	1953	2001	875
Thun , Göttibachweg 2–2e, 4, 6, 8	40 520	2 222	–	sole ownership, land lease	2003		14 520
Uster , Poststrasse 10	8 104	377	–	sole ownership	1972	2012	701
Uster , Poststrasse 14/20	12 420	722	1.2	sole ownership	1854	2000	2 449
Vernier , Chemin de l'Étang 72/ Patio Plaza	93 600	5 715	28.4	sole ownership	2007		10 170
Vevey , Rue de la Clergère 1	12 160	717	4.8	sole ownership	1927	1994	717
Wabern , Nesslerenweg 30	18 720	1 007	–	sole ownership	1990		4 397
Wattwil , Ebnerstrasse 45 ¹	1 151	–	–	freehold property, bought 01.10.2015	1986		539
Wil , Obere Bahnhofstrasse 40	18 260	869	–	sole ownership	1958	2008	1 105
Winterthur , Theaterstrasse 17	62 070	3 403	78.7	sole ownership	1999		7 535
Winterthur , Untertor 24	9 826	314	–	sole ownership	1960	2006	290
Worblaufen , Alte Tiefenastrasse 6	82 280	4 771	–	49/100 co-ownership	1999		21 596
Zollikon , Bergstrasse 17, 19	11 790	646	15.7	sole ownership	1989	2004	1 768
Zollikon , Forchstrasse 452–456	16 770	734	–	sole ownership	1984/1998		2 626
Zuchwil , Allmendweg 8/ Riverside Business Park	–	6 832		sold 01.12.2015			
Zuchwil , Dorfackerstrasse 45/ Birchi Centre	29 160	2 428	10.8	sole ownership, land lease	1997		9 563
Zug , Zählerweg 4, 6/Dammstrasse 19/Landis + Gyr-Strasse 3/Opus 1	126 370	5 833	–	sole ownership	2002		7 400
Zug , Zählerweg 8, 10/ Dammstrasse 21, 23/Opus 2	160 020	7 348	–	sole ownership	2003		8 981
Zurich , Affolternstrasse 52/ MFO building	13 190	577	–	sole ownership	1889	2012	1 367
Zurich , Affolternstrasse 54, 56/ Cityport	177 190	9 182	3.7	sole ownership	2001		9 830
Zurich , Albisriederstrasse 203	64 650	2 390	15.0	sole ownership	1942–2003		22 745
Zurich , Bahnhofstrasse 42	93 300	1 435	0.2	sole ownership	1968	1990	482

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
39 845	57.8	9.6	9.5	–	19.7	3.4
2 674	–	–	–	100.0	–	–
2 410	77.2	–	6.8	–	16.0	–
986	9.1	57.8	13.2	–	19.9	–
3 173	32.4	51.2	2.0	–	10.7	3.7
11 556	–	–	–	100.0	–	–
1 431	17.1	61.3	–	–	21.6	–
3 195	63.3	11.7	3.8	–	19.5	1.7
13 682	–	82.2	–	–	17.1	0.7
3 085	15.5	72.5	–	–	12.0	–
6 288	–	–	–	100.0	–	–
335	–	100.0	–	–	–	–
2 878	80.4	8.6	–	–	7.2	3.8
14 270	–	73.1	1.4	–	6.1	19.4
1 364	69.9	–	–	–	30.1	–
18 213	–	87.4	–	–	12.0	0.6
2 126	26.1	44.1	–	–	29.8	–
2 251	–	68.4	–	–	31.6	–
13 274	76.0	1.6	–	–	13.3	9.1
15 802	–	90.3	–	–	9.7	–
19 903	–	91.1	–	–	8.9	–
2 776	–	53.1	25.8	–	21.1	–
23 420	–	92.1	–	–	7.6	0.3
12 724	–	64.3	20.7	–	10.9	4.1
2 003	42.7	44.6	–	–	12.7	–

¹ Property included in Assisted Living segment

² Reclassified from investment properties to properties under construction due to total refurbishment

³ Condominium trading properties

⁴ Split into lots

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Zurich, Bahnhofstrasse 69	53 020	1 577	0.4	sole ownership	1898	2007	230
Zurich, Bahnhofstrasse 106	49 290	1 204	–	sole ownership	1958		200
Zurich, Carl-Spitteler-Strasse 68/70	94 070	4 045	–	sole ownership	1993		11 732
Zurich, Etzelstrasse 14	7 410	–	–	sole ownership	1967		1 809
Zurich, Flurstrasse 89	7 686	469	0.3	sole ownership	1949	2003	2 330
Zurich, Fraumünsterstrasse 16	141 270	5 419	22.2	sole ownership	1901	1990	2 475
Zurich, Hagenholzstrasse 60/SkyKey	283 780	11 149	–	sole ownership	2014		9 573
Zurich, Hardstrasse 201/Prime Tower	559 840	20 803	–	sole ownership	2011		10 416
Zurich, Hardstrasse 219/Eventblock Maag	15 890	975	–	sole ownership	1929–1978		8 002
Zurich, Josefstrasse 53, 59	82 050	3 925	0.2	sole ownership	1962/1972	2001	2 931
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	22 790	931	–	sole ownership	1900/1995	1996	1 630
Zurich, Kappenbühlweg 9, 11/Holbrigstrasse 10/Regensdorferstrasse 18a	67 110	2 991	–	sole ownership	1991		9 557
Zurich, Maagplatz 1/Platform	172 990	6 935	–	sole ownership	2011		5 942
Zurich, Manessestrasse 85	50 600	2 835	51.2	sole ownership	1985	2012	3 284
Zurich, Ohmstrasse 11, 11a	35 370	2 231	0.7	sole ownership	1927	2007	1 970
Zurich, Restelbergstrasse 108	9 732	352	–	sole ownership	1936	1997	1 469
Zurich, Schaffhauserstrasse 339	9 044	454	2.7	sole ownership	1957	1997	307
Zurich, Seidengasse 1/Jelmoli – The House of Brands	807 430	29 333	–	sole ownership	1898	2010	6 514
Zurich, Siewerdstrasse 8	19 760	1 114	–	sole ownership	1981		1 114
Zurich, Sihlcity	200 388	10 668	1.0	242/1000 co-ownership	2007		10 162
Zurich, Sihlstrasse 24/St. Annagasse 16	38 960	1 934	8.0	sole ownership	1885	2007	1 155
Zurich, Stadelhoferstrasse 18	27 680	1 093	–	sole ownership	1983	2004	1 046
Zurich, Stadelhoferstrasse 22	35 790	1 599	–	sole ownership, partial land lease	1983	2004	1 024
Zurich, Steinmühleplatz 1/St. Annagasse 18/Sihlstrasse 20	97 420	3 842	0.2	sole ownership	1957	1999	1 534
Zurich, Steinmühleplatz/Jelmoli parking	41 000	3 328	5.3	sole ownership with concession	1972	2009	1 970
Zurich, Talacker 21, 23	75 770	2 980	–	sole ownership	1965	2008	1 720
Total I	9 033 980	439 151	6.1				999 119

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
1 114	10.9	77.6	–	–	11.1	0.4
1 196	11.8	53.1	–	–	32.1	3.0
19 343	–	–	–	100.0	–	–
2 080	–	–	–	100.0	–	–
3 331	–	12.0	–	–	11.3	76.7
7 927	16.6	73.0	–	–	10.4	–
41 253	0.3	85.7	9.8	–	4.2	–
48 142	0.7	87.3	5.5	–	6.4	0.1
6 675	–	20.4	–	–	17.2	62.4
12 114	7.0	75.0	1.4	–	16.6	–
1 829	–	–	–	100.0	–	–
14 790	–	–	–	100.0	–	–
20 319	–	91.1	–	–	4.8	4.1
8 087	4.6	69.0	–	–	26.3	0.1
6 232	53.0	22.6	2.1	–	17.5	4.8
672	–	–	–	100.0	–	–
1 726	12.7	69.3	–	–	18.0	–
36 771	64.6	3.7	13.3	–	12.8	5.6
3 688	–	91.1	–	–	8.9	–
23 634	42.3	24.7	18.9	–	7.7	6.4
2 855	3.9	68.8	13.7	–	6.5	7.1
1 914	19.5	49.0	11.9	–	19.0	0.6
3 067	11.6	50.9	4.6	–	30.7	2.2
6 205	10.9	64.9	2.1	–	19.1	3.0
84	86.9	13.1	–	–	–	–
4 904	9.6	64.2	–	–	26.2	–
1 429 181	22.3	40.6	5.1	8.7	16.7	6.6

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
MIXED PROPERTIES							
Geneva, Quai du Seujet 30	–	699		sold 01.10.2015			
Geneva, Route de Malagnou 6/ Rue Michel-Chauvet 7	15 620	817	16.0	sole ownership	1960/ 1969	1989	1 321
Geneva, Rue de la Croix-d'Or 7/ Rue Neuve-du-Molard 4–6	60 380	2 324	0.2	sole ownership	1974/ 1985	1994	591
St. Gallen, Spisergasse 12	5 499	222	–	sole ownership	1423	1984	165
Thônex, Rue de Genève 104–108	94 350	4 770	0.1	sole ownership	2008		9 224
Zurich, Hardstrasse 219/ Maaghof North and East	–	3 745		sold 01.12.2015			
Zurich, Höggerstrasse 40/ Röschibachstrasse 22	–	9		sold 01.01.2015			
Zurich, Nansenstrasse 5/7	47 210	2 498	0.1	sole ownership	1985		1 740
Zurich, Querstrasse 6	3 958	166	–	sole ownership	1927	1990	280
Zurich, Schulstrasse 34, 36	12 630	547	0.3	sole ownership	1915	1995	697
Total II	239 647	15 797	4.1				14 018

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
1 616	–	47.7	11.6	–	3.8	36.9
3 472	38.4	24.3	–	–	3.6	33.7
617	31.6	17.7	–	–	24.1	26.6
11 662	56.1	0.4	3.5	–	8.2	31.8
5 883	41.0	25.3	–	–	6.1	27.6
565	13.6	–	–	–	–	86.4
1 721	–	36.1	–	–	7.8	56.1
25 536	41.3	15.2	2.3	–	7.0	34.2

BUILDING LAND

Basel, Hochbergerstrasse 60/ parking	3 300	216	4.0	sole ownership			5 440
Berne, Weltpoststrasse 1–3/ Weltpostpark ¹	3 200	–	–	sole ownership, land lease			11 700
Dietikon, Bodacher	–	17	–	sole ownership			13 615
Dietikon, Bodacher/Im Maienweg	2 045	–	–	sole ownership			4 249
Dietikon, Bodacher/Ziegelägerten	1 840	–	–	sole ownership			3 825
Geneva Airport, Route de Pré-Bois	12 235	–	–	sole ownership			9 118
Geneva Airport, Route de Pré-Bois 10/underground car park	7 194	110	–	sole ownership, land lease	2003		2 156
Meyrin, Chemin de Riantbosson, Avenue de Mategnin	9 007	–	–	574/1000 co-ownership			4 414
Niederwangen b. Bern, Riedmoosstrasse 10	3 607	–	–	sole ownership			5 895
Oberbüren, Buchental/parking	745	29	–	sole ownership			1 825
Plan-les-Ouates, Chemin des Aulx	18 470	85	–	sole ownership			28 429
Spreitenbach, Joosacker 7	–	53	–	sole ownership			16 405
Wangen b. Olten, Rickenbacherfeld	4 647	–	–	sole ownership			11 197
Total III	66 290	510	1.7				118 268

–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
409	–	–	–	–	100.0	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
409	–	–	–	–	100.0	–

¹ Property included in Assisted Living segment

² Reclassified from investment properties to properties under construction due to total refurbishment

³ Condominium trading properties

⁴ Split into lots

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT SITES							
Bellinzona , Via San Gottardo 99–99b	–	–	–	sold 01.12.2015			
Berne , Viktoriastrasse 21, 21a, 21b ²	56 600	3 471	0.1	sole ownership	1970		14 036
Schlieren , Zürcherstrasse 39	34 890	–	–	sole ownership, bought 15.12.2015	1992/2003		26 684
Zurich , Brandschenkestrasse 25 ²	114 410	3 116	92.2	sole ownership	1910	2015–2017	3 902
Zurich , Flurstrasse 55/Flurpark 2	140 790	142	–	sole ownership	1979	2013–2015	8 270
Zurich , Naphtastrasse 10/ Maaghof North and East ³	–	–	–	last condominium sold 18.11.2015			
Zurich , Turbinenstrasse 21/ Maaghof North and East ³	–	–	–	last condominium sold 25.09.2015			
Total IV	346 690	6 729	42.7				52 892

Overall total	9 686 607	462 187					1 184 297
Rent loss from vacancies	–30 165						
Consolidated subtotal segment, excluding leased properties	432 022	6.5					
Intercompany eliminations	–53 989						
Rental income from third parties, Retail segment	16 528						
Rental income from third parties from own properties, Assisted Living segment	24 637						
Consolidated subtotal, excluding leased properties	419 198	6.7					
Rental income from leased properties, Assisted Living segment	26 673						
Consolidated overall total, including leased properties	445 871						

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–

¹ Property included in Assisted Living segment

² Reclassified from investment properties to properties under construction due to total refurbishment

³ Condominium trading properties

⁴ Split into lots





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FINANCIAL REPORT



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STRUCTURE OF THE ANNUAL REPORT

Swiss Prime Site's Annual Report is divided into three parts, all of which are available for download as PDF files via the website www.swiss-prime-site.ch.

Part
01

**STRATEGY AND
MANAGEMENT REPORT**

Part
02

**CORPORATE GOVERNANCE
AND COMPENSATION REPORT**

Part
03

FINANCIAL REPORT

NOTES FOR READERS

[] Previous year's figures are enclosed in brackets.

Translation: The original of this annual report is written in German. In the case of inconsistencies between the German original and this English translation, the German version shall prevail.

..... SUMMARY OF KEY FIGURES

SUMMARY OF KEY FIGURES

SUMMARY OF KEY FIGURES

	in	31.12.2014	31.12.2015	Change in %
Investment properties at fair value	CHF m	9 785.0	9 686.6	– 1.0
Rental income from properties	CHF m	443.1	445.9	0.6
Vacancy rate	%	6.6	6.7	1.5
Income from sale of trading properties	CHF m	–	105.1	n/a
Income from real estate services	CHF m	100.1	109.0	8.9
Income from retail ¹	CHF m	151.9	136.8	– 9.9
Income from assisted living ²	CHF m	153.3	184.2	20.2
Total operating income	CHF m	852.7	995.2	16.7
Revaluation of investment properties, properties under construction and development sites	CHF m	113.2	124.6	10.1
Result from investments in associates	CHF m	12.9	12.1	– 6.2
Result from investment property sales, net	CHF m	2.1	30.9	1 371.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	CHF m	497.9	582.6	17.0
Earnings before interest and taxes (EBIT)	CHF m	462.8	553.4	19.6
Profit	CHF m	286.7	355.1	23.9
of which attributable to non-controlling interests	CHF m	0.9	– 0.8	n/a
Comprehensive income	CHF m	288.2	377.1	30.8
of which attributable to non-controlling interests	CHF m	0.9	– 0.8	n/a
Shareholders' equity	CHF m	4 201.8	4 956.0	17.9
of which non-controlling interests	CHF m	1.6	0.2	– 87.5
Equity ratio	%	39.6	46.4	17.1
Borrowed capital	CHF m	6 400.3	5 734.6	– 10.4
Total capital	CHF m	10 602.1	10 690.6	0.8
Return on equity (ROE)	%	7.0	7.6	8.6
Return on invested capital (ROIC)	%	3.7	4.3	16.2
Earnings per share (EPS)	CHF	4.72	5.30	12.3
NAV before deferred taxes per share	CHF	84.77	85.83	1.3
NAV after deferred taxes per share	CHF	69.06	71.15	3.0

Figures excluding revaluation effects³

Earnings before interest and taxes (EBIT)	CHF m	349.6	428.9	22.7
Profit	CHF m	236.0	280.8	19.0
of which attributable to non-controlling interests	CHF m	–	– 0.2	n/a
Comprehensive income	CHF m	207.6	273.6	31.8
Earnings per share (EPS)	CHF	3.90	4.20	7.7
Return on equity (ROE)	%	5.9	6.1	3.4

¹ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

² 2015: acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

2014: sale of Permed AG as at 17.03.2014

³ revaluations and deferred taxes

..... VALUATION EXPERT'S REPORT

VALU ATION EXPERT'S REPORT

VALUATION EXPERT'S REPORT, WÜEST & PARTNER AG, ZURICH

The properties of Swiss Prime Site are valued by Wüest & Partner AG on a half-yearly basis (properties under construction on a quarterly basis) at their current fair values. The present valuation is valid as at 31 December 2015.

VALUATION STANDARDS AND PRINCIPLES

The fair value derived as at the balance sheet date 31 December 2015 coincides with the fair value described in the International Financial Reporting Standards (IFRS) according to IAS 40 «Investment Property» and IFRS 13 «Fair Value Measurement». In this context, fair value corresponds to the particular price that an independent market participant would receive for the sale of an asset under normal market conditions at the relevant valuation date (i.e. exit price).

DEFINITION OF FAIR VALUE

The exit price is the sales price stated in the purchase agreement to which the parties have mutually agreed. Transaction costs, usually consisting of brokerage commissions and transaction taxes as well as land register and notary costs, are not taken into account in determining fair value. Hence, the fair value is not adjusted for transaction costs incurred by the buyer at the time of sale, according to paragraph 25 of IFRS 13 (gross fair value), which corresponds to the valuation practice in Switzerland.

The valuation at fair value implies that the hypothetical transaction for the asset subject to valuation would take place on the market with the largest volumes and highest level of business activity (principal market) – as well as the market where transactions are executed with sufficient frequency and volume – so enough price information is available for that relevant market (active market). In the case that such a market cannot be identified, the principal market for the asset is assumed that maximises the sales price for the divestment of the particular asset.

IMPLEMENTATION OF FAIR VALUE

Fair value was determined for the first time as at 30 June 2013 on the basis of applying the «highest-and-best-use» standard for a property. Highest-and-best-use is the utilisation of a property that maximises its value. This assumption implies use that is technically/physically feasible, legally permissible and financially realisable. Since the measurement of fair value implies maximised utilisation, the highest and best use can deviate from the actual or planned use of a property. Future investment spending for a property's improvement or value growth is accordingly taken into account in the fair value.

Application of the highest-and-best-use approach is based on the principle of materiality of possible difference in value relative to the value of the particular property and total real estate assets, as well as relative to possible absolute difference in value. A property's potential added value, which fluctuates within the normal assessment tolerance of an individual valuation, is viewed as insignificant here and consequently disregarded.

Fair value is measured depending on the quality and reliability of the valuation parameters, with declining quality or reliability: level 1 market price, level 2 modified market price and level 3 model-based valuation. At the same time, different parameters at different hierarchies can be applied in measuring a property's fair value. Here, the overall valuation is categorised according to the lowest level of the fair value hierarchy, in which the valuation parameters are assigned the highest priority.

Determining the value of Swiss Prime Site's real estate portfolio is carried out with a model-based valuation technique according to level 3, based on input parameters that are not directly observable on the market, whereby adapted level 2 input parameters may be applied here as well (e.g. market rents, operating/maintenance costs, discount/capitalisation rates, proceeds from the sale of owner-occupied residential property). Unobservable input factors are applied only when relevant observable input factors are unavailable.

Valuation techniques are used that are appropriate for the given circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The relevant valuation technique used here is an income-based approach, modelled on the basis of the discounted cash flow valuation method widely applied in Switzerland.

Properties under construction and development sites designed for future use as investment properties are valued at project fair values, taking into account current market conditions, still-outstanding investment costs and a risk premium according to the progress of the project (IAS 40/IFRS 13).

Properties under construction that are designated for future divestment (e.g. apartments in freehold property) are valued at cost (IAS 40.9): i.e. current activities and costs are recognised and subsequent valuation carried out at the lower of cost and realisable value, according to IAS 2.

The valuation guarantees a high degree of transparency, uniformity, relevance and completeness. The relevant legal provisions, as well as the specific national and international standards, are complied with (i.e. regulations for real estate companies listed on SIX, IFRS and others). In order to ensure an independent valuation and thus the highest possible degree of objectivity, the business activity of Wüest & Partner AG excludes both trading and related transactions on a commission basis, as well as the management of properties. The valuation principles are always based on the most recent information regarding the properties and the real estate market. The data and documents pertaining to the properties are provided by the owner and assumed to be accurate. All real estate market data are derived from continuously updated databases held by Wüest & Partner AG (Immo-Monitoring 2016).

VALUATION METHOD

Investment properties are generally valued by Wüest & Partner AG according to the discounted cash flow (DCF) method, which corresponds to international standards and is also used in company valuations. The method is recognised – within the scope of general freedom of choice real estate valuations – in the context of best practice. According to the DCF method, the current fair value of a property is determined through deriving the sum of all future estimated net earnings (before interest, taxes, depreciation and amortisation = EBITDA) and discounting to the present, taking into consideration investments or future repair costs. The net earnings (EBITDA) per property are individually discounted independent of any relevant opportunities and threats, adjusting for the current market situation and risks. A detailed report for each property discloses all expected cash flows, therefore providing the greatest degree of transparency possible. In the report, attention is drawn to substantial changes compared with the previous valuation.

DEVELOPMENT OF THE REAL ESTATE PORTFOLIO

In the reporting period from 1 January to 31 December 2015, 12 properties were divested, while 2 properties and 1 finance lease were acquired and 1 partial acquisition of a plot of building land was carried out. One property was sub-divided.

Swiss Prime Site Group's real estate portfolio therefore changed on a net basis by minus eight properties and now comprises a total of 182 properties. In detail, 12 properties of various dimensions (Obere Bahnhofstrasse 14 in Affoltern am Albis; Via San Gottardo 99–99b in Bellinzona; Place Cornavin 10 and Quai du Seujet 30 both in Geneva; Schaffhauserstrasse 59 in Glattbrugg; Weinberglistrasse 4/Tribschenstrasse 62 in Lucerne; Bohl 1/Goliathgasse 6 in St. Gallen; Allmendweg 8/Riverside Business Park in Zuchwil; Hardstrasse 219/Maaghof North and East, Hönggerstrasse 40/Röschibachstrasse 22, Naphtastrasse 10/Maaghof North and East, and Turbinenstrasse 21/Maaghof North and East, all in Zurich) with total respective fair values of CHF 422.8 million as at 31 December 2014 were divested during the reporting period.

In the same period, the following 4 properties were acquired (1 project development property: Zürcherstrasse 39 in Schlieren; 1 existing property: comprising 3 condominiums at Ebnaterstrasse 45 in Wattwil; 1 finance lease: Buechenstrasse 8 in Stadel; 1 partial acquisition of a plot of building land: Route de Pré-Bois in Meyrin) with total respective fair values of CHF 57.1 million as at 31 December 2015.

The former development property at Müllackerstrasse 2,4/Bubenholz in Opfikon was added to the portfolio of existing properties for the first time as at 31 December 2015 (first valuation following completion).

The consolidated portfolio comprises 165 existing investment properties, 13 plots of building land including the above-mentioned partial acquisition, and 4 development sites (Viktoriastrasse 21, 21a, 21b in Berne; Zürcherstrasse 39 in Schlieren and Brandschenkestrasse 25 as well as Flurstrasse 55/Flurpark both in Zurich).

The total realised sales price for the divested properties amounted to CHF 452.9 million. The divestments took place on the open market at the prevailing market conditions.

Three development properties are currently in the construction phase:

- > The property at Viktoriastrasse 21, 21a, 21b in Berne comprises a conversion project with total renovations as well as a new building project with townhouses. Part of this future residential and commercial property should consist of condominiums, and construction will likely be concluded by 2021.
- > Zurich, Brandschenkestrasse 25 is an urban office property that is currently being transformed into a hotel.
- > In addition, the property at Flurstrasse 55/Flurpark in Zurich has undergone total renovation. Leasing of the property has been underway since 01.07.2015.

The development project for the Assisted Living segment at Müllackerstrasse 2, 4/Bubenholz in Opfikon commenced as at 1 April 2015, and the property is now included in the portfolio as a Vitadomo senior centre with geriatric care facility.

New building projects have been assessed at fair value on a quarterly basis since 1 January 2009, taking into account the specific risks associated with planning, production and leasing. The semi-annual valuations are only subject to review on a quarterly basis. New building projects that are designated for future divestment (e.g. apartments in freehold property) are valued at cost or the lower of cost and net realisable value.

A package transaction was executed with the Swiss Prime Investment Foundation during the reporting period.

VALUATION RESULTS AS AT 31 DECEMBER 2015

As at 31 December 2015, the fair value of Swiss Prime Site Group's overall real estate portfolio (total 182 properties) amounted to CHF 9 686.6 million. The fair value of the portfolio therefore decreased by CHF –98.4 million or –1.0% compared with the level at 31 December 2014. The details regarding the decrease in value are depicted in the table below.

CHANGES IN THE REAL ESTATE PORTFOLIO

in CHF m

Fair value as at 31.12.2014	9 785.0
+ changes in value of existing properties	221.6
+ purchase finance lease	16.2
Stadel, Buechenstrasse 8	16.2
+ acquisition of project	34.9
Schlieren, Zürcherstrasse 39	34.9
+ acquisition of existing properties	1.1
Wattwil, Ebnerstrasse 45	1.1
+ acquisition of building land	4.9
Meyrin, Route de Pré-Bois	4.9
+ first-time valuation after completion	9.5
Opfikon, Müllackerstrasse/Bubenholz	9.5
– minus divestments	– 422.8
Affoltern am Albis, Obere Bahnhofstrasse 14	– 8.8
Bellinzona, Via San Gottardo 99–99b	– 19.3
Geneva, Place Cornavin 10	– 25.8
Geneva, Quai du Seujet 30	– 15.1
Glattbrugg, Schaffhauserstrasse 59	– 5.6
Lucerne, Weinbergstrasse 4/Triebschenstrasse 62	– 59.4
St. Gallen, Bohn 1/Goliathgasse 6	– 26.9
Zuchwil, Allmendweg 8/Riverside Business Park	– 90.4
Zurich, Hardstrasse 219/Maaghof North and East	– 96.4
Zurich, Hönggerstrasse 40/Röschibachstrasse 22	– 29.4
Zurich, Naphtastrasse 10/Maaghof North and East	– 24.0
Zurich, Turbinenstrasse 21/Maaghof North and East	– 21.7
+ changes in value of building land	8.3
+ changes in value of projects	27.9
Berne, Viktoriastrasse 21, 21a, 21b	0.6
Zurich, Brandschenkestrasse 25	18.6
Zurich, Flurstrasse 55/Flurpark	8.7
Fair value as at 31.12.2015	9 686.6

The change in value in existing properties amounted to +2.6% compared with 1 January 2015. Of the 163 existing properties – excluding acquisitions (1), acquired finance lease (1), acquired project (1), plots of building land (13) and properties under construction (3) totalling 19 properties – 121 properties were valued higher, 0 property was valued the same and 42 properties were valued lower than at 1 January 2015.

The positive performance turned in by the Swiss Prime Site portfolio is attributable primarily to the continuing low interest rate environment and, in turn, to the resulting diminishing expectations for returns on the part of investors. Additional factors boosting the value of the portfolio include newly concluded contracts at much higher revenue levels, consummation of investments and generally high quality of the properties situated in prime locations.

Value losses can be attributed primarily to changed rental potential, newly concluded contracts at a lower level, adjusted revenue forecasts and vacancies, or adjusted vacancy risks, as well as in some cases higher cost estimates for future repair work.

Proceeds from the condominium units sold as at 31 December 2015 are reported in the income statement.

OUTLOOK FOR THE COMMERCIAL PROPERTY MARKETS

More than one year has passed since the Swiss National Bank (SNB) lifted the euro minimum exchange rate and reduced the target range for three-month LIBOR to between –1.25% and –0.25%. The SNB's decision abruptly changed the status quo for the Swiss economy and, in turn, for the local construction and real estate markets too. The consequences are still noticeable until today and should continue to affect the trend in the real economy and investment markets to some extent even in 2016.

In the wake of the measure taken by the SNB, Switzerland was spared from facing any shock-like economic crisis. Nevertheless, the strong Swiss franc posed problems particularly for exports of goods and services. For 2016, Wüest & Partner forecasts that gross domestic product (GDP) in Switzerland will edge up by roughly 1%, which is a below-average rate compared with the figure of the past five years (this assessment is also in line with the forecasts of relevant Swiss economic institutions). As in past years, this trend will be underpinned especially by private and public consumption.

The overall employment level in Switzerland grew by around 40 000 full-time equivalents between the second quarter of 2014 and second quarter of 2015. As a consequence of the anticipated cooldown in economic growth, however, expectations indicate that the pace of new job creation will slow down. The Swiss State Secretariat for Economic Affairs (SECO) predicts that the unemployment rate will edge up slightly to 3.6% by the end of 2016.

Structural change intensified in the past year, driven by strengthening of the Swiss franc, stepped-up global competition and technological innovations. This situation has painted an especially challenging picture for the commercial property sector. Particularly businesses in the hotel and restaurant industry as well as the retail sector have come under pressure, while the education, social services and health-care sectors are growing. At the same time, the individual sectors have stepped-up their focus on activities for which highly skilled workers are required. Furthermore, new technological opportunities have revolutionised the services sector as well as distribution channels for goods and services.

Parallel to the structural change, signs are apparent that companies have taken a somewhat cautious stance regarding expansion endeavours and investment activities, resulting from the uncertainties surrounding the legal and economic climate. The economic change should therefore continue to persist in the medium to long term.

Expectations indicate that the number of new building projects and building modification projects will decrease by 3.1% and 5.4%, respectively, in the current year. Although the trend in building permits even points to a more pronounced decline in new building activity, the reduction in effective construction activity is decelerating due to the fact that construction periods for major projects extend over several years. Building modification activities have diminished as well, because many owners have renovated their commercial properties in the interim in order to make them marketable again.

With the introduction of negative interest rates at the outset of last year, indirect real estate investments experienced a strong boost. In fact, stock exchange-listed Swiss real estate companies and real estate funds exhibited robust share price gains already in January and February 2015. Consequently, premiums also surged and soon noticeably surpassed their historical averages. The strong share price gains subsequently underwent corrections again, with prices on the WUPIX-A (real estate companies) and WUPIX-F (real estate funds) at the end of June hovering back at the same levels as those prior to 15 January 2015. The brisk demand for real estate investments triggered two more share price rallies in the second half-year 2015, while the traditional stock market exhibited significant fluctuations. For the full-year 2015, the average total returns for listed real estate companies and real estate funds amounted to 9.2% and 4.2%, respectively. Real estate companies and real estate funds have also kicked off the year 2016 with a positive performance compared with the overall Swiss stock market. Hence, the situation for indirect real estate investments paints a favourable picture as at the beginning of this year too.

In view of the effective absence of returns on risk-free assets (for example, ten-year government bonds), direct real estate investments also remain very attractive. Investment appetite on the part of institutional as well as private investors increased anew last year, leading to further rising transaction prices. Net initial returns declined as a result. The lowest returns on commercial properties (2.3%) are currently being realised on transactions in prime locations in Zurich City. Returns here had hovered at 2.7%

prior to the introduction of negative interest rates. Expectations indicate that net initial returns will continue to waver at the present levels during the current year. Interested buyers should remain more selective and critical for properties situated in unfavourable locations with high vacancy rates or structural defects.

Office property market

The fact that the supply-side figures for the office property market have stabilised since the first quarter of 2015 is attributable primarily to diminishing construction activity in this sector since 2013. On the demand side, any additional impetus through new and expanding companies leaves something to be desired. However, the existing sources of demand continue to remain relatively mobile. Factors taken into account regarding relocation often include rent prices and operating expenses as well as location considerations in particular. The more closely office properties are adapted to the changing needs of tenants, the more promising are the prospects for finding new tenants.

Rent prices for market office floor space edged up by 2.9% last year. The increase can be attributed to the level of construction activity of recent years, among other things. On the one hand, many new properties were constructed in well-developed locations. On the other hand, the condition and in some cases also the construction standards of older buildings were improved, in order to ensure the prospects for higher, or at least stable, rents. Market rents are currently coming under further pressure, so Wüest & Partner forecasts a dip in prices of 2.4% in 2016.

Declines in prices are already visible in closing rents. The quality-adjusted price index for newly concluded rental agreements reveals decreasing prices in many locations. Prices in Switzerland declined by an average of 1.2% between mid-2014 and mid-2015, meaning that rents for equally valued floor space are sinking, and landlords are increasingly being compelled to make rent price concessions.

Retail property market

Market retail floor space had increased at the end of last year to more than 500 000 square metres per quarter, thus reaching levels that were last registered in 2006. Retail rent prices have come under heavier pressure due to the significantly greater supply. Accordingly, market rents in Switzerland dropped by an average of 3.3% during 2015. No change in this trend is expected in the current year either. Wüest & Partner forecasts a decline in retail rent prices of 3.2% in 2016.

The fact that rents are expected to decrease is attributable to various factors. First, shopping abroad remains attractive for the Swiss people due to the strong Swiss franc. Second, online shopping activity has continued to surge strongly, which further squeezes retail sales. And third, the trend in retail sales has been heading downward in the meantime. In fact, seasonally adjusted real retail sales dipped by 2.2% at end-November 2015 versus the comparable previous year's month.

Wüest & Partner AG
Zurich, 20 January 2016

Andreas Ammann
Partner

Gino Fiorentin
Partner

ANNEX:

VALUATION ASSUMPTIONS

VALUATION ASSUMPTIONS AS AT 31 DECEMBER 2015

In addition to the previous comments on the valuation standards and methods, the most significant general valuation assumptions for the present valuations are presented in the following section.

INVESTMENT PROPERTIES INCLUDING BUILDING LAND

Property valuations are fundamentally determined on a going-concern basis applying the «highest and best use» standards. At the same time, the valuation is based on the current rental situation and present condition of the property. Beyond the expiry of the existing rental agreements, earnings forecasts are based on the current market level.

On the cost side, the repair and maintenance costs as well as recurring property management costs are taken into account that are required to ensure realisation of sustainable income.

The valuation assumption is based on an average and expedient property management strategy. The specific scenarios of the owner are disregarded, or taken into account only to the extent that specific rental agreements had been made, or as far as they also seem plausible and practical to a third party. Possible optimisation measures consistent with the market – such as an improved rental situation in the future – are taken into account.

The valuation or calculation period (DCF method) extends for 100 years from the valuation date. A more detailed cash flow forecast is prepared for the first ten years, while approximate annualised assumptions are made for the remainder of the term.

The valuation implicitly assumes an annual inflation rate of 1.0%. However, cash flows and discount rates are generally reported on a real basis in the valuation reports.

The specific indexing of the existing rental agreements is taken into account. Following expiry of the agreements, an average indexing rate of 80% is used for the calculation, and rents are adjusted to the market level once every five years. Payments are generally assumed to be made monthly in advance after expiry of the rental agreements.

At the operating cost (owner's cost) level, it is generally assumed that completely separate ancillary cost accounts are maintained, and that ancillary and operating costs are outsourced, insofar as this is permitted by law. Maintenance costs (repair and maintenance costs) are determined on the basis of benchmarks and model calculations. The residual lifetime of the individual parts of the buildings is determined on the basis of a rough estimate of their condition, the regular renewal is modelled and the resulting annuities are calculated. The calculated values are subjected to a plausibility check based on benchmarks set by Wüest & Partner AG and figures for comparable properties. Repair costs are included in the calculation at 100% for the first ten years, while the earnings forecast takes into account, where appropriate, possible increases in rent. From the 11th year, repair costs of up to 50% to 70% are allowed (value-preserving components only) without including possible rent increases. Costs for cleaning up contaminated sites are not quantified in the individual valuations and are to be considered separately by the Company.

The relevant discounting method is based on constant monitoring of the real estate market and is derived from models with plausibility checks, on the basis of a real interest rate that consists of the risk-free interest rate (long-term government bonds) plus general real estate-related risks in addition to property-specific premiums. The risk is then adjusted for each property individually. The average real discount rate, weighted by fair value, applied to investment properties (existing properties includ-

ing initial valuation following completion) is 3.66% in the current valuation. Assuming an inflation rate of 1.0%, this rate corresponds to a nominal discount rate of 4.69%. The lowest real discount rate applied to a particular property is 2.7%, while the highest is 5.3%.

The valuations are based on the rental tables of the property managers as at 1 January 2016, as well as on floor space details provided by the Company/property managers

Risks relating to credit ratings of individual tenants are not explicitly taken into account in the valuation since it is assumed that appropriate contractual safeguards were concluded.

PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT SITES

Properties under construction and development sites designed for future use as investment properties are valued at project fair values, taking into account current market conditions, still-outstanding investment costs and a risk premium according to the progress of the project (IAS 40/IFRS 13).

Properties under construction that are designated for future divestment (e.g. apartments in freehold property) are valued at cost: i.e. current activities and costs are recognised and subsequent valuation carried out at the lower of cost and realisable value, according to IAS 2. Planned or possible construction development as at the balance sheet date is therefore valued on the basis of the same assumptions and methods used for investment properties. To determine the current fair value as at the balance sheet date, the still-outstanding investment costs are taken into account in the cash flows, and the additional risks are reported as a return premium on the discount rate. Information regarding projected construction work, schedules, building costs and future rentals is obtained from Swiss Prime Site AG insofar as it is specifically available (building permits, plans, cost calculations/investment applications, etc.) or appears to be plausible.

DISCLAIMER

The valuations carried out by Wüest & Partner AG represent an economic assessment based on available information, most of which was provided by Swiss Prime Site AG. Wüest & Partner AG did not conduct or commission any legal, structural engineering or other specific clarifications. Wüest & Partner AG assumes that the information and documents received are accurate. However, no guarantee can be provided in this respect. Value and price may deviate from each other. Specific circumstances that influence the price cannot be taken into account when making a valuation. The valuation performed as at the reporting date is only valid at that specific point in time and may be affected by subsequent or yet unknown events, in which case a revaluation would be necessary.

Since the accuracy of valuation results cannot be guaranteed objectively, no liability can be derived from it for Wüest & Partner AG and/or the author.

Zurich, 20 January 2016

..... **CONSOLIDATED FINANCIAL STATEMENTS**

CONSOLI DATED FINANCIAL STATE MENTS

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF SWISS PRIME SITE AG, OLTEN

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying consolidated financial statements of Swiss Prime Site AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes (pages 18 to 82, 104 to 111) for the year ended 31 December 2015.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange as well as the Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Claudius Rügsegger
Licensed Audit Expert

Zurich, 7 March 2016

CONSOLIDATED INCOME STATEMENT

in CHF 1 000	Notes	01.01.– 31.12.2014	01.01.– 31.12.2015
Rental income from properties	4/5	443 113	445 871
Income from sale of trading properties	4/5	–	105 081
Income from real estate services	4/5	100 084	109 004
Income from retail	4/5	151 855	136 808
Income from assisted living	3/4/5	153 259	184 152
Other operating income	4/5	4 361	14 294
Operating income		852 672	995 210
Revaluation of investment properties, properties under construction and development sites, net	4/18	113 234	124 571
Result from investments in associates	6	12 912	12 118
Result from investment property sales, net	4/7	2 062	30 910
Result from sale of participations, net	3/4	810	–
Real estate costs	4/8	– 96 324	– 103 312
Cost of trading properties sold	4	–	– 62 917
Cost of goods sold	4	– 87 881	– 84 724
Personnel costs	4/9	– 247 963	– 269 244
Other operating expenses	4/10	– 51 629	– 60 023
Depreciation, amortisation and impairment	4	– 35 092	– 29 159
Operating expenses		– 518 889	– 609 379
Operating profit (EBIT)		462 801	553 430
Financial expenses	11	– 99 968	– 100 753
Financial income	11	2 782	4 615
Profit before income taxes		365 615	457 292
Income tax expenses	12	– 78 957	– 102 231
Profit		286 658	355 061
Profit attributable to shareholders of Swiss Prime Site AG		285 763	355 905
Profit/loss attributable to non-controlling interests		895	– 844
Earnings per share (EPS), in CHF	27	4.72	5.30
Diluted earnings per share, in CHF	27	4.40	5.18

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1 000	Notes	01.01.– 31.12.2014	01.01.– 31.12.2015
Profit		286 658	355 061
Revaluation of owner-occupied properties	19	38 972	38 032
Deferred taxes on revaluation of owner-occupied properties	12	– 8 966	– 8 754
Remeasurement of net defined benefit obligations	9	– 36 828	– 9 356
Deferred taxes on remeasurement of net defined benefit obligations	12	8 404	2 125
Items that will not be reclassified subsequently to profit or loss		1 582	22 047
Items that will be reclassified subsequently to profit or loss		–	–
Other comprehensive income after income taxes		1 582	22 047
Comprehensive income		288 240	377 108
Comprehensive income attributable to shareholders of Swiss Prime Site AG		287 345	377 952
Comprehensive income attributable to non-controlling interests		895	– 844

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

in CHF 1 000	Notes	31.12.2014	31.12.2015
Assets			
Cash	13	257 196	234 929
Securities		477	482
Accounts receivable	14	126 097	80 432
Other current receivables		10 068	27 138
Current income tax assets		10 707	4 634
Inventories	15	25 532	25 549
Trading properties	16	45 747	–
Accrued income and prepaid expenses		35 715	33 482
Assets held for sale	17/18	254 418	–
Total current assets		765 957	406 646
Other non-current receivables		425	–
Pension plan assets	25	8 067	8 963
Non-current financial investments		1 261	1 261
Investments in associates		37 599	47 494
Investment properties and building land	18	8 424 867	8 445 335
Properties under construction and development sites	18/28	228 470	346 690
Owner-occupied properties	19	778 656	894 582
Owner-occupied properties under construction	19	52 890	–
Tangible assets	20	51 476	64 590
Goodwill	21	166 311	369 520
Intangible assets	21	78 092	80 524
Deferred tax assets	12/24	8 002	24 960
Total non-current assets		9 836 116	10 283 919
Total assets	4	10 602 073	10 690 565
Liabilities and shareholders' equity			
Accounts payable	22	16 151	13 307
Current financial liabilities	23	714 300	572 105
Other current liabilities		138 772	127 171
Advance payments	14	104 766	33 046
Current income tax liabilities		17 809	44 412
Accrued expenses and deferred income	22	101 900	96 708
Total current liabilities		1 093 698	886 749
Non-current financial liabilities	23	4 251 522	3 689 488
Other non-current financial liabilities	23	9 484	6 871
Deferred tax liabilities	12/24	963 412	1 035 945
Pension provision obligations	25	82 156	115 546
Total non-current liabilities		5 306 574	4 847 850
Total liabilities	4	6 400 272	5 734 599
Share capital	26	930 555	1 065 668
Capital reserves	26	781 123	1 023 578
Revaluation reserves	26	72 792	102 027
Retained earnings	26	2 415 735	2 764 450
Shareholders' equity attributable to shareholders of Swiss Prime Site AG		4 200 205	4 955 723
Non-controlling interests		1 596	243
Total shareholders' equity		4 201 801	4 955 966
Total liabilities and shareholders' equity		10 602 073	10 690 565

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1 000	Notes	adjusted ¹	01.01.–
		31.12.2014	31.12.2015
Profit		286 658	355 061
Depreciation, amortisation and impairment	4	35 092	29 159
Result from investment property sales, net	4/7/17	– 2 062	– 30 910
Result from sales of participations, net	3/4	– 810	–
Result from investments in associates		– 12 912	– 12 118
Revaluation of investment properties, properties under construction and development sites, net	4	– 113 234	– 124 571
Other non-cash items affecting net income		1 828	2 314
Financial expenses	11	99 968	100 753
Financial income	11	– 2 782	– 4 615
Income tax expenses	12	78 957	102 231
Change in inventories		844	673
Change in trading properties	16	– 17 346	46 381
Net change in other current assets		– 13 203	42 510
Net change in recognised pension plan assets/liabilities	25	1 493	2 270
Net change in other non-current receivables		1 700	425
Change in operating current liabilities		6 069	– 90 207
Income tax payments	12	379 460	– 30 935
Cash flow from operating activities		729 720	388 421
Investments in investment properties and building land	18	– 177 343	– 113 004
Investments in properties under construction and development sites	18	– 116 188	– 64 855
Investments in owner-occupied properties	19	– 2 230	– 2 560
Investments in owner-occupied properties under construction	19	– 43 246	– 12 690
Divestments of investment properties and building land	17/18	65 433	271 533
Divestments of properties under construction and development sites	18	–	152 031
Divestments of owner-occupied properties	19	–	2 800
Divestments of owner-occupied properties under construction	19	–	28 631
Acquisition of participations and operating businesses, less acquired cash	3	411	– 145 308
Divestments of participations, less divested cash	3	4 136	–
Investments in intangible assets	21	– 3 909	– 5 324
Investments in tangible assets	20	– 10 835	– 14 106
Divestments of securities		5	–
Interest payments received	11	1 036	768
Dividends received		2 380	2 489
Cash flow from investing activities		– 280 350	100 405
Increase in financial liabilities	23	6 263 300	2 023 000
Redemption of financial liabilities	23	– 6 929 043	– 2 574 919
Redemption of convertible bond	23	–	– 26 085
Issues of bonds	23	600 000	–
Cost of bonds		– 4 336	–
Acquisition of non-controlling interests without change of control		–	– 1 000
Interest payments made	11	– 107 220	– 105 126
Distribution from capital contribution reserves	26	– 217 801	– 235 611
Share capital increase	26	–	91 343
Premium from capital increase		–	332 732
Cost of capital increase		–	– 12 997
Purchase of treasury shares	26	– 736	– 2 430
Cash flow from financing activities		– 395 836	– 511 093
Change in cash		53 534	– 22 267
Cash at beginning of period		203 662	257 196
Cash at end of period		257 196	234 929

¹ see Note 2.2 «amendments relative to IFRS accounting principles»

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in CHF 1 000	Notes	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Shareholders' equity attributable to shareholders of Swiss Prime Site AG	Non-controlling interests	Total shareholders' equity
Total as at 01.01.2014		925 697	980 466	42 786	2 158 396	4 107 345	–	4 107 345
Profit		–	–	–	285 763	285 763	895	286 658
Revaluation of owner-occupied properties	19	–	–	38 972	–	38 972	–	38 972
Deferred taxes on revaluation of owner-occupied properties	12	–	–	– 8 966	–	– 8 966	–	– 8 966
Remeasurement of net defined benefit obligations	25	–	–	–	– 36 828	– 36 828	–	– 36 828
Deferred taxes on remeasurement of net defined benefit obligations	12	–	–	–	8 404	8 404	–	8 404
Other comprehensive income after income taxes		–	–	30 006	– 28 424	1 582	–	1 582
Comprehensive income		–	–	30 006	257 339	287 345	895	288 240
Increase to a majority shareholding with non-controlling interests	3	–	–	–	–	–	701	701
Distribution from capital contribution reserves on 25.04.2014	26	–	– 217 801	–	–	– 217 801	–	– 217 801
Conversion of 4 507 units of the CHF 300 million convertible bond into 317 521 registered shares	26	4 858	17 298	–	–	22 156	–	22 156
Share-based compensation		–	1 896	–	–	1 896	–	1 896
Purchase of treasury shares	26	–	– 736	–	–	– 736	–	– 736
Total as at 31.12.2014		930 555	781 123	72 792	2 415 735	4 200 205	1 596	4 201 801
Profit		–	–	–	355 905	355 905	– 844	355 061
Revaluation of owner-occupied properties	19	–	–	38 032	–	38 032	–	38 032
Sale of owner-occupied properties		–	–	– 43	43	–	–	–
Deferred taxes on revaluation of owner-occupied properties	12	–	–	– 8 754	–	– 8 754	–	– 8 754
Remeasurement of net defined benefit obligations	25	–	–	–	– 9 356	– 9 356	–	– 9 356
Deferred taxes on remeasurement of net defined benefit obligations	12	–	–	–	2 123	2 123	–	2 123
Other comprehensive income after income taxes		–	–	29 235	– 7 190	22 045	–	22 045
Comprehensive income		–	–	29 235	348 715	377 950	– 844	377 106
Acquisition of shareholding with non-controlling interests	3	–	–	–	–	–	491	491
Acquisition of non-controlling interests without change of control		–	–	–	–	–	– 1 000	– 1 000
Distribution from capital contribution reserves on 21.04.2015	26	–	– 235 611	–	–	– 235 611	–	– 235 611
Conversion of 40 607 units of the CHF 300 million convertible bond into 2 860 803 registered shares	26	43 770	155 976	–	–	199 746	–	199 746
Capital increase on 29.05.2015	26	91 343	321 991	–	–	413 334	–	413 334
Share-based compensation		–	2 529	–	–	2 529	–	2 529
Purchase of treasury shares		–	– 2 430	–	–	– 2 430	–	– 2 430
Total as at 31.12.2015		1 065 668	1 023 578	102 027	2 764 450	4 955 723	243	4 955 966

The Notes form an integral part of the consolidated financial statements.

1 BUSINESS ACTIVITIES

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations, primarily with commercially utilised floor space as well as project developments. The investment focal point is aimed at properties and projects with sustainable, attractive returns and long-term value-boosting potential. The real estate portfolio is actively managed. In addition, Swiss Prime Site operates in real estate-related business fields aimed at strengthening and broadening the earnings base, in addition to diversifying risks.

Further information regarding the individual business fields can be found in Note 4 «Segment reporting».

2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Principles of consolidated reporting

The Company's consolidated financial statements were produced in accordance with International Financial Reporting Standards (IFRS) and correspond to article 17 of the Directive on Financial Reporting of the Swiss stock exchange (SIX Swiss Exchange). The consolidated financial statements comprise the holding company as well as its group companies (hereinafter jointly referred to as «group companies»).

The consolidated financial statements are essentially based on the historical cost principle. Deviations from this principle are referred to in Notes 2.8 to 2.39. These apply to the investment properties, properties and owner-occupied properties under construction, development sites (except those designated for divestment) and owner-occupied properties. In accordance with the fair value model of IAS 40 «Investment property» and due to the revaluation model of IAS 16 «Property, plant and equipment», these properties are valued at fair value. In addition, securities and derivatives are recognised at stock-exchange prices or at fair values as at the balance sheet date. The significant accounting principles are explained in the following section.

These consolidated financial statements were prepared in Swiss francs (CHF). All amounts, except for the figures per share, are rounded to CHF 1000. All group companies maintain their accounts in Swiss francs as well. Transactions denominated in foreign currencies are immaterial.

2.2 Amendments relative to IFRS accounting principles

Apart from the changes described below, the applicable accounting principles remain the same as in the previous year. As at 1 January 2015, Swiss Prime Site introduced the following new or revised standards and interpretations:

Standard/ interpretation	Title
IAS 19 rev.	Defined benefit plans: Employee contributions
Various	Annual improvements to IFRSs 2010–2012 cycle
Various	Annual improvements to IFRSs 2011–2013 cycle

The amendments had no significant impact on these consolidated financial statements.

The following new and revised standards and interpretations have been adopted, but will go into effect at a later time and were not prematurely applied to these consolidated financial statements. The impact thereof on Swiss Prime Site's consolidated financial statements has not yet been systematically analysed, so the estimated effects as disclosed in the following section represent only an initial assessment by the Executive Board.

Standard/ interpretation	Title	Impact	Entering into force	Planned application by Swiss Prime Site
IAS 1	Disclosure initiative	1	01.01.2016	Financial year 2016
IAS 16/IAS 38 rev.	Clarification of acceptable methods of depreciation and amortisation	1	01.01.2016	Financial year 2016
IAS 16/IAS 41 rev.	Bearer plants	1	01.01.2016	Financial year 2016
IAS 27	Equity method in separate financial statements	1	01.01.2016	Financial year 2016
IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	1	to be determined ¹	to be determined ¹
IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the consolidation exception	1	01.01.2016	Financial year 2016
IFRS 11 rev.	Accounting for acquisitions of interests in joint operations	1	01.01.2016	Financial year 2016
IFRS 14	Regulatory deferral accounts	1	01.01.2016	Financial year 2016
Various	Annual improvements to IFRSs 2012–2014 cycle	1	01.01.2016	Financial year 2016
IFRS 15	Revenue from contracts with customers	2	01.01.2018	Financial year 2018
IFRS 9	Financial instruments	2	01.01.2018	Financial year 2018

1 No or no significant impact on the consolidated financial statements is anticipated.

2 The effects on the consolidated financial statements cannot yet be determined with sufficient certainty.

¹ The effective date for these amendments was due to be 1 January 2016. In December 2015 the IASB has postponed the effective date for an indefinite period of time, as it believes that they could be affected by the outcome of its current research project on equity accounting. Early adoption continues to be permitted.

Presentation of interest paid and interest received in the consolidated cash flow statement was adjusted. Now, interest paid is reported as part of cash flow from financing activities and interest received as part of cash flow from investing activities, rather than as part of cash flow from operating activities. Swiss Prime Site believes that the new presentation more appropriately takes into account the standardised view of borrowing costs and the cost of equity. The effect of this adjustment on the consolidated cash flow statement is as follows:

in CHF 1 000	2014 reported	2014 adjustment	2014 adjusted	2015 before adjustment	2015 adjustment	2015 reported
Cash flow from operating activities	623 536	106 184	729 720	284 063	104 358	388 421
Cash flow from investing activities	– 281 386	1 036	– 280 350	99 637	768	100 405
Cash flow from financing activities	– 288 616	– 107 220	– 395 836	– 405 967	– 105 126	– 511 093

2.3 Valuations and assumptions

The preparation of semi-annual and annual accounts in accordance with IFRS accounting principles requires the use of appraisal values and assumptions that influence the amounts recognised as assets and liabilities, the disclosure of contingent assets and liabilities as at the balance sheet date and the revenues and expenses recognised during the reporting period. Although these appraisal values have been determined by Swiss Prime Site according to the best knowledge of the Executive Board with respect to current events and possible future measures, the results actually achieved may deviate from these appraisal values.

Fair value measurements

A number of Swiss Prime Site's accounting principles and disclosures require measurement of certain financial assets and liabilities at fair value. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly business transaction between market participants at the measurement date.

Swiss Prime Site uses, to the extent possible, the data observable in the market for the measurement of fair value of an asset or liability. Based on the input factors used in the valuation techniques, fair value is classified in various levels of the fair value hierarchy, as follows:

Fair value hierarchy

Level 1	Fair value was determined on the basis of quotations in active markets for identical assets and liabilities.
Level 2	Fair value was determined on the basis of input factors other than the quotations of level 1. The input factors for financial assets and liabilities in markets must be directly (for example quotations) or indirectly (for example derived from quotations) observable.
Level 3	Fair value was determined on the basis of input factors which are not based on observable markets.

When the input factors used to measure the fair value of an asset or liability might be classified in various levels of the fair value hierarchy, the fair value is categorised in its entirety in the same level of the fair value hierarchy as the lowest factor that is significant to the entire measurement.

The group holds investment properties, building land, properties under construction and development sites as well as properties held for sale with a book value of CHF 8792.025 million [CHF 8907.755 million], owner-occupied properties and owner-occupied properties under construction with a book value of CHF 894.582 million [CHF 831.546 million]. The properties are measured at fair value according to the principles of IFRS 13 «Fair value measurement». The valuations are based on estimates and assumptions that are described in Note 18 «Investment properties».

Impairment of goodwill and brand names

With respect to goodwill and brand names with indefinite useful life, assumptions as to the calculation of the value in use are applied in the impairment test, which is performed at least annually. The main assumptions with regard to the calculation of value in use are growth rates and discount rates. These assumptions may prove to be incorrect in the future. Moreover, the effective cash flows may differ from the discounted projections.

The book values based on these assumptions and valuations are specified in Note 21 «Goodwill and intangible assets».

Deferred taxes

Deferred tax liabilities are calculated on the valuation difference between the book value of an asset or a liability for consolidation purposes and the value relevant for tax purposes. In principle, deferred taxes are to be apportioned on all temporary differences at the current or future anticipated and full rate (balance sheet liability method).

If the revaluation of properties under IFRS compared with the tax base is due to recaptured, previously claimed depreciation, the tax is reported and treated separately on an individual property basis and taking into account the property gains tax.

Revaluations exceeding the recapture of previously claimed depreciation are taxed using two different systems. In cantons that do not levy any special taxes, the tax on the property gain is calculated at the respective valid maximum income tax rates. The other cantons levy a separate property gains tax, which also contains speculation premiums or discounts relating to and depending on the effective duration of ownership, in addition to the ordinary rate for property gains tax.

Accordingly, property gains taxes are reduced in proportion to the increased duration of ownership of the property. Swiss Prime Site generally assumes ownership for a minimum period of 20 years, meaning that potential speculation premiums are not taken into account. Determination of the minimum holding period is subject to considerable discretion. Devaluations below cost (losses) can also be taken into account due to the practice of the Swiss Federal Court and the circulation letter 27 of the Swiss Tax Conference dated 15 March 2007 regarding intercantonal loss offsetting.

Of the total losses carried forward, deferred tax assets are only recognised if the losses carried forward can probably be offset against future profits.

The tax liabilities resulting from these assumptions and valuations are described in Note 24 «Deferred tax liabilities».

2.4 Scope of consolidation and consolidation methods

The consolidated financial statements of Swiss Prime Site comprise Swiss Prime Site AG and all its group companies, controlled directly or indirectly via majority of votes or under a single management. These subsidiaries are included in the financial statements within the scope of full consolidation.

The scope of consolidation comprises 17 [15] companies (including the Holding Company). An overview of the group companies is provided in Note 31 «Group companies and investments in associates».

The consolidation is based on the audited annual financial statements of the group companies as at 31 December 2015, which have been prepared applying uniform accounting principles. All significant transactions and balances between the individual group companies as well as intercompany profits are eliminated.

Investments in associates in which Swiss Prime Site exercises a decisive influence, but which it does not control, are valued according to the equity method. In this case, the fair value of the pro-rated net assets is determined at the time of acquisition. These investments are recognised for the first time as pro-rated equity including any goodwill as investments in associates. In subsequent reporting periods after the acquisition, this value is adjusted to reflect Swiss Prime Site's share in the additional equity generated or net income earned. All balances/transactions with investments valued according to the equity method are reported separately as items with associates.

Companies in which Swiss Prime Site holds an investment of less than 20% are recognised at fair value (provided that this value can be reliably determined), either as securities or as non-current financial investments.

Investments in subsidiaries and associates are included in the consolidated financial statements from the time when control of the subsidiaries or associates is taken – or when significant influence is gained – and they are no longer included from the time when control is relinquished or significant influence is lost. These two dates are not necessarily identical to the date of acquisition or sale.

2.5 Capital consolidation

Capital consolidation is carried out using the purchase method. The difference between the purchase price of an acquired company and the fair value of the net assets acquired is recognised in the balance sheet as goodwill from acquisitions. Goodwill is subject to an impairment test annually or at shorter intervals, if there is any indication of impairment.

2.6 Segment reporting

Segment reporting complies with IFRS 8 «Operating segments» and is based on the management approach. Swiss Prime Site's primary decision-making authority is the Executive Board. The group's operational activities are divided into three segments that are subject to reporting requirements: Real Estate (comprising purchase and sale, lease and development of properties, as well as real estate services and the central group functions); Retail (consisting of sales activities in the retail trade); and Assisted Living (providing senior residences and geriatric care services). All properties are basically reported under the Real Estate segment, including the owner-occupied properties that are provided for the Retail and Assisted Living segments.

Property investments and real estate services are aggregated in the Real Estate segment. The segment comprises purchase, sale, lease and development of properties. Real estate services are provided especially in the realm of property management. The aggregation in one reportable segment is based on similar economic characteristics with regard to dependencies on market trends for leasing as well as comparable trends in revenue growth.

The disclosure on investments in non-current assets in the segment reporting comprises all investments in non-current assets including goodwill, with the exception of financial instruments and deferred tax assets during the reporting period.

2.7 Comparative figures of the previous period

The presentation of the comparative periods and figures is in accordance with IAS 1 «Presentation of financial statements». The figures for the comparative period are shown in the text in brackets [].

2.8 Cash

Cash comprises cash in hand and sight deposits held at financial institutions. Cash also comprises fixed-term deposits with financial institutions and short-term money market investments with a residual term to maturity of maximum three months, which are recognised in the balance sheet at nominal values.

2.9 Securities

Securities (qualified as held for trading, according to IFRS and affecting net income) include tradable equities held on a short-term basis that are valued at fair value as well as term deposits with a residual term to maturity of more than three months that are recognised at nominal value. Unrealised and realised gains from securities are recognised as financial result in the income statement.

2.10 Accounts receivable

Accounts receivable and other receivables are valued at amortised cost, which generally corresponds to the nominal value, less any requisite impairments for uncollectible receivables. Receivables can be short term (as a rule) or long term. The receivables of the Real Estate as well as Assisted Living segments are subject to individual valuation with strict credit-rating guidelines. The value of the receivables of the Retail segment is adjusted using statistical figures regarding default risk.

2.11 Impairments on receivables

To cover debtor risk, outstanding receivables are evaluated at the end of the reporting period by means of maturity lists and legal case reporting with respect to collectability. The necessary impairments are formed, and impairments that are no longer necessary are released. The setup/release of impairments is carried out in other operating expenses.

2.12 Inventories

Inventories are valued at average cost price, but not exceeding the net realisable value. The value of inventories with long storage periods and goods that are hard to sell is impaired.

2.13 Trading properties

Trading properties that are intended for future sale (e.g. condominiums) are valued at the lower of cost or net realisable value, according to IAS 2 «Inventories». The realisation of sales is recorded in operating income as «Income from the sale of trading properties» at the time of transfer to ownership (transfer of benefits and risks). The recognised costs are reported as expense from the sale of trading properties in operating expenses upon realisation of sales.

2.14 Assets held for sale

These are assets or groups of assets held for sale that have not yet been sold, but will be sold with high probability. Classifying such a divestment as highly probable necessitates the fulfilment of various criteria, including that the competent management level has determined a plan for divesting the asset (or group of assets) and actively commenced the process of searching for a buyer and executing the plan. Furthermore, the asset (or group of assets) must be actively offered for acquisition at a price that is appropriately relative to the current fair value. The divestment should also take place within a one-year period according to expectations. These assets are valued at the lower of book value or fair value less sales costs. Investment properties held for sale are subject to IFRS 5 «Non-current assets held for sale and discontinued operations» only with respect to their classification, but not for valuation purposes and are therefore recognised at fair value according to IFRS 13 «Fair value measurement».

2.15 Accrued income and prepaid expenses

Accrued income and prepaid expenses comprise prepaid expenses relating to the next reporting period and income for the current reporting period that will not be received until a later date.

2.16 Non-current financial investments

Non-current financial investments comprise tenants' loans with a residual term to maturity of more than one year and are valued at amortised cost less any requisite impairments. Impairment losses are

recognised in the income statement. Tenants' improvements and other collaterals are used as security for such loans. If necessary, loans secured by real estate can also be granted, provided that the pledged real estate collateral is located in Switzerland. The maximum loan-to-value ratio per property amounts to 70% of the fair value. Under financial investments, free capital can be invested in Swiss francs and euros. Investments in first-class, stock exchange-listed shares, in bonds with a minimum rating by a leading rating agency of «A» and money market paper are permitted. These financial investments are valued similar to securities (see Note 2.9 «Securities»).

2.17 Investment properties and building land

Investment properties and building land are classified according to IAS 40 «Investment property». The valuation at the time of initial classification is carried out at cost, taking into account directly accountable transaction costs. Thereafter, the valuation is carried out at fair value in accordance with IFRS 13 «Fair value measurement».

Replacement and expansion investments are recognised at the book value of the properties when it is probable that Swiss Prime Site will obtain a resulting future economic benefit.

The change in fair value is recognised in the income statement. Related deferred tax liabilities or assets on such sums are debited, or credited, to the consolidated income statement as deferred tax expense or deferred tax income. For further information regarding the calculation of the fair value see Note 18 «Investment properties».

2.18 Properties under construction and development sites

According to IAS 40 «Investment property» properties under construction and development sites with future utilisation as investment properties are recognised at fair value according to IFRS 13 already during construction – the same as other investment properties – provided that the fair value can be reliably determined. The existence of a legally valid building permit is an important indicator for Swiss Prime Site to reliably determine the fair value of a property under construction or a development site. The change in fair value is recognised in the income statement.

If a reliable valuation of the fair value of properties under construction and development sites is not possible, they are recognised at cost less any required impairments.

Direct allocable borrowing costs for properties under construction are recognised as land lease payments.

Insofar as the following criteria are fulfilled on a cumulative basis, existing investment properties are reclassified as properties under construction and development sites at the time of realisation:

- > total depletion of the property (elimination of the property's usefulness)
- > planned investments of more than 30% of fair value
- > duration of renovation longer than 12 months

Following completion of the development or total modification, these properties are classified as either commercial properties without significant residential space or mixed properties.

Existing investment properties are maintained under the category investment properties for the duration of modification or renovation, insofar as the aforementioned criteria are unfulfilled.

2.19 Owner-occupied properties and owner-occupied properties under construction

Owner-occupied properties and owner-occupied properties under construction are recognised on the balance sheet at fair value, according to IFRS 13. Positive revaluation is credited to other comprehensive income unless it is due to reversed, previously claimed impairments. In case of a negative valuation, any previous increases in value are first reversed in group shareholders' equity until the corresponding revaluation reserve is released, and any further devaluation is debited to the consolidated income statement. Owner-occupied properties under construction with future use are treated similarly. As with investment properties, owner-occupied properties are revalued on a semi-annual basis. Given disposal of an owner-occupied property, the attributable cumulated result from revaluation within shareholders' equity is reclassified from the revaluation reserves to retained earnings.

2.20 Tangible assets

Tangible assets are recognised at acquisition or production costs less cumulated depreciation and impairment. Expenses for repairs and maintenance are charged directly to the consolidated income statement. Depreciation is calculated according to the straight-line method based on the economic useful life.

2.21 Intangible assets and goodwill

Intangible assets are recognised at cost less amortisation and impairment and include software for which a licence was obtained from third parties or which was developed by third parties or within the group, as well as customer relationships and brand names. The amortisation period for software is five years and for customer base five to ten years, respectively (straight line). Goodwill is not amortised. An indefinite useful life is assumed for the brand names currently recognised in the balance sheet, with the exception of the SENIOcare brand.

2.22 Depreciation and amortisation

Useful life of assets

Asset categories	Years
Owner-occupied property Jelmoli – The House of Brands, Seidengasse 1, Zurich	100
Other owner-occupied properties	60
Equipment	20
Furniture and tenants' improvements	8
Computer and software	5
Customer base	5–10
SENIOcare brand name	10
Goodwill and other brand names	indefinite

2.23 Impairment of tangible and intangible assets including goodwill

The value of tangible and intangible assets is always reviewed if changed circumstances or events indicate the possibility of an overvaluation in the book values. If the book value exceeds the realisable value (fair value less disposal costs or higher value in use), an impairment is applied to the realisable value.

Goodwill and other intangible assets with indefinite useful life are subject to impairment test annually or at shorter intervals if there is any reason to presume an impairment.

2.24 Leasing

Swiss Prime Site as lessor

Property leases and land lease contracts are basically operating lease contracts, which are generally recognised in the consolidated income statement linearly over the duration of the contract. In some of the rental agreements, target turnovers have been agreed upon with the tenants (i.e. turnover-based rents). If these are exceeded on an annual basis, the resulting rental income is booked or accrued in the reporting year.

Swiss Prime Site as lessee

Contracts relating to the use of land and properties, for which land lease or right of use payments are effected, should be subject to review in terms of whether they are to be classified as operating or finance lease.

Payments within the scope of operating leases are recognised in the income statement linearly over the term of the lease or rental agreement, or duration of the land lease. Land lease payments during construction of new buildings are recognised as cost on the balance sheet.

Given finance lease transactions, the asset and leasing liability are recognised on the balance sheet. As at the balance sheet date, Swiss Prime Site held one owner-occupied property subject to finance lease.

2.25 Income taxes

Income taxes consist of current income taxes and deferred taxes.

Current income taxes comprise the expected tax liability on the taxable profit calculated at the tax rates applicable on the balance sheet date, property gains taxes on real estate sales and adjustments to tax liabilities or tax assets for previous years.

Deferred taxes are calculated on temporary valuation differences between the book value of an asset or a liability in the consolidated balance sheet and its tax base (i.e. balance sheet liability method). Determination of the deferred taxes takes into account the expected date of settlement of the temporary differences. In this regard, the tax rates used are those applicable or determined at the balance sheet date.

Tax effects from losses carried forward and tax credits are recognised as deferred tax assets if it seems likely that the losses carried forward can be offset against future profits within the stipulated statutory periods.

2.26 Financial liabilities

Financial liabilities include current financial liabilities that fall due for redemption within the year and non-current financial liabilities with residual terms to maturity of more than 12 months. Financial liabilities can consist of loans secured by real estate, borrowed capital components of convertible bonds, bonds and other financial debts. All loans were granted to Swiss Prime Site in Swiss francs. A maximum loan-to-value ratio of 65% of the fair value of the entire real estate portfolio is permitted. Financial liabilities are recognised in the balance sheet at cost.

2.27 Derivative financial instruments

Derivative financial instruments can be utilised within the scope of ordinary business activities (for example, to hedge interest risks). Hedge accounting in the context of IAS 39 «Financial instruments: recognition and measurement» is not used. Derivative financial instruments are reported at fair value and, given positive or negative fair value, recognised in the balance sheet as financial investments or other financial liabilities, respectively. They can be short or long term in nature. Profits and losses are reported in net financial income. Further information is provided in Note 34 «Financial instruments and financial risk management».

2.28 Advance payments

Advance payments comprise in particular payments from tenants for rent claims or payments on account for cumulative ancillary costs, as well as payments for property divestments as long as the benefits and risks have not yet been transferred. Advance payments are recognised in the balance sheet at nominal value.

2.29 Provisions and contingent liabilities

Provisions comprise liabilities that are uncertain because of their due date or amount. A provision is set up if a past event creates a legal or constructive obligation, and if future outflows of resources can be reliably estimated. Given any legal disputes, the amount of the provisions recognised for obligations is based on how the Executive Board judges the outcome of the dispute in good faith, according to the facts known at the balance sheet date.

2.30 Convertible bonds

The full amount of a convertible bond is recognised as a liability. If the convertible bond is issued on conditions that differ from a bond without conversion rights, it is divided into borrowed capital and equity components. The issuing costs are attributed to the borrowed capital and equity component based on their initial book values. Given premature redemption, the purchase price (less paid accrued interest) is compared with the pro rata book value. The loss or income attributable to the borrowed capital component from the redemption is recognised in net financial income. Given a conversion, the number of shares to be issued based on the conversion is determined by using the conversion price. The nominal value of the converted shares is credited to share capital and the residual amount to capital reserves.

A convertible bond can contain embedded derivatives, which should be recognised in the balance sheet separately from the basic contract depending on their form.

2.31 Shareholders' equity

Shareholders' equity is subdivided into share capital, capital reserves, revaluation reserves, retained earnings and non-controlling interests. The nominal share capital of the Company is stated in the share capital. Nominal value changes are recognised in the share capital. Revaluation gains of owner-occupied properties are recognised as revaluation reserves insofar as they exceed previous impairments. Impairments of owner-occupied properties primarily reduce the revaluation reserves. All impairments exceeding these reserves are recognised in the income statement. Profits/losses are credited/debited to retained earnings, respectively. Remeasurement of net defined benefit obligations and the resulting deferred taxes recognised in other comprehensive income are debited/credited to retained earnings. Any dividend payments are debited to retained earnings. All other changes of capital are recorded in the capital reserves.

2.32 Treasury shares

Treasury shares are recognised at acquisition cost in shareholders' equity (capital reserves). Proceeds from the sale of treasury shares are set off directly against shareholders' equity (capital reserves).

2.33 Dividends

In compliance with Swiss statutory provisions and the Company's Articles of Association, dividends are treated as an appropriation of profit in the financial year in which they were approved by the Annual General Meeting and subsequently paid out.

2.34 Employee benefits

All of Swiss Prime Site's pension plans are treated as defined benefit plans according to IAS 19 «Employee benefits».

The amount reported in the balance sheet corresponds to the difference between the fair value of pension plan assets and the present value of pension provision obligations. The present value of pension provision obligations from defined benefit plans is determined by external experts according to the projected unit credit method. The actuarial appraisals are prepared separately for each benefit plan. Actuarially derived overfunding is only recognised as net pension plan assets in the balance sheet to the extent that the group stands to gain a resulting future economic benefit in the form of reduced contributions in the context of IFRIC 14 «IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction».

Any changes in the present value of pension provision obligations and the fair value of pension plan assets are recognised at the time of occurrence.

Pension costs comprise the following three components:

- > service costs, recognised in the income statement (personnel costs)
- > net interest costs, recognised in the income statement (personnel costs)
- > remeasurement of net defined benefit obligations, recognised in other comprehensive income

Service costs comprise the current service costs, past service costs and profit and loss from plan compensation. Profit and loss from plan curtailments are treated equally as past service costs.

Net interest expense corresponds to the amount derived from multiplying net pension provision obligations (or pension plan assets) at the beginning of the financial year by the discount rate, taking into account the changes resulting from contributions and pension payments in the financial year.

Remeasurement gains consist of the following:

- > actuarial profits and losses from developments in the present value of defined benefit liabilities that result due to changes in assumptions and deviations from experience
- > gains on assets, less contributions, included in net interest expense
- > changes in unrecognised assets less effects included in net interest expense

Remeasurement gains are recognised in other comprehensive income and cannot be reclassified to the income statement.

2.35 Share plans and share-based compensation

The fees paid to the Board of Directors as well as the variable compensation paid to the Executive Board members and members of management employed by Swiss Prime Site Group AG are effected at 50% in the form of Swiss Prime Site AG shares. For the other members of the Executive Board, drawing shares of up to 25% of the variable compensation is optional. The fair value of these shares on the date they are granted is recognised as personnel costs according to the principles of IFRS 2 «Share-based payment», with a corresponding increase in shareholders' equity over the vesting period. The entitlements are settled by means of treasury shares.

2.36 Operating income and realisation of income

Operating income includes all rental income from leasing properties, income from the sale of development properties, income from real estate services, income from the Retail segment, income from the Assisted Living segment and other operating income. Vacancy costs are deducted directly from the target rental income. Operating income is recorded upon maturity or upon provision of services.

Gains from the divestment of properties and investments are presented net, taking into account any incidental selling expenses incurred, after operating income. In this context, the gain or loss of sale of investment properties is calculated as the difference between the net sales price and the carrying amount of the investment property according to the consolidated balance sheet of the prior financial year plus any investments.

Realisation of income is generally recognised in all segments when the right of use and risk has passed to the customer. Income from retail trade activities is recognised at the date of delivery of the goods, or in services operations in accordance with the extent of the services provided. For the divestment of properties, this date is designated in the sales contract (generally transfer to owner).

2.37 Interest

Interest on loans as well as land lease interest for qualified properties and owner-occupied properties under construction and development sites, in addition to trading properties, are attributed to cost. With this method, financial expenses and real estate costs, respectively, are relieved but, at the same time, the revaluation gain is lowered correspondingly.

Other interest on borrowed capital is recognised in the income statement using the effective interest rate method. Interest expense and interest income are apportioned as set out in the loan agreements and directly debited or credited to the financial result accordingly.

2.38 Transactions with related parties

Related parties are regarded as the Board of Directors, the Executive Board, the group companies, the pension fund foundations of the group, the associated companies and their subsidiaries as well as the Swiss Prime Investment Foundation.

All transactions with related parties are presented and itemised including the relevant amounts in Note 30 «Transactions with related parties».

2.39 Earnings per share

Basic earnings per share are determined by dividing the consolidated profit attributable to shareholders of Swiss Prime Site AG by the weighted average number of outstanding shares. Diluted earnings per share are determined by deducting expenses in connection with the convertible bonds, such as interest (coupon), amortisation of the proportional costs and tax effects. The potential shares (options and the like) that might lead to a dilution of the number of shares must be taken into account when determining the average number of outstanding shares.

3 ACQUISITIONS/DIVESTMENTS

3.1 Sternmatt Pflegewohngruppen, Lucerne

As at 5 January 2015, the operating business of Sternmatt Pflegewohngruppen, Lucerne, was acquired for CHF 5.100 million in cash. The acquisition price included tangible assets of CHF 0.350 million, pension plan liabilities of CHF 0.083 million and goodwill of CHF 4.833 million. Goodwill comprises primarily future estimated earnings. Goodwill is deductible for tax purposes.

Sternmatt Pflegewohngruppen in Lucerne provides a home for people with dementia thanks to special residences with adapted structures. The facility comprises 27 geriatric care units, which were 100% occupied at the time of acquisition. With the acquisition of Sternmatt Pflegewohngruppen, Swiss Prime Site also acquired 35 employees.

3.2 WGDM Papillon AG

As at 1 July 2015, 100% of the shares in WGDM Papillon AG, Winterthur, were acquired for CHF 2.398 million in cash. The acquisition price included assets amounting to CHF 3.922 million, liabilities of CHF 3.866 million and goodwill of CHF 2.342 million. Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. Goodwill is not deductible for tax purposes.

WGDM Papillon AG is a residential community for people with dementia, featuring 17 geriatric care beds and 12 day-care units.

3.3 SENIOcare Group

As at 1 October 2015, 100% of the shares in SENIOcare Group were acquired for CHF 144.483 million in cash. With 29 operating facilities (1 128 geriatric care beds and 224 apartments), SENIOcare Group is the leading provider of geriatric care centres in Switzerland in terms of revenues. The geographic distribution of SENIOcare's operating facilities ideally complements Tertium's current locations. The company's services portfolio comprises the areas of assisted living and inpatient geriatric care.

The fair values of the identifiable assets and liabilities of SENIOcare Group as at the acquisition date of 1 October 2015 were as follows:

Assets	
Cash	6 345
Accounts receivable	10 902
Other current receivables	209
Inventories	690
Accrued income and prepaid expenses	154
Total current assets	18 300
Owner-occupied properties	17 381
Tangible assets	13 333
Intangible assets	2 130
Deferred tax assets	1 204
Total non-current assets	34 048
Total assets	52 348
Liabilities	
Accounts payable	1 772
Current financial liabilities	468
Other current liabilities	432
Advance payments	4 007
Accrued expenses and deferred income	4 366
Total current liabilities	11 045
Non-current financial liabilities	64 468
Other non-current financial liabilities	7 760
Net pension provision obligations	20 137
Non-controlling interests	490
Total non-current liabilities	92 855
Total liabilities	103 900
Total identifiable net assets at fair value	- 51 552
Cash settlement (purchase price)	144 483
Goodwill	196 035

Acquired receivables

in CHF 1 000	Contractual receivables, gross	Non- collectable receivables	Fair value
Accounts receivable	11 519	- 617	10 902
Other current receivables	209	-	209
Total receivables	11 728	- 617	11 111

Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. With the acquisition of SENIOcare Group, Swiss Prime Site has tapped significant growth potential and further underpinned its strategic market position in the assisted living segment. Goodwill is not deductible for tax purposes.

From the date of acquisition until 31 December 2015, the acquired companies generated a contribution to consolidated operating income of CHF 33.611 million and to profit of CHF 1.008 million, of which the relevant contributions from SENIOcare Group amounted to CHF 27.854 million and CHF 0.264 million, respectively. For the full reporting period 2015, operating income amounted to CHF 116.189 million and profit totalled CHF 0.751 million. If the acquisitions had taken place as at 1 January 2015, consolidated operating income and consolidated profit would have amounted to CHF 1 077.788 million and CHF 354.805 million, respectively, in the financial year 2015.

The transaction costs amounted to CHF 0.381 million and were recognised in the consolidated income statement in consultancy costs under other operating expenses (reported in cash flow from operating activities). The transaction costs were already settled on the balance sheet date. The net money outflow amounted to CHF 145.308 million (reported in cash flow from investing activities).

3.4 Ensemble artisanal et commercial de Riantbosson S.A.

As at 17 December 2015, 42.6% of the shares (non-controlling interests without change of control) of Ensemble artisanal et commercial de Riantbosson S.A., Olten (real estate company), was acquired for CHF 1.000 million in cash. The stake in the company now amounts to 100%.

With the acquisition of the majority of the shares as at 15 January 2014, the company was fully consolidated for the first time in the last year. The fair values of the identifiable assets and liabilities of Ensemble artisanal et commercial de Riantbosson S.A. as at the time of first consolidation were as follows:

in CHF 1 000	15.01.2014
Cash	653
Non-current assets	5 174
Total assets	5 827
Liabilities	4 924
Shareholders' equity	903
Total liabilities and shareholders' equity	5 827

3.5 Permed AG

Swiss Prime Site concluded a sales agreement on 27 January 2014 for its indirect 100% shareholding in Permed AG, Zurich (provider of human resource services in the healthcare industry). The divestment was executed on 17 March 2014. The sales price amounted to CHF 6.221 million in cash, resulting in profit of sale totalling CHF 0.810 million.

The book values of Permed AG at the time of divestment were as follows:

in CHF 1 000	17.03.2014
Cash	2 085
Other current assets	4 880
Non-current assets	3 190
Total assets	10 155
Liabilities	4 733
Shareholders' equity	5 422
Total liabilities and shareholders' equity	10 155

4 SEGMENT REPORTING

Swiss Prime Site is a real estate group that primarily operates a real estate business comprising buying and selling, managing and developing investment properties as well as providing real estate services. In addition, Swiss Prime Site operates in real estate-related business fields. The consolidated financial data are subdivided into the segments subject to mandatory reporting of Real Estate, Retail and Assisted Living, enabling the assessment of the earnings potential and financial situation of each segment.

SEGMENT INCOME STATEMENT 01.01. – 31.12.2015

in CHF 1 000	Real Estate segment	Retail segment ¹	Assisted Living segment ²	Total segments	Eliminations	01.01.– 31.12.2015 Total group
Rental income from properties	432 022	16 528	51 310	499 860	– 53 989	445 871
thereof from third parties	378 033	16 528	51 310	445 871	–	445 871
thereof from other segments	53 989	–	–	53 989	– 53 989	–
Income from sale of trading properties	105 081	–	–	105 081	–	105 081
Income from real estate services	109 472	–	–	109 472	– 468	109 004
Income from retail ¹	–	137 005	–	137 005	– 197	136 808
Income from assisted living ²	–	–	184 980	184 980	– 828	184 152
Other operating income	10 197	2 910	1 290	14 397	– 103	14 294
Operating income	656 772	156 443	237 580	1 050 795	– 55 585	995 210
Revaluation of investment properties, properties under construction and development sites, net	153 586	–	–	153 586	– 29 015	124 571
Result from investments in associates	12 118	–	–	12 118	–	12 118
Result from investment property sales, net	30 910	–	–	30 910	–	30 910
Real estate costs	– 59 176	– 35 275	– 64 103	– 158 554	55 242	– 103 312
Cost of trading properties sold	– 62 917	–	–	– 62 917	–	– 62 917
Cost of goods sold	–	– 65 630	– 19 095	– 84 725	1	– 84 724
Personnel costs	– 104 628	– 39 215	– 125 474	– 269 317	73	– 269 244
Other operating expenses	– 34 427	– 9 925	– 15 940	– 60 292	269	– 60 023
Depreciation, amortisation and impairment	– 6 077	– 9 295	– 4 770	– 20 142	– 9 017	– 29 159
Operating expenses	– 267 225	– 159 340	– 229 382	– 655 947	46 568	– 609 379
Operating profit (EBIT)	586 161	– 2 897	8 198	591 462	– 38 032	553 430
Financial expenses						– 100 753
Financial income						4 615
Profit before income taxes						457 292

¹ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

² acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

SEGMENT INCOME STATEMENT 01.01. – 31.12.2014

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment ¹	Total segments	Eliminations	01.01.– 31.12.2014 Total group
Rental income from properties	431 324	18 609	47 103	497 036	–53 923	443 113
thereof from third parties	377 401	18 609	47 103	443 113	–	443 113
thereof from other segments	53 923	–	–	53 923	–53 923	–
Income from real estate services	100 518	–	–	100 518	–434	100 084
Income from retail	–	152 091	–	152 091	–236	151 855
Income from assisted living ¹	–	–	153 598	153 598	–339	153 259
Other operating income	2 149	1 584	1 194	4 927	–566	4 361
Operating income	533 991	172 284	201 895	908 170	–55 498	852 672
Revaluation of investment properties, properties under construction and development sites, net	137 085	–	–	137 085	–23 851	113 234
Result from investments in associates	12 912	–	–	12 912	–	12 912
Result from investment property sales, net	2 062	–	–	2 062	–	2 062
Result from sale of participations, net	–	–	810	810	–	810
Real estate costs	–59 203	–34 727	–57 487	–151 417	55 093	–96 324
Cost of goods sold	–	–71 878	–16 003	–87 881	–	–87 881
Personnel costs	–98 963	–44 173	–104 873	–248 009	46	–247 963
Other operating expenses	–29 400	–10 270	–12 317	–51 987	358	–51 629
Depreciation, amortisation and impairment	–6 627	–10 319	–3 026	–19 972	–15 120	–35 092
Operating expenses	–194 193	–171 367	–193 706	–559 266	40 377	–518 889
Operating profit (EBIT)	491 857	917	8 999	501 773	–38 972	462 801
Financial expenses						–99 968
Financial income						2 782
Profit before income taxes						365 615

¹ sale of Permed AG as at 17.03.2014

In the column «Eliminations», the revenues realised between the segments are eliminated. In addition, these columns contain ordinary depreciation and impairment on owner-occupied properties as well as the elimination of revaluations recorded that affect net income in the Real Estate segment on investment properties used within the group, which are recognised in the consolidated financial statements as owner-occupied properties.

Comparability of the eliminations of the years 2014 and 2015 of the positions depreciation, amortisation and impairment is affected by impairment and reversal of impairment (see Note 19 «Owner-occupied properties and owner-occupied properties under construction»).

COMPOSITION OF OPERATING INCOME BY PRODUCTS AND SERVICES

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Income from rental of properties	443 113	445 871
Income from sale of trading properties	–	105 081
Income from real estate services	100 084	109 004
Income from retail ¹	151 855	136 808
Income from assisted living ²	153 259	184 152
Other operating income	4 361	14 294
Total operating income	852 672	995 210

¹ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

² 2015: acquisition of SENIOcare Group as at 01.10.2015, WGD M Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015
2014: sale of Permed AG as at 17.03.2014

Operating income comprised CHF 229.285 million [CHF 132.803 million] from the sale of goods and CHF 765.925 million [CHF 719.869 million] from the provision of services.

Income from asset management is included in other operating income.

SEGMENT BALANCE SHEET AS AT 31.12.2015

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment	Total segments	Eliminations	31.12.2015 Total group
Total assets	10 194 315	144 861	394 553	10 733 729	– 43 164	10 690 565
Total liabilities	5 593 110	48 231	136 422	5 777 763	– 43 164	5 734 599
Investments in non-current assets	201 455	7 605	247 601	456 661	–	456 661

SEGMENT BALANCE SHEET AS AT 31.12.2014

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment	Total segments	Eliminations	31.12.2014 Total group
Total assets	10 338 807	156 468	132 861	10 628 136	– 26 063	10 602 073
Total liabilities	6 303 481	57 718	65 136	6 426 335	– 26 063	6 400 272
Investments in non-current assets	357 008	7 215	4 405	368 628	–	368 628

Investments in associates of CHF 47.494 million [CHF 37.599 million] are included in the total assets of the Real Estate segment.

All assets held by Swiss Prime Site are located in Switzerland.

5 OPERATING INCOME

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Target rental income from investment properties	449 210	449 363
Rental income from additionally leased properties	23 508	26 673
Rent loss from vacancies	– 29 605	– 30 165
Rental income from properties	443 113	445 871
Income from sale of trading properties	–	105 081
Income from real estate services	100 084	109 004
Income from retail, gross	167 642	152 291
Rebates	– 15 787	– 15 483
Income from retail¹	151 855	136 808
Income from assisted living²	153 259	184 152
Other operating income	4 361	14 294
Total operating income	852 672	995 210

¹ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

² 2015: acquisition of SENIOcare Group as at 01.10.2015, WGDm Papillon as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

2014: sale of Permed AG as at 17.03.2014

Swiss Prime Site's primary business activity is leasing investment properties. Net rental income from properties as well as land lease income totalled CHF 445.871 million [CHF 443.113 million], including CHF 19.730 million [CHF 23.449 million] of variable rental income (comprising turnover-based rent and parking fee income). Rental income included rental income from either the acquisition date of the individual properties or since 1 January 2015 [1 January 2014].

Total utilised floor space as at 31 December 2015 amounted to 1 455 126 m² [1 620 131 m²]. The total was subdivided into 1 442 220 m² [1 602 723 m²] of commercial floor space and 12 906 m² [17 408 m²] of residential floor space.

Rent losses from vacancies amounted CHF 30.165 million [CHF 29.605 million], equivalent to a vacancy rate of 6.7% [6.6%]. Rent losses from vacancies were deducted from the target rental income. Detailed information can be found under «Property details» starting from page 103.

Income from the sale of trading properties relates to the sale of condominiums at the Maag site in Zurich.

Wincasa AG provides services primarily for various institutional investors, in addition to services for the group's real estate holdings.

The Retail segment comprises Jelmoli – The House of Brands and Clouds Gastro AG up until 30 June 2015. The restaurant operating business of Clouds Gastro AG was transferred to Candrian Catering AG as at 1 July 2015.

The Assisted Living segment consists of Tertianum Group as well as SENIOcare Group, which was acquired as at 1 October 2015. The share of rent from the accommodation prices of the Tertianum residence guests was reported in rental income from investment properties and income from additionally leased properties.

Other operating income of CHF 14.294 million [CHF 4.361 million] included income from asset management and various other income from the Real Estate, Retail and Assisted Living segments.

Details on rental income

The following table depicts the breakdown of the contractual end of the term of individual rental agreements based on future net annual rental income and land lease income from investment properties (excluding properties under construction and development sites, and excluding additionally leased properties) as at 31 December 2015:

End of contract	31.12.2014 Future rental income in CHF 1 000	31.12.2014 Share in %	31.12.2015 Future rental income in CHF 1 000	31.12.2015 Share in %
Under 1 year ¹	56 070	12.5	35 500	8.5
Over 1 year	44 040	9.8	34 632	8.3
Over 2 years	38 774	8.7	51 822	12.4
Over 3 years	51 533	11.5	39 159	9.4
Over 4 years	41 356	9.2	49 717	11.9
Over 5 years	36 140	8.1	45 677	10.9
Over 6 years	34 521	7.7	17 025	4.1
Over 7 years	13 662	3.1	14 190	3.4
Over 8 years	10 937	2.4	13 334	3.2
Over 9 years	13 078	2.9	12 542	3.0
Over 10 years	108 185	24.1	104 117	24.9
Total	448 296	100.0	417 715	100.0

¹ includes all indefinite rental agreements (residential, parking facilities, commercial properties etc.)

Future rental income has been presented from the Real Estate segment perspective and based on the rental agreements of the Group's properties as at 31 December 2015 [31 December 2014].

Largest external tenants

As at the balance sheet date, the five largest external tenants accounted for 20.9% [21.9%] of future annual rental income and land lease income (Real Estate segment perspective). These individual tenants had good credit ratings and consist of the following corporations, in particular:

in %	31.12.2014	31.12.2015
Coop	6.7	6.6
Migros	4.9	5.0
Swisscom	3.7	3.5
Swiss Post	4.1	2.9
Inditex S.A.	n/a	2.9
Zurich Insurance Company Ltd.	2.5	n/a

According to IAS 17 «Leases», rental agreements represent leasing transactions. The rental agreements are generally indexed; in the case of retail property, additional turnover-based rents are sometimes agreed. Rental agreements are normally concluded for a term of five to ten years, often with a five-year extension option.

Swiss Prime Site as grantor of land leases

Land leases should be checked insofar as they are operating or finance leases using general criteria according to IAS 17 «Leases». Based on analyses and present value tests, it was determined that all current land lease contracts are operating leases.

KEY LAND LEASE FIGURES

Land lease areas	384 m ² to 2 839 m ²
Residual terms to maturity	6 to 70 years
Contract extension options	none to 3 times 5 years
Price adjustments	annually to every 10 years
Pre-emption rights	none, unilateral and bilateral

FUTURE LAND LEASE INCOME

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Land lease income up to 1 year	826	826
Land lease income from 1 year up to 5 years	3 303	3 303
Land lease income after 5 years	8 799	7 973
Total future land lease income	12 928	12 102

6 RESULT FROM INVESTMENTS IN ASSOCIATES

in CHF 1 000	31.12.2014	31.12.2015
Proportional result from continuing operations of the period	12 912	12 118
Proportional other comprehensive income of the period	–	–
Total proportional result from investments in associates	12 912	12 118

7 RESULT FROM INVESTMENT PROPERTY SALES

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Gains from sales of commercial properties without significant residential space	846	3 083
Losses from sales of commercial properties without significant residential space	– 982	– 12 658
Gains from mixed properties	–	269
Losses from mixed properties	– 596	–
Gains from sales of properties held for sale	3 104	45
Losses from sales properties held for sale	– 310	–
Gains from properties under construction and development sites	–	40 717
Losses from properties under construction and development sites	–	– 546
Total result from investment property sales, net	2 062	30 910

In 2015, ten [seven] investment properties were sold, eight of which to the Swiss Prime Investment Foundation. Further relevant information can be found in Note 30 «Transactions with related parties».

8 REAL ESTATE COSTS

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Property expenses	– 49 641	– 49 915
Third-party rents	– 30 761	– 35 542
Expenses for third-party services	– 6 444	– 6 573
Expenses for real estate services	– 4 657	– 5 126
Land lease expenses	– 4 821	– 6 156
Total real estate costs	– 96 324	– 103 312

Property expenses included maintenance and repair costs of CHF 22.009 million [CHF 19.931 million], ancillary costs borne by the owner of CHF 9.575 million [CHF 11.999 million], property-related insurance costs and fees of CHF 7.567 million [CHF 7.661 million] as well as costs for cleaning, energy and water of CHF 10.764 million [CHF 10.050 million].

Of third-party expenses, CHF 1.764 million [CHF 1.784 million] was attributable to property management fees. An additional CHF 0.713 million [CHF 0.840 million] constituted costs for the revaluation of properties by Wüest & Partner AG and CHF 4.096 million [CHF 3.819 million] was related to leasing expenses and other administrative costs for third-parties.

Expenses for real estate services primarily consisted of charged costs such as centre management services, website and various third-party services.

9 PERSONNEL COSTS

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Wages and salaries	– 204 367	– 220 689
Social security expenses	– 16 653	– 18 890
Pension plan expenses	– 18 550	– 19 795
Other personnel expenses	– 8 393	– 9 870
Total personnel costs	– 247 963	– 269 244
Number of employees as at 31.12.	3 097	4 446
Number of full-time equivalents as at 31.12.	2 370	3 311

As at 31 December 2015, Swiss Prime Site employed a workforce of 4446 [3097] persons. The increase is attributable particularly to the acquisitions in the Assisted Living segment.

Personnel costs reflected salaries from all segments, in addition to compensation to the members of the Board of Directors, including the relevant social security contributions incurred, as well as expenses for leasing of personnel.

10 OTHER OPERATING EXPENSES

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Expenses for tangible assets	– 10 748	– 13 357
Non-life insurance, fees	– 1 271	– 1 404
Capital taxes	– 2 853	– 3 647
Administrative expenses	– 18 686	– 20 759
Audit and consultancy costs	– 7 344	– 9 413
Advertising	– 9 043	– 10 402
Collection- and bad-debt-related losses	– 1 684	– 1 041
Total other operating expenses	– 51 629	– 60 023

Expenses for tangible assets included maintenance and repair expenses as well as leasing expenses.

Capital taxes were calculated according to the effective tax rates on the basis of intercantonal tax allocation. The capital taxes of Swiss Prime Site AG, SPS Beteiligungen Alpha AG, SPS Beteiligungen Beta AG and SPS Beteiligungen Gamma AG were reduced due to the holding privilege.

Administrative expenses included costs incurred for the reporting process, other administrative expenses and costs for various services provided by third parties such as management fees and consultancy services.

Audit and consultancy costs comprised consulting fees of CHF 8.246 million [CHF 6.404 million] and audit fees of CHF 1.167 million [CHF 0.940 million].

11 FINANCIAL RESULT

FINANCIAL EXPENSES

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Interest expenses	– 99 964	– 99 004
Fair value changes of financial instruments	– 4	–
Other financial expenses	–	– 1 749
Total financial expenses	– 99 968	– 100 753

FINANCIAL INCOME

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Interest income	662	816
Dividend income on securities and financial investments	249	271
Fair value changes of financial instruments	1 507	3 183
Other financial income	364	345
Total financial income	2 782	4 615

12 INCOME TAXES

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Current income taxes for the reporting period	– 16 805	– 47 166
Adjustments for current income taxes for other accounting periods	1 309	– 4 762
Total current income taxes	– 15 496	– 51 928
Deferred taxes resulting from revaluation and depreciation	– 69 051	– 83 131
Deferred taxes resulting from the sale of investment properties	3 886	24 236
Deferred taxes from tax rate changes and reductions from duration of ownership deductions	1 176	– 2 512
Deferred taxes resulting from losses carried forward	– 362	11 473
Other deferred taxes	890	– 369
Total deferred taxes	– 63 461	– 50 303
Total income taxes	– 78 957	– 102 231

Current income taxes were calculated at the effective maximum tax rates. At the same time, agreements with the relevant tax authorities were considered as well. According to IAS 12 «Income taxes», current income taxes were divided into current income taxes for the reporting period and current income taxes for other accounting periods.

Deferred taxes were split into deferred taxes due to revaluation and depreciation, sales of investment properties, tax rate changes and reductions resulting from duration of ownership deductions, losses carried forward and other deferred taxes. Deferred taxes are subject to the risk of tax rate changes as well as changes in the cantonal tax regulations.

Reconciliation of income taxes

Income taxes were calculated using the effective relevant tax rates. Deferred taxes were calculated with the estimated tax rates. Liabilities for current income taxes were recognised in the balance sheet as current income tax liabilities under current liabilities.

Factors leading to the deviation of the effective tax burden from the average tax rate of 23% [23%]:

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Profit before income taxes	365 615	457 292
Income taxes at average tax rate of 23%	– 84 091	– 105 177
Taxes at other rates (including property gains taxes)	– 1 353	4 999
Adjustment for current income taxes for other accounting periods	1 309	– 4 762
Effect of unrecognised losses carried forward	– 1 221	3 159
Taxes on intercompany revenues and expenses	4 909	2
Other effects	1 490	– 452
Total income taxes	– 78 957	– 102 231

Deferred taxes

Where the revaluations according to IFRS versus the fiscal values were due to recaptured, previously claimed depreciation, the taxes were allocated per property after deduction of any applicable property gains tax and taken into account separately. In this case, tax rates of between 4.9% and 17.9% [4.5% and 17.9%] were applied.

Upward revaluations exceeding the recaptured, previously claimed depreciation are subject to tax using two different systems. Cantons that do not levy any special taxes also calculate taxes at the above rates. The other cantons levy a separate property gains tax using rates of between 4.0% and 25.0% [4.0% and 25.0%], depending on duration of ownership.

Accordingly, property gains taxes are reduced in proportion to the increased duration of ownership of the property. Swiss Prime Site generally assumes ownership for a minimum period of 20 years, meaning that potential speculation premiums are not taken into account. Deferred tax expenses as a result of depreciation and revaluations according to commercial law amounted to CHF 83.131 million [CHF 69.051 million].

Total deferred tax expense of CHF 50.303 million [CHF 63.461 million] was debited to the consolidated income statement. This was mainly attributable to the fact that deferred tax liabilities or deferred tax assets had to be taken into account for revaluations and depreciation under commercial law. Of the total deferred tax assets subject to losses carried forward, only those were recognised that can probably be offset with future profits. The other deferred tax assets on losses carried forward were not recognised due to the insufficient future probability of offsetting losses.

DEFERRED TAX ASSETS

in CHF 1 000	31.12.2014	31.12.2015
Taxable losses carried forward of subsidiaries	14 211	79 410
Possible tax effect on taxable losses carried forward at expected tax rate	3 269	11 473
Losses carried forward which can in all probability be offset with future profits	– 473	– 79 410
Total recognised deferred tax assets at expected tax rate	– 109	– 11 473
Total deferred tax assets not recognised at expected tax rate	3 160	–
Recognised deferred tax assets on losses carried forward	109	11 473
Other deferred tax assets	7 893	13 487
Total deferred tax assets	8 002	24 960

EXPIRING TAXABLE LOSSES CARRIED FORWARD

Taxable losses carried forward of subsidiaries for which no deferred tax assets were recognised expired as follows:

in CHF 1 000	31.12.2014	31.12.2015
After 1 year	–	–
After 2 years	–	–
After 3 years	–	–
After 4 years	2 251	–
After 5 years	3 682	–
After 6 years	3 786	–
After 7 and more years	4 019	–
Total expiring taxable losses carried forward	13 738	–

Deferred tax liabilities not recognised on the balance sheet

On the balance sheet date, there were total temporary outside basis differences (i.e. temporary differences between IFRS book values of investments in subsidiaries and their lower income tax values) amounting to CHF 2 425.200 million [CHF 2 104.390 million], for which no deferred tax liabilities were recognised since the group controlled the timing of the reversal of the temporary differences and it is probable that these will not be reversed in the foreseeable future. The resulting amount not recognised in the balance sheet totalled CHF 9.700 million [CHF 8.418 million].

DEFERRED TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME

in CHF 1 000	31.12.2014	31.12.2015
Deferred taxes on revaluation of owner-occupied properties	-8 966	-8 754
Deferred taxes on remeasurement of net defined benefit obligations	8 404	2 125
Total deferred taxes recognised in other comprehensive income	-562	-6 629

13 CASH

in CHF 1 000	31.12.2014	31.12.2015
Cash on hand	2 609	2 444
Sight deposits	254 587	232 485
Total cash	257 196	234 929

Sight deposits comprised bank accounts exclusively. The investments were made in line with market conditions.

14 ACCOUNTS RECEIVABLE

in CHF 1 000	31.12.2014	31.12.2015
Accounts receivable, gross	129 963	83 814
Impairments	-3 866	-3 382
Total accounts receivable	126 097	80 432

Most of the accounts receivable related to claims for rent and ancillary costs, to customer claims for real estate management services and to accounts receivable from the Retail segment as well as the Assisted Living segment. In the reporting period, current claims for ancillary costs were reported after offsetting the advance payments.

DEVELOPMENT OF IMPAIRMENT OF RECEIVABLES

in CHF 1 000	31.12.2014	31.12.2015
Impairment at beginning of period	3 841	3 866
Increase of impairment based on individual valuation	1 905	1 635
Release of impairment based on individual valuation	-1 880	-2 119
Total impairment at end of period	3 866	3 382

Impairment changes were recognised in other operating expenses.

MATURITIES OF RECEIVABLES

in CHF 1 000	31.12.2014 Gross receivables	31.12.2014 Impairments	31.12.2015 Gross receivables	31.12.2015 Impairments
Not yet due	97 320		49 531	
Due between 0 and 30 days	6 415		7 286	
Due between 31 and 90 days	4 079		3 978	
Due between 91 and 120 days	887		646	
Due for more than 120 days	21 262		22 373	
Total gross receivables and impairments	129 963	-3 866	83 814	-3 382

Receivables maturing more than 120 days consist primarily of rent payments deposited in a blocked account resulting from a rental agreement dispute.

15 INVENTORIES

in CHF 1 000	31.12.2014	31.12.2015
Merchandise	23 871	23 569
Other inventories	2 107	2 218
Impairments	-446	-238
Total inventories	25 532	25 549

Inventories included merchandise from the Retail segment as well as Assisted Living segment field, which were recognised in the balance sheet at average cost – or if lower – at net realisable value.

16 TRADING PROPERTIES

in CHF 1 000	31.12.2014	31.12.2015
Zurich, Naphtastrasse 10/Maaghof North and East	24 005	–
Zurich, Turbinenstrasse 21/Maaghof North and East	21 742	–
Total trading properties	45 747	–

In the reporting year, all apartments, commercial floor space and parking places were sold. The fire insurance value in the previous year amounted to CHF 45.747 million.

17 ASSETS HELD FOR SALE

in CHF 1 000	31.12.2014	31.12.2015
Affoltern a.A., Obere Bahnhofstrasse 14 ¹	8 780	–
Burgdorf, Industrie Buchmatt	14 300	–
Eyholz, Kantonsstrasse 79	4 701	–
Glattbrugg, Schaffhauserstrasse 59 ¹	5 606	–
Heimberg, Gurnigelstrasse 38	8 791	–
Oberwil, Mühlemattstrasse 23	3 070	–
Spreitenbach, Pfadackerstrasse 6/Limmatpark	87 440	–
Vernier, Chemin de l'Etang 72/Patio Plaza	92 280	–
Zurich, Höggerstrasse 40/Röschibachstrasse 22 ¹	29 450	–
Total assets held for sale	254 418	–

¹ These properties were sold in 2015.

In line with active portfolio management, various properties were held as intended for sale. The divestment gains or losses were booked as the net result from investment property sales (see Note 7 «Result from investment property sales»). In light of new strategic options, the Company decided that the following properties will no longer be classified as assets held for sale: Industrie Buchmatt in Burgdorf, Kantonsstrasse 79 in Eyholz, Gurnigelstrasse 38 in Heimberg, Mühlemattstrasse 23 in Oberwil, Limmatpark in Spreitenbach and Patio Plaza in Vernier.

As at 31 December 2015, no properties were reported as assets held for sale due to unfulfilled criteria.

18 INVESTMENT PROPERTIES

CHANGE IN INVESTMENT PROPERTIES

in CHF 1 000	Building land	Commercial properties without significant residential space	Mixed properties	Total investment properties	Properties held for sale	Properties under con- struction/ develop- ment sites	Total
Total as at 01.01.2014	44 107	7 718 302	288 843	8 051 252	37 809	478 250	8 567 311
Purchases	6 164	121 754	–	127 918	–	–	127 918
Follow-up investments	2 452	52 080	535	55 067	522	116 188	171 777
Capitalised borrowing costs	–	–	–	–	–	8 200	8 200
Reclassifications	–	184 904	–36 894	148 010	248 397	–396 407	–
Net transfer of investment properties to owner-occupied properties	–	–17 314	–	–17 314	–	–	–17 314
Disposal by sale	–	–33 330	–4 282	–37 612	–25 759	–	–63 371
Positive fair value adjustment	2 887	179 590	4 937	187 414	1 804	22 239	211 457
Negative fair value adjustment	–2 478	–87 390	–	–89 868	–8 355	–	–98 223
Fair value adjustment	409	92 200	4 937	97 546	–6 551	22 239	113 234
Total as at 31.12.2014	53 132	8 118 596	253 139	8 424 867	254 418	228 470	8 907 755
Purchases	3 481	–	–	3 481	–	32 563	36 044
Follow-up investments	6 013	102 385	444	108 842	681	32 292	141 815
Capitalised borrowing costs	–	1 940	–	1 940	–	1 882	3 822
Reclassifications	3 201	24 280	–	27 481	–198 491	171 010	–
Net transfer of investment properties to owner-occupied properties	–	–29 875	–	–29 875	–	–	–29 875
Disposal by sale	–	–221 836	–15 120	–236 956	–43 836	–111 315	–392 107
Positive fair value adjustment	2 114	249 543	4 017	255 674	782	2 327	258 783
Negative fair value adjustment	–1 651	–105 635	–2 833	–110 119	–13 554	–10 539	–134 212
Fair value adjustment	463	143 908	1 184	145 555	–12 772	–8 212	124 571
Total as at 31.12.2015	66 290	8 139 398	239 647	8 445 335	–	346 690	8 792 025

FURTHER DETAILS ON INVESTMENT PROPERTIES

in CHF 1 000	Building land	Commercial properties without significant residential space	Mixed properties	Total investment properties	Properties held for sale	Properties under construction/development sites	Total
Fire insurance values¹							
On 01.01.2014	3 565	5 597 445	203 469	5 804 479	41 091	634 700	6 480 270
On 01.01.2015	3 547	5 876 118	149 722	6 029 387	233 070	318 033	6 580 490
On 31.12.2015	7 547	5 607 122	131 653	5 746 322	–	555 112	6 301 434
Net rental income²							
01.01.–31.12.2014	523	392 073	12 920	405 516	13 807	282	419 605
01.01.–31.12.2015	501	399 688	15 157	415 346	–	3 852	419 198
Vacancy rate in %							
01.01.–31.12.2014	1.6	6.3	1.2	6.1	18.9	6.9	6.6
01.01.–31.12.2015	1.7	6.2	4.1	6.2	–	42.7	6.7

¹ There were no building insurance values for properties under construction. For building projects, respective builders' liability insurance policies were concluded.

² generated with own investment properties and owner-occupied properties

As at the balance sheet date, there were no properties classified as assets held for sale or trading properties. In the previous year, nine investment properties and two development properties (condominiums) were classified as assets held for sale or trading properties, respectively.

The valuations of properties are determined at least on a semi-annual basis by an external, independent and qualified valuation expert: Wüest & Partner AG, Zurich. The Executive Board, in consultation with the Board of Directors, is responsible for selecting the valuation experts and assigning the mandate for the valuation on an annual basis. The results of the valuations and individual valuation assumptions are verified by the Executive Board and discussed in detail with the respective valuation experts.

The fair values of the designated properties are all categorised as level 3, based on the input factors of the applied valuation technique (see Note 2.3 «Valuations and assumptions»). This is attributable to the fact that the significant input factors for the valuation – such as discount rates or market rents – must be generally derived from information stemming from less active markets.

Valuation techniques and significant, unobservable input factors

The individual valuation of the designated properties is carried out by means of the discounted cash flow method (DCF method), under which the fair value of a property is determined by the total future expected net earnings discounted to the valuation date. The calculation period extends 100 years from the valuation date. A more detailed cash flow forecast is prepared for the first ten years, while approximate annualised assumptions are used for the remainder of the term.

IFRS 13 «Fair value measurement» requires the determination of fair value of real estate based on the highest-and-best-use concept, which corresponds to use of a property that maximises its value. This assumption implies a use that is physically feasible, legally permissible and financially realisable. Since the determination of fair value implies maximised benefits, the highest and best use can deviate from the actual or planned use of a property because of unconformity with strategy. Future capital expenditures that improve or enhance the value of a property are accordingly taken into account in the fair value measurement.

Valuation techniques

Building land

The valuation was determined based on the residual method, valuation of the property at the time of completion according to the DCF method (same calculation as for existing properties) and taking into account outstanding investments as well as development risk.

Commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale and owner-occupied properties

The valuation was determined based on the DCF method, taking into account the underlying cash flows, expected rental income and operating and maintenance costs over the entire projection period.

Commercial properties for which the valuation was based on the highest-and-best-use concept

The valuation was determined based on the DCF method. For five [seven] properties the highest and best use did not correspond to the effective use.

For one property, the valuation was based on potential conversion to condominiums. For the other six properties, the valuations were based on scenarios such as consideration of additional gross floor space for residential or office use, leasing land in land lease, development scenarios (demolition and construction of office buildings), or conversion to retail floor space.

Properties and owner-occupied properties under construction and development sites

The fair value was determined based on the residual method, valuation of the property at the time of completion according to the DCF method (same calculation as for residential and commercial properties) and taking into account outstanding investments as well as development risk. According to the highest-and-best-use concept, conversion into condominiums or continuation/leasing were taken into consideration in the DCF method. In accordance with the applied highest-and-best-use approach, the assumptions used were consistent with the ones described above for commercial properties for which continuation of current use was presumed for the valuation and for commercial properties that were valued according to the highest-and-best-use concept.

APPLICABLE UNOBSERVABLE INPUT FACTORS AS AT 31.12.2015

	in	Building land	Commercial properties (continuation of use) ¹	Commercial properties (highest and best use) ²	Properties/ owner-occupied properties under construction/ development sites
Fair value as at balance sheet date	CHF m	66.290	9 006.797	266.830	346.690
Unobservable input factors:					
Average discount rate	%	4.20	3.64	4.34	4.05
Maximum discount rate	%	5.10	5.10	5.30	4.60
Minimum discount rate	%	3.80	2.70	3.05	3.70
Residential	CHF per m ² p.a.	–	97 to 565	120 to 121	215 to 300
Offices	CHF per m ² p.a.	–	60 to 960	100 to 400	200 to 380
Retail/gastro	CHF per m ² p.a.	–	75 to 8 000	340 to 340	245 to 380
Commercial	CHF per m ² p.a.	–	30 to 450	100 to 280	–
Storage	CHF per m ² p.a.	–	40 to 540	50 to 150	80 to 285
Parking inside	CHF per piece and month	–	47 to 650	100 to 250	140 to 350
Parking outside	CHF per piece and month	–	25 to 320	40 to 120	50 to 120

¹ commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale and owner-occupied properties

² commercial properties for which the valuation was based on highest and best use

APPLICABLE UNOBSERVABLE INPUT FACTORS AS AT 31.12.2014

	in	Building land	Commercial properties (continuation of use) ¹	Commercial properties (highest and best use) ²	Properties/ owner-occupied properties under construction/ development sites
Fair value as at balance sheet date	CHF m	53.132	9 009.929	394.880	281.360
Unobservable input factors:					
Average discount rate	%	4.69	3.91	3.88	4.23
Maximum discount rate	%	5.20	5.30	5.40	4.40
Minimum discount rate	%	4.00	2.90	3.15	4.00
Residential	CHF per m ² p.a.	–	103 to 554	120 to 410	315 to 410
Offices	CHF per m ² p.a.	30	60 to 1 100	100 to 945	325 to 400
Retail/gastro	CHF per m ² p.a.	–	105 to 7 600	110 to 7 500	245 to 380
Storage	CHF per m ² p.a.	–	35 to 290	50 to 280	100 to 150
Parking inside	CHF per piece and month	–	42 to 825	100 to 580	180 to 220
Parking outside	CHF per piece and month	92 to 180	25 to 350	38 to 150	–

¹ commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale and owner-occupied properties

² commercial properties for which the valuation was based on highest and best use

Additional information on valuation assumptions

Rental income

Rental income was incorporated in the valuation based on current rent prices and contractually stipulated conditions (including indexing). For fixed-term rental agreements, the sustainably realisable potential rental income for the period following the fixed term from the current perspective was used. The determination of the market-based potential rent was derived from the most recently concluded rental agreements for the relevant property, or other comparable properties in the immediate vicinity, as well as from real estate market research provided by Wüest & Partner AG. The rent potential for retail properties (retail trade business, restaurants, etc.) was determined based on calculations for realistic revenue figures. For existing rental agreements comprising different uses, the rent potential was determined based on separate, individual uses. Tenants' extension options were then taken into account, when the effective rent fell below the derived market rent. For indefinite-term rental agreements, the adjustment to the determined rent potential was carried out considering general legal conditions for rental properties as well as property-specific fluctuations. Credit risks of the respective tenants were not explicitly taken into account in the valuation since relevant contractual safeguards were concluded, as required. The valuation of current vacant rental properties took into account a market- and property-specific marketing period.

For properties for which conversion into condominiums was an underlying assumption, rental income was applied up until the most immediate time of conversion of the rental property into condominiums. Consideration of such rental income was subject to the acknowledgement of the terms stipulated in the rental agreements, particularly the earliest termination of agreement, extension options as well as general legal conditions and practices. In this regard, assumptions regarding termination deadlines were based on current applicable laws governing rental property.

Operating and maintenance costs

The process of determining operating and maintenance costs took into account past experience, authorised budgets and benchmark values from a data pool provided by Wüest & Partner AG. For properties for which conversion into condominiums has been presumed, costs were applied only up until the estimated point in time of sale of the last condominium.

Repair costs, construction expenses for conversion to condominiums

Repair costs for preserving the value of the properties as well as long-term costs were determined with the support of construction cost analysis tools, taking into account the investment plans prepared by Swiss Prime Site. The aforementioned tools were used to derive the future investment needs,

considering the age of the property, new construction costs and the current condition of individual property components. Repair costs were incorporated in the valuation at 100% in the first ten years, taking into account any potential rental price hikes in the earnings forecast. Starting from the 11th year, repair costs of up to 50% to 70% are allowed (value-preserving components only) without including possible rent increases.

The requisite construction expenses for transforming properties presumed as designated for conversion into condominiums are modelled and estimated by means of construction and renovation cost benchmarks provided by Wüest & Partner AG.

Discounting

The applied discounting was based on ongoing monitoring of the real estate market and was derived and verified on the basis of real interest rates – comprising the risk-free interest rate (long-term government bonds) plus general real estate risks plus property-specific premiums – and determined on a risk-adjusted basis per property. The selected discounting factors were empirically evaluated and verified by means of known changes in ownership and transactions.

For properties for which conversion into condominiums has been presumed, the applied discount rate corresponded to a weighted average cost of capital (WACC), with an interest rate in line with a short-term bank financing rate as well as adequate return on equity. For continuing long-term rental contracts, a mixed value was applied that is derived from the current WACC and the conventional discount rate of an investment property, up until the point in time of possible conversion and sale as condominium.

Sensitivity of fair value measurement to changes in unobservable input factors

An increase in the discount rate reduces fair value, whereas a rise in the market rent price and/or sales proceeds increases fair value. There are correlations between these input factors since they are to some extent dependent on market data. For properties under construction and development sites, the outstanding investments and time to completion of construction reduce fair value, whereas the incurrence of these costs over the period up until completion increases fair value.

In the following analysis, the existing properties (excluding building land, projects and development sites) were taken into account at the current fair value as at the balance sheet date of CHF 9 273.600 million (fair value of overall portfolio CHF 9 686.607 million).

In relation to potential changes in the market environment, sensitivity to discount rates is significant. Fair value changes due to the changes in discount rates were as follows (discount rate derived for overall portfolio, approximate calculation):

AVERAGE DISCOUNT RATE

	Change in fair value in %	Change in fair value in CHF 1 000	Fair value in CHF 1 000
3.36%	7.8%	723 300	9 996 900
3.46%	5.1%	473 000	9 746 600
3.56%	2.5%	231 800	9 505 400
3.66% (valuation as at 31.12.2015)	–	–	9 273 600
3.76%	–2.4%	–222 600	9 051 000
3.86%	–4.7%	–435 900	8 837 700
3.96%	–6.9%	–639 900	8 633 700
4.06%	–9.0%	–834 600	8 439 000
4.16%	–11.0%	–1 020 100	8 253 500
4.26%	–12.9%	–1 196 300	8 077 300

An increase in the discount rate (expected return) over the entire portfolio of more than 50 basis points within a short period seems very improbable. In this regard, real estate returns trend much more sluggishly than nominal interest rates on bonds or mortgages. Vice versa, in the current environment marked by still moderate returns on real estate in Switzerland, a discount rate that is more than 30 basis points lower over the entire portfolio also seems improbable.

The impact of changes in market rent prices on fair value is also significant. However, substantial changes in rental income over the entire portfolio (with a varying diversity of uses and tenants) in accumulated form and within a shorter period are less probable, whereas more significant effects on the portfolio would occur with a prolonged time lag. A linear correlation between rental income and fair value can be approximately assumed, whereby the rental income forecast in the valuation comprises several components, such as current contractually guaranteed rents and market rental estimates after the present contracts have expired. If just one of these components changes (for example, fair value declines by 3.7% given a reduction of market rent potential of 4.0%), the impact on fair value is diminished.

CHANGE IN MARKET RENTAL POTENTIAL

	Change in fair value in %	Change in fair value in CHF 1 000	Fair value in CHF 1 000
6.0%	5.5%	510 000	9 783 600
4.0%	3.7%	343 100	9 616 700
2.0%	1.8%	166 900	9 440 500
0.0% (valuation as at 31.12.2015)	–	–	9 273 600
–2.0%	–1.8%	–166 900	9 106 700
–4.0%	–3.7%	–343 100	8 930 500
–6.0%	–5.5%	–510 000	8 763 600
–8.0%	–7.4%	–686 200	8 587 400
–10.0%	–9.2%	–853 200	8 420 400

The sensitivity of fair value to changes in recurring real estate costs for operation and proper maintenance is considerably lower than in the case of the aforementioned factors. However, the impact of modified costs for renovations and restructuring or construction costs for projects can have substantial effects on the fair value of the relevant real estate. Since this concerns only a limited number of affected properties over the entire portfolio, the sensitivity is relativised in this regard.

The introduction of negative interest rates accentuated the investment crisis, while real estate investments have gained significance. Amid such an environment of negative interest rates, institutional investors in particular are willing to pay high prices for properties situated in prime locations with corresponding low expectations for returns. This can lead to sales prices for individual properties that noticeably deviate from the fair value assessment.

CURRENT DEVELOPMENT AND NEW BUILDING PROJECTS

Berne, Viktoriastrasse 21 (Schönburg)

Project description	The office property comprising total usable floor space of more than 30 000 square metres was constructed as the Swiss Post headquarters in 1970 by Theo Hotz following a project contest. The effective layout plan is oriented toward the current condition. Swiss Prime Site was able to acquire the Schönburg property in 2014 and (following Swiss Post's departure) decided to preserve the structure and create a high-quality residential and hotel complex – possibly with a proportion of condominiums – based on extensive variant studies. The property should house a three-star business hotel, in addition to around 150 first-class apartments spread across the eight upper floors. The building structure will be preserved, including the enormous subterranean level, while four additional emergency staircases will be installed. Façades, the entire building technology and interior will be replaced. Clean-up of hazardous substances from the façade demolition work will extend the construction period by several months. Construction costs (excluding hotel interior) are estimated at CHF 130 million.
Project status	By means of feasibility studies for various options, the preliminary project for the residential and hotel modification process was completed as at end-2015. The building application should be submitted at end-May 2016. Thereafter, preparations for the total contractor submission will be initiated. The construction start-up date is planned for the beginning of 2017.
Occupancy rate ¹	No leasing; search for hotel operator and grocery store business is underway
Completion	Ready for occupancy in spring to summer 2019

Schlieren, Zürcherstrasse 39 (NZZ printing facility)

Project description	The former NZZ printing facility was acquired from NZZ Media Group in December 2015, and the property is to be converted into an innovative educational centre. Infrastructure for training and further education as well as research and development, in addition to co-working spaces and facilities for community activities, sports and culture are all envisaged for the centre. At the same time, the building structure should be largely maintained, providing future users with a fascinating spatial experience with its rooms featuring up to 18-metre-high ceilings. The development of an innovative platform for education as well as the exchange of knowledge and information will address the growing demand for training and further education. Furthermore, the supplemental utilisation through innovative forms of work, sports and wellness concurrently will actively interface with numerous trends, combining these into attractive, new offerings. The property's location as well as position and structure are ideally suitable for such a purpose.
Project status	Building on the underlying utilisation concept of the acquisition, the development process will kick off in 2016, with the objective of fine-tuning the vision by year-end, specifying the offering and building up an autonomous brand. The planning and execution of the requisite structural measures will be concluded as at end-2018. Potential interim utilisation concepts as well as ideas for step-by-step preparations and leasing of partial floor space are flowing into the development process on a continuous basis.
Occupancy rate ¹	The printing facility is currently still being utilised by NZZ. Potential tenants have been contacted regarding restructuring of the property.
Completion	2018

Zurich, Brandschenkestrasse 25 (Motel One)

Project description	The office property located at Brandschenkestrasse 25 is being modified as a roughly 400-room hotel. The investment volume amounts to around CHF 65 million to convert the courtyard-rimmed complex into a hotel. Modification of the four buildings situated on a total area of 3 900 square metres will be carried out under strict compliance with their diverse and, to some extent, landmark-protected architecture. The excellent urban location near the Bahnhofstrasse as well as the property's floor space offering are superbly appropriate for a hotel according to the operating and design concept of Motel One Group.
Project status	The execution order was issued to the total contractor at the beginning of 2015. The green light for construction was issued in September 2015. The modification activities are proceeding according to plan. The hotel plans to open its doors in the summer of 2017.
Occupancy rate ¹	The entire building is leased to Motel One Group as at summer 2017.
Completion	Summer 2017

Zurich, Flurstrasse 55/Flurpark (Media Park)

Project description	The building was constructed in 1979 and comprises six upper floors, a ground floor and four subterranean levels. Following the departure of the single tenant UBS at end-2012, which had used the building as an IT centre, the property is undergoing total renovation and being equipped with state-of-the-art technology. Subsequent to the renovation – with new office/services as well as warehouse floor space of 16 700 and 7 700 square metres, respectively – the layout will be based on a multi-tenant concept. Utilisation will be expanded with retail, restaurant and commercial space on the ground floor. The subterranean levels are expected to contain 456 parking places. The property will be visibly repositioned too, with a new façade and designated Minergie certification, in order to ensure sustainable occupancy rates in the future.
Project status	The execution order was issued to the total contractor in September 2013. The green light for construction was issued in December 2013. The modification activities are proceeding according to plan. The building will be ready for occupancy as at 15 January 2016.
Occupancy rate ¹	An agreement has been concluded with the newly established company Ringier Axel Springer Switzerland AG, covering 10 000 square metres (of which 9 000 square metres office space), with an additional option for 2 500 square metres of office space.
Completion	2016

¹ occupancy rate and sales status as at 31.12.2015

19 OWNER-OCCUPIED PROPERTIES AND OWNER-OCCUPIED PROPERTIES UNDER CONSTRUCTION

CHANGE IN OWNER-OCCUPIED PROPERTIES

in CHF 1 000	31.12.2014	31.12.2015
Owner-occupied properties as at 01.01.	732 032	778 656
Follow-up investments	2 230	2 560
Additions from acquisitions	–	20 181
Disposals	–	–2 800
Transferred depreciation	–11 850	–12 127
Positive fair value adjustment	38 942	35 370
Negative fair value adjustment	–12	–263
Reclassifications into/from investment properties and owner-occupied properties under construction, net	17 314	73 005
Owner-occupied properties as at 31.12.	778 656	894 582

SUMMARY OF TRANSFERRED DEPRECIATION AND IMPAIRMENT

in CHF 1 000	31.12.2014	31.12.2015
Cumulative depreciation and impairment as at 01.01.	–	–
Depreciation	11 849	12 127
Impairment	1	189
Transferred depreciation and impairment	–11 850	–12 316
Cumulative depreciation and impairment as at 31.12.	–	–

UTILISATION OF OWNER-OCCUPIED PROPERTIES

	31.12.2014	31.12.2015
Berlingen, Seestrasse 110	completely	completely
Berlingen, Seestrasse 83, 88, 101, 154	completely	completely
Frauenfeld, St. Gallerstrasse 30–30c	completely	completely
Lucerne, Kreuzbuchstrasse 33/35	completely	completely
Meilen, Seestrasse 545	completely	completely
Olten, Frohburgstrasse 1	partly	partly
Opfikon, Müllackerstrasse 2, 4/Bubenholz	n/a	completely
Ostermundigen, Mitteldorfstrasse 16	completely	completely
Pfäffikon/SZ, Huobstrasse 5	completely	completely
Stadel b. Niederglatt, Buechenstrasse 80	n/a	completely
Thun, Göttibachweg 2–2a, 4, 6, 8	completely	completely
Wabern, Nesslerenweg 30	completely	completely
Wattwil, Ebnaterstrasse 45	n/a	completely
Zurich, Carl Spitteler-Strasse 68/70	completely	completely
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	completely	completely
Zurich, Kappenhühlweg 9, 11/Holbrigstrasse 10/Regensdorferstrasse 18a	completely	completely
Zurich, Restelbergstrasse 108	completely	completely
Zurich, Seidengasse 1/Jelmoli – The House of Brands	partly	partly

Fair values of the owner-occupied properties were all classified as hierarchy level 3, based on the input factors of the applied valuation technique (see Note 2.3 «Valuations and assumptions»). Further information on fair value measurement is provided in Note 18 «Investment properties». The relevant dates of the revaluation were 30 June and 31 December.

Reclassification of investment properties into owner-occupied properties and vice-versa is implemented on a semi-annual basis by means of using the current rent tables. If the owner-occupied properties had been valued according to the historical cost model, the book value would have been CHF 790.135 million [CHF 718.652 million] as at the balance sheet date. Transferred depreciation was based on the cumulative depreciation as at the revaluation date, which was eliminated against the gross book value of the revalued owner-occupied properties.

Owner-occupied properties were valued according to the discounted cash flow (DCF) method by the independent valuation expert Wüest & Partner AG, Zurich, based on regular (semi-annual) fair value appraisals. The applied real discount rate hovered in range between 3.1% to 5.0% [3.2% to 5.0%] on the balance sheet date. These valuations were based on market prices of recently executed transactions.

Fire insurance values of owner-occupied properties amounted to CHF 580.735 million [CHF 510.719 million]. Rental income from owner-occupied properties totalled CHF 40.958 million [CHF 41.889 million].

OWNER-OCCUPIED PROPERTIES UNDER CONSTRUCTION

in CHF 1 000	31.12.2014	31.12.2015
Owner-occupied properties under construction as at 01.01.	12 360	52 890
Additions	43 246	12 690
Capitalised borrowing costs	513	693
Disposals	–	–29 178
Positive fair value adjustment	42	6 035
Negative fair value adjustment	–3 271	–
Reclassifications into owner-occupied properties, net	–	–43 130
Owner-occupied properties under construction as at 31.12.	52 890	–

SUMMARY OF TRANSFERRED DEPRECIATION AND IMPAIRMENT

in CHF 1 000	31.12.2014	31.12.2015
Cumulative depreciation and impairment as at 01.01.	–	–
Reversal of impairment	–	–3 300
Impairment	3 271	–
Transferred depreciation and impairment	–3 271	3 300
Cumulative depreciation and impairment as at 31.12.	–	–

The owner-occupied property under construction at Via San Gottardo 99–99b in Bellinzona was sold to the Swiss Prime Investment Foundation in the reporting year. The Bubenholz property located at Mül-lackerstrasse 2, 4 in Opfikon was completed in the first half-year 2015 and recognised on the balance sheet as owner-occupied properties.

If these particular owner-occupied properties under construction were valued according to the historical cost model, the book value would have been CHF 56.109 million as at 31 December 2014.

The fire insurance value of these properties amounted to CHF 56.109 million as at 31 December 2014.

20 TANGIBLE ASSETS

in CHF 1 000	Equipment	Furniture/ tenants' improvements	31.12.2015 Total
Cost as at 01.01.2015	6 691	92 840	99 531
Additions	3 485	10 630	14 115
Additions from acquisitions	2 092	11 842	13 934
Disposals	–	–1 563	–1 563
Cost as at 31.12.2015	12 268	113 749	126 017
Cumulative depreciation and impairment as at 01.01.2015	647	47 408	48 055
Depreciation	744	14 182	14 926
Disposals	–	–1 554	–1 554
Cumulative depreciation and impairment as at 31.12.2015	1 391	60 036	61 427
Total tangible assets as at 31.12.2015	10 877	53 713	64 590

in CHF 1 000	Equipment	Furniture/ tenants' improvements	31.12.2014 Total
Cost as at 01.01.2014	3 862	87 257	91 119
Additions	2 829	8 007	10 836
Disposals	–	– 16	– 16
Reduction due to sale of Permed AG	–	– 2 408	– 2 408
Cost as at 31.12.2014	6 691	92 840	99 531
Cumulative depreciation and impairment as at 01.01.2014	89	37 154	37 243
Depreciation	558	12 436	12 994
Disposals	–	– 9	– 9
Reduction due to sale of Permed AG	–	– 2 173	– 2 173
Cumulative depreciation and impairment as at 31.12.2014	647	47 408	48 055
Total tangible assets as at 31.12.2014	6 044	45 432	51 476

21 GOODWILL AND INTANGIBLE ASSETS

in CHF 1 000	Goodwill	Software	Customer base	Brand names	31.12.2015 Total
Cost as at 01.01.2015	166 311	12 959	29 630	51 906	260 806
Additions	–	5 324	–	–	5 324
Additions from acquisitions	203 209	–	863	1 267	205 339
Disposals	–	– 179	–	–	– 179
Cost as at 31.12.2015	369 520	18 104	30 493	53 173	471 290
Cumulative amortisation and impairment as at 01.01.2015	–	8 000	8 403	–	16 403
Amortisation	–	1 643	3 347	32	5 022
Disposals	–	– 179	–	–	– 179
Cumulative amortisation and impairment as at 31.12.2015	–	9 464	11 750	32	21 246
Total goodwill and intangible assets as at 31.12.2015	369 520	8 640	18 743	53 141	450 044

in CHF 1 000	Goodwill	Software	Customer base	Brand names	31.12.2014 Total
Cost as at 01.01.2014	167 775	9 035	29 630	53 397	259 837
Additions	–	3 924	–	–	3 924
Reduction due to sale of Permed AG	– 1 464	–	–	– 1 491	– 2 955
Cost as at 31.12.2014	166 311	12 959	29 630	51 906	260 806
Cumulative amortisation and impairment as at 01.01.2014	–	4 349	5 077	–	9 426
Amortisation	–	3 651	3 326	–	6 977
Cumulative amortisation and impairment as at 31.12.2014	–	8 000	8 403	–	16 403
Total goodwill and intangible assets as at 31.12.2014	166 311	4 959	21 227	51 906	244 403

Impairment test for cash-generating units including goodwill and brand names

To perform the impairment test, goodwill and brand names are attributed to the cash-generating units of Swiss Prime Site that correspond to the operating segments.

GOODWILL

in CHF 1'000	31.12.2014	31.12.2015
Real Estate segment	87 368	87 368
Retail segment	35 930	35 930
Assisted Living segment	43 013	246 222
Total goodwill	166 311	369 520

The Real Estate, Retail and Assisted Living segments each constitute an operating segment. The amount to be realised by the cash-generating units was based on value in use.

Value in use was based on the following underlying key assumptions:

- > Taking into consideration past experience, cash flows were based on a business plan for the forthcoming four years. A constant growth rate of 1.0% [1.0%] was used for cash flows of the detailed horizon of the subsequent periods for the Real Estate segment, while a relevant rate of 2.0% [1.5%] was used for the Retail segment and 1.5% [1.5%] for the Assisted Living segment.
- > A pre-tax discount rate of 6.7% [9.8%] was applied for the goodwill and brand names in the Real Estate segment, while the relevant rates applied to the goodwill and brand names in the Retail segment as well as Assisted Living segment were 7.4% [9.3%] and 7.0% [6.4%], respectively.

In the opinion of the Executive Board, no realistically expected, possible changes in the designated key assumptions could lead to a situation in which the book value of goodwill would exceed the relevant realisable amount as at the balance sheet date. The impairment tests were carried out in the fourth quarter of 2015.

The increase in goodwill is attributable to the acquisitions of SENIOcare Group, WGDM Papillon AG and Sternmatt Pflegewohngruppen.

BRAND NAMES

in CHF 1'000	31.12.2014	31.12.2015
Real Estate segment	4 395	4 395
Retail segment	22 797	22 797
Assisted Living segment	24 714	25 949
Total brand names	51 906	53 141

The useful life of the brand names acquired in connection with the acquisition of Jelmoli Group (Jelmoli including The House of Brands) (Retail segment), Wincasa AG (Real Estate segment) and Tertianum AG (Assisted Living segment) were regarded as indefinite. The useful life of the brand names of SENIOcare Group (Assisted Living segment) acquired in the reporting period amounts to ten years.

Based on the impairment tests, there was no need for any impairment as at end-2015.

22 CURRENT LIABILITIES

Accounts payable comprised mainly liabilities from ancillary cost accounts, property expense and commercial invoices, as well as liabilities from the Assisted Living segment.

The breakdown of accrued expenses and deferred income was as follows:

in CHF 1 000	31.12.2014	31.12.2015
Renovation and project costs	58 200	52 350
Cost of goods sold	15 570	16 426
Other operating expenses	28 130	27 932
Total accrued expenses and deferred income	101 900	96 708

23 FINANCIAL LIABILITIES

in CHF 1 000	31.12.2014	31.12.2015
Mortgage-backed loans	486 500	382 000
Convertible bonds	227 800	189 589
Other loans	–	516
Total current financial liabilities	714 300	572 105
Mortgage-backed loans	3 120 824	2 737 525
Convertible bonds	188 821	–
Bonds	939 784	940 672
Non-current loans	2 093	11 291
Total non-current financial liabilities	4 251 522	3 689 488
Other non-current financial liabilities	9 484	6 871
Total financial liabilities	4 975 306	4 268 464

The convertible bond of CHF 189.589 million reported in current financial liabilities in the reporting year will be redeemed on 21 June 2016 [CHF 227.800 million was redeemed on 20 January 2015].

Non-current financial liabilities of CHF 3 689.488 million [CHF 4 251.522 million] were recognised in the balance sheet at amortised cost, which generally corresponded to the nominal value. There were no extraordinary debt covenants for loans secured by real estate or for bonds. The contractual limits were complied with by the Company and are continually monitored.

To secure the financial liabilities, various credit line agreements were concluded under market conditions (at arm's length), both with third-party banks and with related banks. Within the scope of the general credit lines, the maximum credit available is determined and adjusted by the banks on the basis of the valuation of the land mortgage rights transferred to them as security. Increasing credit lines or individual loans, redemption of existing loans and refinancing are carried out continuously on the basis of the liquidity plan.

As at the balance sheet date, the loan-to-value ratio of the real estate portfolio amounted to 44.0% [50.7%].

BONDS

	in	CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 100 m 2024
Issuing volume, nominal	CHF m	115.000	200.000	230.000	300.000	100.000
Book value as at 31.12.2015	CHF m	114.746	199.032	229.359	298.280	99.255
Book value as at 31.12.2014	CHF m	114.645	198.787	229.226	297.954	99.172
Interest rate	%	1.125	1.0	2.0	1.75	2.0
Term to maturity	years	5	5	7	7	10
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)
Fair value as at 31.12.2015 (level 1)	CHF m	118.450	204.900	243.455	315.000	106.050
Fair value as at 31.12.2014 (level 1)	CHF m	116.783	203.700	242.420	309.600	102.750

The bonds are redeemed at their nominal value.

CONVERTIBLE BONDS

	in	CHF 300 m 2015	CHF 190.35 m 2016
Issuing volume, nominal	CHF m	300.000	190.350
Nominal value as at 31.12.2015	CHF m	0.000	190.350
Book value as at 31.12.2015	CHF m	0.000	189.589
Book value as at 31.12.2014	CHF m	227.800	188.821
Conversion price	CHF	70.97	81.89
Interest rate	%	1.875	1.875
Term to maturity	years	5	5
Maturity	date	20.01.2015	21.06.2016
Securities number		10 877 415 (SPS10)	13 119 623 (SPS11)
Fair value as at 31.12.2015 (level 1)	CHF m	0.000	192.806
Fair value as at 31.12.2014 (level 1)	CHF m	230.953	194.538

In 2015, conversions took place with a volume amounting to nominal CHF 203.035 million [CHF 22.535 million]. The conversions resulted in an increase in share capital of CHF 43.770 million [CHF 4.858 million] or 2 860 803 [317 521] registered shares, and addition to capital reserves of CHF 155.976 million [CHF 17.298 million]. The remaining amount of this CHF 300 million convertible bond of CHF 26.085 million was redeemed on 20 January 2015.

No conversions have taken place to date for the CHF 190.350 million convertible bond. Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time. The newly issued shares are secured by conditional capital.

The equity component resulting from the convertible bond was recognised directly in shareholders' equity. The other embedded options of the convertible bond – i.e. premature redemption option under certain preconditions (clean-up call and issuer call) – as well as the put option granted under certain preconditions (delisting of shares put) are contained within the borrowed capital component and are not recognised separately.

More information regarding non-current financial liabilities can be found in Note 34 «Financial instruments and financial risk management».

CONVERSION PRICE AND NUMBER OF POSSIBLE SHARES GIVEN 100% CONVERSION

Convertible bonds	31.12.2014 Conversion price in CHF	31.12.2014 Number of possible shares	31.12.2015 Conversion price in CHF	31.12.2015 Number of possible shares
1.875%-convertible bond 20.01.2010–20.01.2015, (issuing volume CHF 300.000 million)	70.97	3 228 406	n/a	n/a
1.875%-convertible bond 21.06.2011–21.06.2016, CHF 190.350 million	82.89	2 296 417	81.89	2 324 460
Total number of possible shares		5 524 823		2 324 460

24 DEFERRED TAX LIABILITIES

in CHF 1 000	31.12.2014	31.12.2015
Deferred tax liabilities as at 01.01.	891 872	963 412
Increase due to acquisition of a majority shareholding	247	–
Reduction due to sale of Permed AG	– 245	–
Increase through depreciation/revaluation, net, recognised in income statement	69 051	83 131
Increase through depreciation/revaluation, net, recognised in other comprehensive income	11 499	8 764
Decrease through property disposals	– 3 886	– 24 236
Provisions and other liabilities	– 3 950	2 362
Tax rate changes and reductions from duration of ownership deductions	– 1 176	2 512
Deferred tax liabilities as at 31.12.	963 412	1 035 945

Deferred tax liabilities resulted from differences in valuation between statutory reporting of financial results and reporting according to IFRS standards. They resulted particularly from revaluations and statutory depreciation of investment properties and owner-occupied properties. Conversely, deferred tax liabilities decreased upon disposals of the properties.

The calculation of deferred taxes on real estate assets was based on the assumption of a holding period of a minimum of 20 years. Given a holding period of 15 years, the relevant deferred tax liabilities on future property gains would have been roughly 2% higher. Given a reduction of the holding period to ten years, deferred tax liabilities would have been around 3% higher.

Information about the status and changes in revaluations can be found in Note 18 «Investment properties» and Note 19 «Owner-occupied properties and owner-occupied properties under construction». Note 12 «Income taxes» explains the calculation of the deferred taxes.

25 PENSION PLANS

Information relating to Swiss Prime Site's defined benefit pension plans

Swiss Prime Site maintains occupational pension plans for its employees to safeguard against the economic consequences of old age, disability and death, within the scope of various pension schemes (e.g. pension funds and collective foundations, set up primarily through a life insurance company) that are legally and financially independent of the employer. The pension plan assets are totally separated from the employer's assets as well as from insured employees' assets. The Swiss Federal Law on Occupational Old-age, Survivors' and Disability Insurance (BVG) and its regulatory statutes as well as Swiss Federal Law on Vesting in Pension Plans stipulate minimum benefits in the area of obligatory insurance and, to some extent, also the area of over-obligatory insurance. The respective benefit plans of the individual group companies are defined in the regulations of their pension fund or collective foundations and in the affiliation agreement as well as in the affiliation's pension plan. Swiss Prime Site maintained four [four] autonomous pension fund solutions, four [two] pension schemes in fully insured collective foundations and three [two] pension schemes in partly-autonomous collective foundations as at the balance sheet date.

The board of trustees of a pension scheme is the predominant governing body, comprising on equal terms the same number of employer and employee representatives. The board of trustees makes decisions regarding the contents of the pension regulations (particularly the insured benefits), financing of the pension scheme (e.g. employer and employee contributions) and asset management (e.g. investment of pension funds, assignment of asset management activities to an external party, reinsurance of regulatory obligations by a life insurance firm). Insofar as a group company is affiliated with a collective foundation, a respective administrative committee, in addition to the board of trustees of the collective foundation, is directly responsible for the pension scheme of the affiliated group company. In addition, these entities are set up on equal terms and make the relevant decisions for the pension scheme. The pension scheme is entered in the Occupational Old-age, Survivors' and Disability Insurance register and subject to supervision by a cantonal regulatory authority, or directly by the Swiss Federal Social Insurance Office (FSIO), depending on its geographic scope of activity.

The occupational pension plan functions according to the fully funded principle. In this context, an individual retirement fund is accumulated in the course of a working life, taking into account the insured party's annual salary and annual retirement credits plus interest. The interest rate on individual retirement funds ranged from 1.50% to 1.75% [1.50% to 2.25%]. The life-long pension is derived from the individual retirement funds available at the time of retirement multiplied by the current effective pension conversion rate of 4.88% to 6.80% [5.48% to 6.80%]. The employee has the option of drawing the pension benefits as a partial or full payment of capital. In addition to the pension benefits, the pension plan entitlements also comprise survivors' and disability pensions, calculated as a percentage of the insured annual salary. Upon an employee's exit from a group company, the individual retirement funds are transferred to the pension scheme of the new employer or a vested benefits account.

To finance the benefits, savings and risk contributions are collected from employee and employer as a percentage of the insured salary according to the respective pension regulations and/or premium accounts of the collective foundation. In this regard, the employer is responsible for a minimum of 50% of the financing.

Depending on the organisational structure of the pension institution, the employer can be exposed to various risks resulting from the occupational pension plan.

The autonomous pension schemes harbour risks from the savings process as well as from the asset management and directly bear the demographic risks (longevity, death, disability). The respective pension scheme can change its financing system at any time (e.g. contributions and future benefits). The pension scheme may require recapitalisation contributions from the employer for the duration of underfunding according to Swiss law (BVG), insofar as other measures do not achieve the objective.

The semi-autonomous pension schemes safeguard against the demographic risks through a life insurance company, but directly carry out the savings process and the asset management. The respective pension scheme can change its financing system at any time (e.g. contributions and future benefits). The pension scheme may require recapitalisation contributions from the employer for the duration of underfunding according to Swiss law (BVG), insofar as other measures do not achieve the objective. Regarding the insured demographic risks, additional risks also loom that the insurance coverage is only temporary in nature (e.g. cancellation by the life insurance firm), and that the inherent risks of the plan may lead to variable insurance premiums over time.

The fully insured pension schemes safeguard against any investment and demographic risks through a life insurance company. Consequently, the pension plan's funding ratio amounts to 100% at all times, according to Swiss law (BVG). However, additional risks also loom that the insurance coverage is only temporary in nature (e.g. cancellation by the life insurance firm), and that the inherent risks of the plan may lead to variable insurance premiums over time.

Furthermore, the respective collective foundation may cancel the affiliation agreement with the relevant group company subject to compliance with a notice of termination, compelling it to seek affiliation with another pension scheme. This could result in the transfer of an underfunding and/or longevity risks (current pensions) depending on the terms of the affiliation agreement and the current partial liquidation regulations.

Actuarial assumptions

The following assumptions were applied to the valuation of the occupational benefit plans (presented as weighted averages):

ASSUMPTIONS

	in	31.12.2014	31.12.2015
Discount rate	%	1.2	1.0
Future salary increases	% p.a.	1.0	1.0
Future pension increases	% p.a.	0.0	0.0
Percentage of retirement benefits as pension upon retirement	%	20.0	20.0
Assumption to longevity of active insured persons with age of 45	years	39.2	41.6
Assumption to longevity of retirees with age of 65	years	21.4	21.5
Weighted average duration of defined benefit obligations	years	14.5	15.0

Reconciliation of defined benefit obligations and plan assets

DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Present value of defined benefit obligations as at 01.01.	568 703	648 250
Interest expense on defined benefit obligations	13 046	8 021
Current service cost (employer)	17 538	24 072
Contributions by plan participants	10 985	12 579
Benefits paid	– 24 774	– 23 602
Past service cost	– 88	– 5 580
Effect of business combinations and disposals ¹	– 4 274	71 289
Administration cost (excluding cost for managing plan assets)	283	333
Actuarial gain (–)/loss (+) on benefit obligations	66 831	14 300
Total present value of defined benefit obligations as at 31.12.	648 250	749 662

¹ 2015 acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015. Transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015
2014 sale of Permed AG as at 17.03.2014

The present value of defined benefit obligations for active insured persons amounted to CHF 445.354 million [CHF 342.983 million] and for retirees to CHF 304.308 million [CHF 305.267 million].

PLAN ASSETS

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Fair value of plan assets as at 01.01.	557 178	588 481
Interest income on plan assets	12 773	7 223
Contributions by the employer	15 765	17 523
Contributions by plan participants	10 985	12 579
Benefits paid	– 24 774	– 23 602
Effect of business combinations and disposals ¹	– 3 587	50 423
Return on plan assets excluding interest income	20 141	– 644
Total fair value of plan assets as at 31.12.	588 481	651 983

¹ 2015 acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015. Transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015
2014 sale of Permed AG as at 17.03.2014

Swiss Prime Site is expected to contribute CHF 19.580 million [CHF 15.900 million] to the defined benefit plans in the financial year 2016.

NET DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	31.12.2014	31.12.2015
Present value of defined benefit obligations	648 250	749 662
Fair value of plan assets	-588 481	-651 983
Underfund as at 31.12.	59 769	97 679
Adjustment due to asset ceiling	14 320	8 904
Net defined benefit obligations	74 089	106 583

Net defined benefit obligations of CHF 106.583 million [CHF 74.089 million] were split into CHF 8.963 million [CHF 8.067 million] in assets and CHF 115.546 million [CHF 82.156 million] in obligations. The assets or available economic benefits were derived in the form of reduced future contribution payments.

RECONCILIATION OF EFFECT OF ASSET CEILING

in CHF 1 000	31.12.2014	31.12.2015
Asset ceiling as at 01.01.	-23 638	-14 320
Interest expense on effect of asset ceiling	-544	-172
Change in effect of asset ceiling excluding interest expense	9 862	5 588
Total asset ceiling as at 31.12.	-14 320	-8 904

DEFINED BENEFIT COST

in CHF 1 000	01.01.- 31.12.2014	01.01.- 31.12.2015
Current service cost (employer)	-17 538	-24 072
Past service cost	88	5 580
Interest expense on defined benefit obligations	-13 046	-8 021
Interest income on plan assets	12 773	7 223
Interest expense on effect of asset ceiling	-544	-172
Administration cost (excluding cost for managing plan assets)	-283	-333
Defined benefit cost	-18 550	-19 795

Changes to the pension plan

In the reporting year, the conversion rates were reduced in the SPS and Jelmoli pension fund as well as the SPS and Jelmoli welfare foundation. At the same time, support measures were implemented via a one-time deposit in the retirement funds. The over-obligatory conversion rates were reduced for Perlavita Rosenau AG. In addition, a pension plan disposal resulted from the transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 1 July 2015.

REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Actuarial gain (+)/loss(–) on defined benefit obligations	–66 831	–14 300
Return on plan assets excluding interest income	20 141	–644
Change in effect of asset ceiling excluding interest expense	9 862	5 588
Remeasurement of net defined benefit obligations recognised in other comprehensive income	–36 828	–9 356

ACTUARIAL GAIN/LOSS ON DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	31.12.2014	31.12.2015
Actuarial gain (+)/loss (–) arising from changes in financial assumptions	–84 441	–9 722
Actuarial gain (+)/loss (–) arising from experience adjustments	3 150	–4 578
Actuarial gain (+)/loss (–) arising from changes in demographic assumptions	14 460	–
Total actuarial gain (+)/loss (–) on defined benefit obligations	–66 831	–14 300

RECONCILIATION OF NET DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	31.12.2014	31.12.2015
Net defined benefit obligations as at 01.01.	35 163	74 089
Defined benefit cost recognised in the consolidated income statement	18 550	19 795
Remeasurement of net defined benefit obligations recognised in other comprehensive income (OCI)	36 828	9 356
Contributions by the employer	–15 765	–17 523
Effect of business combinations and disposals ¹	–687	20 866
Total net defined benefit obligations as at 31.12.	74 089	106 583

¹ 2015 acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015. Transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015
2014 sale of Permed AG as at 17.03.2014

PLAN ASSET CLASSES

Asset classes, in CHF 1 000	31.12.2014	31.12.2015
Cash and cash equivalents with quoted market price	31 873	13 830
Cash and cash equivalents without quoted market price	10 791	10 679
Equity instruments with quoted market price	183 947	208 149
Debt instruments (e.g. bonds) with quoted market price	168 738	162 639
Real estate with quoted market price	85 558	129 327
Real estate without quoted market price	53 554	56 884
Investment funds with quoted market price	368	299
Others with quoted market price	45 950	62 181
Others without quoted market price	7 702	7 995
Total plan assets at fair value	588 481	651 983

Sensitivity analysis

Sensitivity analyses were compiled for the key assumptions – while constantly maintaining the other assumptions – used to calculate defined benefit obligations, based on changes that were reasonably possible at the balance sheet date.

The discount rate as well as assumptions for future trends in salaries and future growth in pensions were increased and decreased, respectively, by fixed percentage points. Sensitivity to mortality rates was calculated through decreasing and/or increasing the mortality rate with a lump-sum factor, resulting in a roughly one-year increase or decrease, respectively, in the life expectancy of most of the age categories.

in CHF 1 000	31.12.2014	31.12.2015
Value of defined benefit obligations as at 31.12.	648 250	749 662
Defined benefit obligations as at 31.12. with discount rate – 0.25%	672 648	778 869
Defined benefit obligations as at 31.12. with discount rate + 0.25%	625 456	722 425
Defined benefit obligations as at 31.12. with life expectancy + 1 year	671 322	775 366
Defined benefit obligations as at 31.12. with life expectancy – 1 year	624 722	723 510
Defined benefit obligations as at 31.12. with pension increase + 0.25%	666 012	770 409
Service cost (employer) of next year with discount rate + 0.25%	21 320	23 102

26 SHAREHOLDERS' EQUITY

SHARE CAPITAL

	Number of registered shares issued	Nominal value in CHF	Share capital in CHF 1 000
Share capital as at 01.01.2014	60 503 081	15.30	925 697
Conversions from November to December 2014	317 521	15.30	4 858
Share capital as at 31.12.2014	60 820 602	15.30	930 555
Conversions from January 2015	2 860 803	15.30	43 770
Capital increase from May 2015	5 970 129	15.30	91 343
Share capital as at 31.12.2015	69 651 534	15.30	1 065 668

The 2 780 [2 682] treasury shares held at 31 Dezember 2015 were not entitled to dividends. At the balance sheet date, the dividend-entitled share capital of CHF 1 065.626 million [CHF 930.514 million] therefore comprised 69 648 754 [60 817 920] registered shares.

AUTHORISED CAPITAL

	Number of registered shares	Nominal value in CHF	in CHF 1 000
Authorised capital as at 01.01.2014	–	–	–
Approval of increase by Annual General Meeting of 15.04.2014	6 000 000	15.30	91 800
Authorised capital as at 31.12.2014	6 000 000	15.30	91 800
Capital increase on 29.05.2015	– 5 970 129	15.30	– 91 343
Authorised capital as at 31.12.2015	29 871	15.30	457

The Board of Directors is authorised to increase the share capital to the extent mentioned above at any time until 15 April 2016.

CONDITIONAL CAPITAL

	Number of registered shares	Nominal value in CHF	in CHF 1 000
Conditional capital as at 01.01.2014	7 321 234	15.30	112 015
Conversions from November to December 2014	- 317 521	15.30	- 4 858
Conditional capital as at 31.12.2014	7 003 713	15.30	107 157
Conversions from January 2015	- 2 860 803	15.30	- 43 770
Conditional capital as at 31.12.2015¹	4 142 910	15.30	63 387

¹ of which for options and/or conversion rights CHF 40.284 million respectively 2 632 910 shares [CHF 84.054 million respectively 5 493 713 shares]
of which for option rights granted to shareholders CHF 23.103 million respectively 1 510 000 shares [CHF 23.103 million respectively 1 510 000 shares]

The precise wording regarding conditional capital can be found in the Company's Articles of Association. In 2015, convertible bonds with a volume amounting to nominal CHF 203.035 million [CHF 22.535 million] were converted to shareholders' equity. Further relevant information can be found in Notes 27 «Key figures per share» and 23 «Financial liabilities».

CAPITAL RESERVES

	in CHF 1 000
Capital reserves as at 01.01.2014	980 466
Distribution from capital contribution reserves on 25.04.2014	- 217 801
Conversions of 4 507 units of the CHF 300 million convertible bond into 317 521 registered shares	17 298
Share-based compensation, 26 234 shares	1 896
Purchase of treasury shares, 10 000 shares	- 736
Capital reserves as at 31.12.2014	781 123
Distribution from capital contribution reserves on 21.04.2015	- 235 611
Conversions of 40 607 units of the CHF 300 million convertible bond into 2 860 803 registered shares	155 976
Capital increase on 29.05.2015	321 991
Share-based compensation, 32 302 shares	2 529
Purchase of treasury shares, 32 400 shares	- 2 430
Capital reserves as at 31.12.2015	1 023 578

Capital reserves were based on above-par issues on foundation, capital increases as well as changes from trading with subscription rights, treasury shares and share-based compensation.

REVALUATION RESERVES

	in CHF 1 000
Revaluation reserves as at 01.01.2014	42 786
Revaluation of owner-occupied properties	38 972
Deferred taxes on revaluation of owner-occupied properties	- 8 966
Revaluation reserves as at 31.12.2014	72 792
Revaluation of owner-occupied properties	38 032
Sale of owner-occupied properties	- 43
Deferred taxes on revaluation of owner-occupied properties	- 8 754
Revaluation reserves as at 31.12.2015	102 027

Revaluation reserves are not available to the Company shareholders.

RETAINED EARNINGS

	in CHF 1 000
Retained earnings as at 01.01.2014	2 158 396
Profit	285 763
Remeasurement of net defined benefit obligations	- 36 828
Deferred taxes on remeasurement of net defined benefit obligations	8 404
Retained earnings as at 31.12.2014	2 415 735
Profit	355 905
Reclassification of cumulative revaluation gains from revaluation reserves	43
Remeasurement of net defined benefit obligations	- 9 356
Deferred taxes on remeasurement of net defined benefit obligations	2 123
Retained earnings as at 31.12.2015	2 764 450

Retained earnings are derived from earnings retained since the foundation of the Company as well as from cumulative revaluations of net defined benefit obligations.

NON-CONTROLLING INTERESTS

	in CHF 1 000
Non-controlling interests as at 01.01.2014	-
Increase to a majority shareholding with non-controlling interests	701
Comprehensive income, attributable to non-controlling interests	895
Non-controlling interests as at 31.12.2014	1 596
Acquisition of shareholding with non-controlling interests	491
Acquisition of non-controlling interests without change of control	- 1 000
Comprehensive income, attributable to non-controlling interests	- 844
Non-controlling interests as at 31.12.2015	243
Shareholders' equity as at 31.12.2015, in CHF 1 000	4 955 966
Shareholders' equity as at 31.12.2014, in CHF 1 000	4 201 801

Distributions

The Annual General Meeting of 14 April 2015 passed the following resolutions:

A distribution from capital contribution reserves of CHF 3.70 per share.

The share capital on which the distribution was based consisted of 63 678 684 shares. The distribution from capital contribution reserves amounting to CHF 235.611 million was carried out on 21 April 2015.

27 KEY FIGURES PER SHARE

The profit used to calculate earnings per share or diluted earnings per share was the reported profit attributable to shareholders of Swiss Prime Site AG.

WEIGHTED AVERAGE NUMBER OF SHARES

	01.01.– 31.12.2014	01.01.– 31.12.2015
Shares issued as at 01.01.	60 503 081	60 820 602
Weighted number of shares issued on conversions	16 028	2 814 537
Weighted number of shares on capital increase as at 29.05.2015	–	3 499 159
Average number of treasury shares (360 days)	–6 458	–6 506
Total weighted average number of shares 01.01.–31.12. (360 days)	60 512 651	67 127 792
Weighted number of shares issued on conversions	–16 028	–2 814 537
Effective number of converted shares	317 521	2 860 803
Highest possible number of shares that can be issued on conversions	5 524 823	2 324 460
Basis for calculation of diluted earnings per share	66 338 967	69 498 518

BASIS FOR CALCULATION OF DILUTED EARNINGS PER SHARE

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Profit attributable to shareholders of Swiss Prime Site AG	285 763	355 905
Interests on convertible bonds, amortisation of proportional costs and tax effects	6 118	4 370
Relevant profit for calculation of diluted earnings per share	291 881	360 275

EARNINGS AND NAV PER SHARE

in CHF	01.01.– 31.12.2014	01.01.– 31.12.2015
Earnings per share (EPS)	4.72	5.30
Diluted earnings per share	4.40	5.18
Shareholders' equity per share (NAV) before deferred taxes ¹	84.77	85.83
Shareholders' equity per share (NAV) after deferred taxes ¹	69.06	71.15

¹ Non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV.

28 FUTURE OBLIGATIONS AND CONTINGENT LIABILITIES

in CHF 1 000	31.12.2014	31.12.2015
2015	73 197	–
2016	8 290	41 570
2017	400	16 592
Total future obligations based on total contractor agreements	81 887	58 162

Swiss Prime Site concluded agreements with various total contractors for the construction of new and modified buildings within the scope of new construction activities as well as restructuring and renovation of existing properties. The due dates for the respective residual payments for these total contractor agreements are shown in the table above. The relevant properties were as follows:

Properties	Planned completion	31.12.2014 Outstanding payments in CHF 1 000	31.12.2015 Outstanding payments in CHF 1 000
Basel, Freie Strasse 68/Motel One	2016	–	3 835
Basel, Hochbergerstrasse 60a	2015	980	–
Bellinzona, Via San Gottardo 99–99b ¹	2016	20 700	–
Berne, Wankdorfallee 4/Espace Post	2014	4 616	–
Berne, Weltpoststrasse 5/Murifeld	2015	3 189	–
Grand-Lancy, Route des Jeunes 10/CCL La Praille	2014	212	–
Neuchâtel, Rue du Temple-Neuf 14	2014	413	–
Zurich, Brandschenkestrasse 25/Motel One	2017	7 755	43 517
Zurich, Etzelstrasse 14	2017	–	10 810
Zurich, Flurstrasse 55/Flurpark	2015	15 466	–
Zurich, Hagenholzstrasse 60/SkyKey	2014	4 919	–
Zurich, Maaghof North and East ¹	2015	23 637	–
Total outstanding payments/future obligations		81 887	58 162

¹ sold in 2015

Operating lease agreements

As at the balance sheet date, the following future obligations relating to land lease payments, leasing of office equipment as well as renting office, retail and residential floor space, as well as owner-occupied properties in the Assisted Living segment were in effect:

in CHF 1 000	31.12.2014	31.12.2015
Lease expenses up to 1 year	33 693	53 262
Lease expenses from 1 year up to 5 years	74 894	235 117
Lease expenses over 5 years	363 366	769 652
Total future lease expenses	471 953	1 058 031

In the reporting period, CHF 41.698 million [CHF 35.582 million] in real estate costs including land lease expenses as well as CHF 0.835 million [CHF 0.871 million] in lease expenses for the rental of office equipment were recognised in other operating expenses.

Contingent liabilities

Since end-2013, there was a contingent liability related to an unresolved difference of opinion with the Swiss Federal Tax Administration (FTA). This claim is linked to the reporting procedure surrounding withholding tax on dividend distributions within the group. Notwithstanding what we view as proper and timely reporting of the distributions in 2012, four subsidiaries received requests for effective payment of the withholding tax and interest on arrears toward the end of 2013 and beginning of 2014. Due to the risk of substantial interest on arrears, Swiss Prime Site paid the withholding tax on 24 December 2013 as a precautionary measure, which was subsequently reimbursed by the FTA on 10 January 2014.

Swiss Prime Site filed an objection to the decision that was issued by the FTA. Based on a legal opinion, the Company believes that there are no legitimate or legal grounds for either the subsequent imposition of withholding taxes or the obligation to effect payment of interest on arrears. Although Swiss Prime Site is convinced that its actions are appropriate and is attempting to legally assert its point of view, a litigation risk exists. According to internal calculations, the interest on arrears would amount to a maximum of CHF 25.0 million in the case that a final decision in favour of the FTA is taken. Since the outcome of the dispute is still uncertain and the extent of the amounts to be ultimately paid in case of a negative outcome cannot be reliably determined at present due to the various possible outcome scenarios, the Company has waived setting up a provision, in accordance with IAS 37.

There were no other contingent liabilities at the balance sheet date, neither securities nor guarantees.

29 PLEDGED ASSETS

in CHF 1 000	31.12.2014	31.12.2015
Fair value of affected investment properties	8 378 215	7 907 295
Fair value of affected owner-occupied properties	609 266	702 728
Nominal value of pledged mortgage notes	5 032 102	4 718 030
Current claim (nominal)	3 605 500	3 118 850

30 TRANSACTIONS WITH RELATED PARTIES

Related parties are regarded as the Board of Directors, the Executive Board, the group companies, the pension fund foundations of the group, the associated companies and their subsidiaries as well as the Swiss Prime Investment Foundation.

Board of Directors and Executive Board

Disclosure of the following fixed compensation to members of the Board of Directors and the fixed and variable compensation to the Executive Board was based on the accrual principle (i.e. recognised in the relevant period, regardless of cash flow).

The compensation paid to the Board of Directors as well as the variable compensation paid to the Executive Board members and members of management employed by Swiss Prime Site Group AG are effected at 50% in the form of Swiss Prime Site AG shares. For the other members of the Executive Board, drawing shares of up to 25% of the variable compensation is optional. The corresponding expense was reported as share-based compensation. The number of Swiss Prime Site AG shares granted to the members of the Board of Directors was determined using the closing price as at the end of the previous year (or as at the beginning of the financial year) of CHF 73.00 [CHF 69.05], less 10% discount to CHF 65.70 [CHF 62.15]. The shares are subject to blocking for periods of four and three years for members of the Board of Directors and Executive Board, respectively.

COMPENSATION TO THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

in CHF 1 000	2014	2015
Fixed compensation in cash, gross	4 844	4 459
Variable compensation in cash, gross	1 140	1 214
Share-based variable compensation ¹	1 401	1 385
Termination benefits ²	1 500	—
Other compensation component ²	64	172
AVS/invalidity insurance contributions	605	473
Other social security contributions	492	503
Total compensation to the Board of Directors and the Executive Board	10 046	8 206
Expense allowance	99	120

¹ The shares are subject to blocking for four years (Board of Directors) respectively three years (Executive Board)

² including AVS/invalidity insurance contributions and other social security contributions of CHF 0.397 m

Options

There were no outstanding or allocated options as at the balance sheet date.

Additional fees and compensation

No additional fees and compensation were paid.

Loans to members of governing bodies

There were no outstanding loans to governing bodies as at the balance sheet date.

Other related parties

There were existing current accounts payable relative to various pension funds and the SPS and Jelmoli welfare foundation of CHF 1.033 million [CHF 0.916 million]. An amount of CHF 0.197 million [CHF 0.076 million] was settled with the SPS and Jelmoli welfare foundation for services.

Income from asset management and other real estate services with the Swiss Prime Investment Foundation (founded in 2015) amounted to CHF 7.942 million. Swiss Prime Site Group sold a real estate package to the Swiss Prime Investment Foundation in the reporting period, comprising eight properties at a price of CHF 411.467 million. This one-time package transaction under related parties was approved by the supervisory authority of the Swiss Prime Investment Foundation and executed at market conditions. The price determined for the transaction was based on estimates from three independent appraisal experts.

A condominium was sold to Markus Graf, CEO of Swiss Prime Site Group until 31 December 2015, at a price of CHF 1.230 million. The sale was executed at market conditions and is included in the income statement in income from the sale of trading properties.

There were no additional transactions with other related parties carried out either in the reporting period or previous period.

31 GROUP COMPANIES AND ASSOCIATES

Swiss Prime Site AG holds the following investments in group companies

FULLY CONSOLIDATED INVESTMENTS IN GROUP COMPANIES (DIRECT OR INDIRECT)

		31.12.2014		31.12.2015	
	Purpose	Share capital in CHF 1 000	Shareholding in %	Share capital in CHF 1 000	Shareholding in %
Clouds Gastro AG, Zurich ¹	Restaurant business	500	100.0	n/a	n/a
Ensemble artisanal et commercial de Riantbosson S.A., Olten ²	Real estate company	1 000	57.4	1 000	100.0
Jelmoli AG, Zurich	Retail company	6 600	100.0	6 600	100.0
Perlavita AG, Zurich	Services provider in the residential sector, particularly assisted living	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg	Operation of private senior residence and care facility with related services	300	100.0	300	100.0
SENIOcare AG, Wattwil ³	Operation, maintenance and creation of senior, residential and geriatric care accommodation	–	–	2 400	100.0
SPS Beteiligungen Alpha AG, Olten	Investment company	650 000	100.0	650 000	100.0
SPS Beteiligungen Beta AG, Olten	Investment company	450 000	100.0	450 000	100.0
SPS Beteiligungen Gamma AG, Olten	Investment company	300 000	100.0	300 000	100.0
SPS Immobilien AG, Olten	Real estate company	50 000	100.0	50 000	100.0
Swiss Prime Site Fund Advisory AG II, Olten ⁴	Management, administration and general partner of a collective investment scheme	100	100.0	100	100.0
Swiss Prime Site Group AG, Olten	Services company	100	100.0	100	100.0
Tertianum AG, Zurich	Services provider in the residential sector, particularly assisted living	9 562	100.0	9 562	100.0
Vitadomo AG, Zurich ⁵	Services provider in the residential sector, particularly assisted living	100	100.0	100	100.0
WGDM Papillon AG, Winterthur ⁶	Geriatric care for people afflicted with dementia in shared accommodation	–	–	100	100.0
Wincasa AG, Winterthur	Real estate services company	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden ³	Operation of senior residences and geriatric care facilities	–	–	1 000	51.0

¹ merged with SPS Immobilien AG as at 15.06.2015

² increase shareholding interest to 100% as at 17.12.2015

³ acquisition as at 01.10.2015

⁴ founded as at 28.03.2014

⁵ founded as at 05.11.2014

⁶ acquisition as at 01.07.2015

INVESTMENTS IN ASSOCIATES VALUED ACCORDING TO THE EQUITY METHOD

		31.12.2014		31.12.2015	
	Purpose	Share capital in CHF 1 000	Shareholding in %	Share capital in CHF 1 000	Shareholding in %
Parkgest Holding S.A., Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

32 MAJOR SHAREHOLDERS

	31.12.2014 Shareholding interest in %	31.12.2015 Shareholding interest in %
Major shareholders (shareholding interest > 3%)		
BlackRock Investment Management (UK) Ltd., London	5.0	4.4
State Street Corporation, Boston	4.9	4.0
Credit Suisse Funds AG, Zurich	4.5	3.5

33 RISK MANAGEMENT

Principles

Swiss Prime Site places significant emphasis on its approach toward seizing opportunities and managing risks. The Company has therefore implemented a systematic and continuous risk management process. The objective of Swiss Prime Site's risk management is based on examining strategies and operating activities according to opportunities and risks, assessing the identified risks and controlling these risks with appropriate measures. At the same time, the focal point is directed at adequately mitigating any relevant potential losses, as well as consciously seizing opportunities. Risk management therefore provides a significant contribution to the continuity and successful development of the Company. The principles and processes of risk management are set out in separate regulations.

Risk management is an ongoing process in which all of the Company's employees are basically involved. The responsibility is assigned at appropriate levels to the various entities of the Company such as the Board of Directors and Executive Board, etc. Swiss Prime Site has divided the risk management process into the following sub-processes, in conformity with internationally recognised risk management frameworks:

- > Risk identification
- > Risk analysis and evaluation
- > Determination of risk-response strategy
- > Implementation of risk management and control measures
- > Risk communication and monitoring

The various risks are monitored and controlled by several Swiss Prime Site bodies and departments, as follows:

- > Board of Directors
- > Audit Committee of the Board of Directors
- > Members of executive management identified as risk owners
- > Internal risk management
- > Internal audit

Risk types

Swiss Prime Site's businesses are subject to specific risks that can be divided into the following primary categories (list is not exhaustive):

- > real estate-specific risks
- > environmental risks and risks associated with contamination
- > risks associated with construction activities
- > market risk and diversification
- > valuation risks
- > credit, refinancing and liquidity risks (Note 34)
- > risks associated with the real estate services business
- > retail business-specific risks
- > risks associated with the assisted living sector
- > regulatory and fiscal risks
- > risks associated with litigation

These risks are addressed by means of appropriate selection and diversification of properties and tenants, adjustments of the expiry profile of rental agreements, constructional measures, finance assurances, the degree of indebtedness, as well as regular monitoring of processes and procedures.

34 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

in CHF 1 000	Fair value level 1	Fair value level 2	Fair value level 3	Total levels	31.12.2015 Book value
Cash (without cash in hand)					232 485
Accounts receivable					80 432
Current accounts receivable					574
Other receivables					26 564
Non-current financial investments		254	134	388	1 261
Total receivables and non-current financial investments					108 831
Total financial assets, not recognised at fair value					341 316
Securities	482			482	482
Total financial assets held for trading					482
Total financial assets at fair value					482
Accounts payable					13 307
Current financial liabilities					382 000
Other current liabilities					127 688
Other non-current financial liabilities					11 291
Mortgage-backed loans			2 913 692	2 913 692	2 737 525
Convertible bonds	192 806			192 806	189 589
Bonds	987 855			987 855	940 672
Total financial liabilities at amortised cost					4 402 072
Total financial liabilities, not recognised at fair value					4 402 072
Derivatives with negative fair value		6 871		6 871	6 871
Total financial liabilities held for trading					6 871
Total financial liabilities at fair value					6 871

in CHF 1 000	Fair value level 1	Fair value level 2	Fair value level 3	Total levels	31.12.2014 Book value
Cash (without cash in hand)					254 587
Accounts receivable					126 097
Current accounts receivable					587
Other receivables					6 301
Other non-current receivables		1 076		1 076	425
Non-current financial investments		255	134	389	1 261
Total receivables and non-current financial investments					134 671
Total financial assets, not recognised at fair value					389 258
Securities	477			477	477
Total financial assets held for trading					477
Total financial assets at fair value					477
Accounts payable					16 151
Current financial liabilities					486 500
Other current liabilities					138 772
Other non-current financial liabilities			2 093	2 093	2 093
Mortgage-backed loans			3 324 656	3 324 656	3 120 824
Convertible bonds	425 491			425 491	416 620
Bonds	975 253			975 253	939 784
Total financial liabilities at amortised cost					5 120 744
Total financial liabilities, not recognised at fair value					5 120 744
Derivatives with negative fair value		9 484		9 484	9 484
Total financial liabilities held for trading					9 484
Total financial liabilities at fair value					9 484

No fair value information was disclosed for financial instruments such as current receivables and liabilities since their relevant book values represent an appropriate approximation of the fair value.

Non-current financial investments includes two [two] fixed-rate loans amounting to CHF 0.385 million [CHF 0.385 million] with a residual term of up to eight [nine] years and an interest rate of 0% to 6%.

The following table shows the valuation techniques used to determine the fair value at level 2 and level 3, as well as the significant, unobservable input factors:

FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE

Nature	Derivatives (swaps and caps)
Valuation technique	Market comparison process: Fair value is based on brokers' listed prices. Similar contracts are traded on an active market, and the listed prices reflect the actual transactions for similar instruments.

FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE

Nature	Other non-current receivables, non-current financial investments, mortgage-backed loans
Valuation technique	Discounted cash flows

The valuation techniques remained unchanged year-on-year.

Financing and liquidity risks

Financial risk and capital management are addressed in accordance with the following principles of capital structure and interest commitment as determined by the Board of Directors in the investment regulations:

- > a maximum average of 65% borrowed capital may be used to finance the real estate portfolio
- > the equity ratio target is 40%, although the Board of Directors can approve a shortfall of this ratio
- > a return on equity (ROE) of 6% to 8% is targeted in the long term
- > borrowing with a residual term to maturity of less than one year should account for a maximum of 50% of financial liabilities
- > the objective is a balanced maturity profile of the financial liabilities

SELECTED GROUP KEY FIGURES

in %	31.12.2014	31.12.2015
Loan-to-value ratio for the property portfolio ¹	50.7	44.0
Non-current financial liabilities relative to property portfolio ¹	43.7	38.1
Current financial liabilities relative to overall financial liabilities	14.4	13.4
Current assets relative to current liabilities	70.0	45.9
Equity ratio	39.6	46.4
Borrowed capital ratio	60.4	53.6
Return on equity (ROE)	7.0	7.6
Return on invested capital (ROIC)	3.7	4.3

¹ without derivatives

To minimise refinancing risk on the part of lenders and to avoid cluster risks, diversification of lenders receives particular attention when borrowing capital.

Interest commitment is determined, among other things, by taking into account the maturity structure of the existing rental agreements, the intended purchases and sales of properties, and the potential trends in market rents, inflation and interest rates.

Liquidity risk is the risk that Swiss Prime Site may not be in a position to meet its contractual financial obligations through providing means of payment or other financial assets. Current income basically ensures sufficient cash flow to meet current obligations. Any lack of liquidity is financed through current loans.

Sight deposits are invested in secure investments. Foreign currencies are immaterial. Cash and cash equivalents are kept as low as possible and are used primarily to redeem loans. The goal is to invest available cash in real estate. To secure larger liabilities, non-secured but open credit lines are available. The Executive Board is responsible for the timely provision of the required cash. Hence, the Executive Board complies with, among others, the provisions of the investment regulations and use of rolling liquidity planning as a tool. The Board of Directors monitors compliance with the provisions of the investment regulations.

Overview of future contractual cash outflows (including interest) from all financial liabilities:

in CHF 1 000	31.12.2015 Book value	Contractual cash flows	< 6 months		6 to 12 months		1 to 2 years		2 to 5 years		> 5 years	
			Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation
Accounts payable	13 307	13 307	–	13 307	–	–	–	–	–	–	–	–
Current financial liabilities	572 105	580 654	6 038	339 608	1 750	233 258	–	–	–	–	–	–
Other current liabilities	127 171	127 176	3	127 092	2	79	–	–	–	–	–	–
Non-current financial liabilities	3 689 488	4 051 951	37 812	–	37 811	–	69 035	513 777	153 495	1 504 433	60 656	1 674 932
Total non-derivative financial liabilities	4 402 071	4 773 088	43 853	480 007	39 563	233 337	69 035	513 777	153 495	1 504 433	60 656	1 674 932
Derivatives with negative fair values	6 871	6 871	–	1 812	–	1 832	–	934	–	2 071	–	222
Total derivative financial liabilities	6 871	6 871	–	1 812	–	1 832	–	934	–	2 071	–	222
Total financial liabilities	4 408 942	4 779 959	43 853	481 819	39 563	235 169	69 035	514 711	153 495	1 506 504	60 656	1 675 154

in CHF 1 000	31.12.2014 Book value	Contractual cash flows	< 6 months		6 to 12 months		1 to 2 years		2 to 5 years		> 5 years	
			Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation	Interest	Amort- isation
Accounts payable	16 151	16 151	–	16 151	–	–	–	–	–	–	–	–
Current financial liabilities	714 300	721 637	4 792	499 620	1 225	216 000	–	–	–	–	–	–
Other current liabilities	138 772	138 772	–	138 772	–	–	–	–	–	–	–	–
Non-current financial liabilities	4 251 522	4 709 446	44 422	–	45 159	–	83 274	572 350	182 044	1 452 000	100 197	2 230 000
Total non-derivative financial liabilities	5 120 745	5 586 006	49 214	654 543	46 384	216 000	83 274	572 350	182 044	1 452 000	100 197	2 230 000
Derivatives with negative fair values	9 484	10 560	–	3 342	–	2 575	–	2 618	–	1 438	–	587
Total derivative financial liabilities	9 484	10 560	–	3 342	–	2 575	–	2 618	–	1 438	–	587
Total financial liabilities	5 130 229	5 596 566	49 214	657 885	46 384	218 575	83 274	574 968	182 044	1 453 438	100 197	2 230 587

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.4 [4.7] years due to the contractual maturities.

Currency risks

Currency risk is the risk that movements in the exchange rates could have an effect on the profit or book value of the financial instruments held by Swiss Prime Site. There is currently no significant currency risk.

Credit risks

Credit risk is the risk that Swiss Prime Site suffers financial losses if a customer or counterparty of a financial instrument does not meet its contractual obligations. In order to minimise counterparty risk, the particular counterparties for concluding derivative financial instrument transactions are diligently selected in terms of credit ratings and diversification. The quality of the transactions and settlements is subject to monitoring on an ongoing basis. In order to achieve a positive impact on cash flows, outstanding debt risk is managed through active debt management.

Rent defaults are prevented as far as possible by maintaining a balanced tenant mix and avoiding dependencies on major tenants. First, arrears are prevented by performing strict credit rating checks before entering into a contract. Second, efficient debt collection and legal case reporting by the property managers ensure that debt levels are kept as low as possible.

The threat of outstanding debt risks is influenced by general economic development. As a result, it is possible that tenants have a good credit rating at the time of signing a contract, but then run into payment difficulties if the economic situation deteriorates.

Credit risk is limited to the book value of the relevant financial assets.

MAXIMUM DEFAULT RISKS

in CHF 1 000	31.12.2014	31.12.2015
Cash (without cash in hand)	254 587	232 485
Securities	477	482
Accounts receivable	126 097	80 432
Current accounts receivable	587	574
Other receivables	6 301	26 564
Other non-current receivables	425	–
Non-current financial investments	1 261	1 261
Maximum credit risk	389 735	341 798

Interest risks

Interest risk is the risk that movements in interest rates can have an effect on the profit and/or fair value of the financial instruments held by Swiss Prime Site.

FIXED AND VARIABLE INTEREST-BEARING FINANCIAL INSTRUMENTS

in CHF 1 000	31.12.2014	31.12.2015
Fixed interest-bearing financial instruments		
Financial assets	1 686	1 261
Financial liabilities	4 859 970	4 266 164
Surplus of fixed interest-bearing financial liabilities	4 858 284	4 264 903
Variable interest-bearing financial instruments		
Financial assets	254 587	232 485
Financial liabilities	110 000	–
Surplus of variable interest-bearing financial assets	144 587	232 485

Interest risk is continuously monitored and assessed by the Executive Board. Depending on the expected trends in long-term interest rates and taking into account the current market environment, an individual decision as to the term to maturity is made with each refinancing. At the same time, particular attention is paid to a balanced maturity profile, and the entire interest exposure is continuously taken into account. Derivatives are used as well.

The group's cash is invested on a short-term basis. For more information regarding interest-bearing borrowed capital, see Note 23 «Financial liabilities».

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES CATEGORISED BY INTEREST RATE

in CHF 1 000	31.12.2014 Total nominal value	31.12.2015 Total nominal value
Financial liabilities up to 1.00%	201 800	91 800
Financial liabilities up to 1.50%	696 000	695 850
Financial liabilities up to 2.00%	1 336 070	1 106 950
Financial liabilities up to 2.50%	1 284 400	1 249 400
Financial liabilities up to 3.00%	729 000	729 630
Financial liabilities up to 3.50%	275 500	100 000
Financial liabilities up to 4.00%	413 200	257 200
Financial liabilities up to 4.50%	34 000	34 000
Financial liabilities up to 5.00%	–	1 334
Total financial liabilities	4 969 970	4 266 164

The weighted average interest rate for all interest-bearing financial liabilities amounted to 2.1% [2.2%]. The loans were mainly obtained at fixed interest rates.

Interest rate sensitivity of fixed interest-bearing financial instruments

Swiss Prime Site has not recognised any fixed interest-bearing financial instruments at fair value in the balance sheet. Therefore, a change in interest rates would not influence comprehensive income.

Interest rate sensitivity of variable interest-bearing financial instruments

The following sensitivity analysis is based on the book values of variable interest-bearing financial instruments as at the balance sheet date and shows how the interest result would change if the interest level increased or decreased by 0.5%.

Change of interest result with increase of interest rate by 0.50%	703	752
Change of interest result with decrease of interest rate by 0.50%	- 703	- 752

Derivatives and hedge accounting

Swiss Prime Site utilises various derivatives (swaps and caps) for the purpose of partial interest fixing of variable interest-bearing financial liabilities. Hedge accounting in the context of IAS 39 «Financial instruments: recognition and measurement» is not used. Swaps are balanced on a net basis.

Other price risk

Other price risk is the risk of changes in fair value of securities, which can have an effect on the fair value of securities held by Swiss Prime Site as well as on profit.

A change in the fair value of securities amounting to 10% would accordingly increase or decrease profit by CHF 0.048 million [CHF 0.048 million]. The fair value of securities corresponds to the listing price as at the balance sheet date.

35 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated financial statements were approved for publication by the Board of Directors on 7 March 2016. They are subject to the approval of the Annual General Meeting of Swiss Prime Site AG of 12 April 2016.

As at 29 February 2016, 100% of the shares in Boas Senior Care were acquired at a provisionally determined acquisition price of roughly CHF 70 million. Because the closing of the transaction had occurred just shortly before the approval of publication of these consolidated financial statements, the initial recognition of the business combination was not yet carried out in the balance sheet. In order to secure the transaction, Swiss Prime Site effected an advance payment of CHF 20 million already in 2015, in the form of a loan (other current receivables), which was offset against the acquisition price payment. The acquisition paves the way for Tertianum Group to achieve comprehensive geographic coverage of Switzerland in the assisted living sector and further extend its market leadership. Boas Senior Care realised revenues of roughly CHF 70 million in 2014 and manages a total of 15 operating facilities with 632 geriatric care beds and 176 apartments.

There were no other events occurring between 31 December 2015 and the date of publication of these consolidated financial statements that would result in adjustment of the carrying amounts of the group's assets and liabilities as at 31 December 2015, or which would need to be disclosed at this point.

..... **FINANCIAL STATEMENTS OF SWISS PRIME SITE AG**

FINANCIAL STATE MENTS

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF SWISS PRIME SITE AG, OLTEN

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of Swiss Prime Site AG, which comprise the income statement, balance sheet and notes (pages 86 to 94) for the year ended 31 December 2015.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Claudius Rüegsegger
Licensed Audit Expert

Zurich, 7 March 2016

INCOME STATEMENT

in CHF 1 000	Notes	01.01.– 31.12.2014	01.01.– 31.12.2015
Dividend income	2.1	20 000	173 000
Other financial income	2.2	90 309	72 778
Other operating income		–3	2
Total operating income		110 306	245 780
Financial expenses	2.3	–101 703	–97 751
Personnel costs		–1 552	–1 725
Other operating expenses	2.4	–5 182	–6 131
Total operating expenses		–108 437	–105 607
Result before taxes		1 869	140 173
Direct taxes		–	–
Profit	4	1 869	140 173

BALANCE SHEET

in CHF 1 000	Notes	31.12.2014	31.12.2015
Assets			
Cash		45 527	24 856
Securities with market price		204	213
Other current receivables	2.5	20 193	173 291
Accrued income and prepaid expenses		2 000	1 616
Total current assets		67 924	199 976
Financial investments	2.6	2 827 477	2 496 075
Investments in subsidiaries	2.7	4 029 072	4 029 072
Accrued income and prepaid expenses		4 693	3 439
Total non-current assets		6 861 242	6 528 586
Total assets		6 929 166	6 728 562
Liabilities and shareholders' equity			
Current interest-bearing liabilities	2.8	715 620	522 350
Other current liabilities	2.9	8 521	7 846
Accrued expenses and deferred income		816	448
Total current liabilities		724 957	530 644
Non-current interest-bearing liabilities	2.10	3 995 850	3 473 350
Other non-current liabilities		9 093	6 399
Total non-current liabilities		4 004 943	3 479 749
Total liabilities		4 729 900	4 010 393
Share capital		930 555	1 065 668
Statutory reserves			
Statutory reserves from capital contributions		765 507	1 009 132
Legal retained earnings			
Reserves for treasury shares		–	3
Other legal retained earnings		147 378	147 375
Voluntary retained earnings			
Balance sheet profit	4	194 998	335 171
Other voluntary retained earnings		161 025	161 025
Treasury shares	2.11	– 197	– 205
Total shareholders' equity		2 199 266	2 718 169
Total liabilities and shareholders' equity		6 929 166	6 728 562

1 PRINCIPLES OF ACCOUNTING AND VALUATION

1.1 General

The financial statements of Swiss Prime Site AG, Olten, were prepared according to the provisions of Swiss Accounting Law (Section 32 of the Swiss Code of Obligations (CO)). The significantly applicable valuation principles that are not stipulated by law are described in the following section.

1.2 Securities

Short-term held securities are valued at the stock exchange price on the balance sheet date. Formation of a fluctuation reserve has been waived.

1.3 Interest-bearing liabilities

Interest-bearing liabilities are recognised in the balance sheet at nominal value. The discounts on the bonds and convertible bonds as well as issue costs are recorded in accrued income and prepaid expenses and amortised over the term to maturity of the bonds or convertible bonds.

1.4 Treasury shares

Treasury shares are recognised in the balance sheet at the time of acquisition at historical costs as a minus position in shareholders' equity. Given future re-divestment of the shares, the profit or loss is recorded as financial income or financial expense, respectively, affecting net income.

1.5 Share-based compensation

When treasury shares are used for share-based compensation to Board of Directors members and employees, the value of the allocated shares is posted as personnel costs. Any difference versus the book value is posted to the financial result.

1.6 Dispensation of cash flow statement and additional information in the Notes

In view of the fact that Swiss Prime Site AG prepares its consolidated financial statements according to recognised accounting standards (International Financial Reporting Standards (IFRS)), the Company has dispensed with providing information in the Notes regarding interest-bearing liabilities and audit fees as well as the presentation of a cash flow statement.

2 INFORMATION ON BALANCE SHEET AND INCOME STATEMENT POSITIONS

2.1 Dividend income

Dividend income includes the dividends of SPS Beteiligungen Alpha AG of CHF 173.000 million [CHF 20.000 million] for the financial year 2015. The dividends were recognised as receivables. This approach was permitted since the companies close their accounts on the same balance sheet date, and the resolution to pay the dividend was passed.

2.2 Other financial income

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Interests on loans from group companies	89 178	70 059
Valuation of financial instruments	936	2 696
Other financial income	195	23
Total	90 309	72 778

2.3 Financial expenses

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Interests on loans	–84 973	–76 927
Interest expenses on bonds and convertible bonds	–14 272	–18 621
Amortisation of cost of bonds and convertible bonds	–2 270	–1 697
Other financial expenses	–188	–506
Total	–101 703	–97 751

2.4 Other operating expenses

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Administration costs	–2 948	–3 833
Capital taxes	–204	–250
Other operating expenses	–2 030	–2 048
Total	–5 182	–6 131

2.5 Other current receivables

in CHF 1 000	31.12.2014	31.12.2015
Other current receivables from third parties	193	273
Other current receivables from group companies	20 000	173 018
Total	20 193	173 291

2.6 Financial investments

in CHF 1 000	31.12.2014	31.12.2015
Loans to group companies	2 827 477	2 496 075
Total	2 827 477	2 496 075

2.7 Investments in subsidiaries

DIRECT INVESTMENTS IN SUBSIDIARIES

	31.12.2014 Share capital in CHF 1 000	31.12.2014 Shareholding interest in %	31.12.2015 Share capital in CHF 1 000	31.12.2015 Shareholding interest in %
SPS Beteiligungen Alpha AG, Olten	650 000	100.0	650 000	100.0

INDIRECT INVESTMENTS IN SUBSIDIARIES

	31.12.2014 Share capital in CHF 1 000	31.12.2014 Shareholding interest in %	31.12.2015 Share capital in CHF 1 000	31.12.2015 Shareholding interest in %
Clouds Gastro AG, Zurich ¹	500	100.0	n/a	n/a
Ensemble artisanal et commercial de Riantbosson S.A., Olten	1 000	57.4	1 000	100.0
Jelmoli AG, Zurich	6 600	100.0	6 600	100.0
Parkgest Holding S.A., Geneva	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	5 160	27.1	5 160	27.1
Perlavita AG, Zurich	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg	300	100.0	300	100.0
SENIOcare AG, Wattwil	–	–	2 400	100.0
SPS Beteiligungen Beta AG, Olten	450 000	100.0	450 000	100.0
SPS Beteiligungen Gamma AG, Olten	300 000	100.0	300 000	100.0
SPS Immobilien AG, Olten	50 000	100.0	50 000	100.0
Swiss Prime Site Fund Advisory AG II, Olten	100	100.0	100	100.0
Swiss Prime Site Group AG, Olten	100	100.0	100	100.0
Tertianum AG, Zurich	9 562	100.0	9 562	100.0
Vitadomo AG, Zurich	100	100.0	100	100.0
WGDM Papillon AG, Winterthur	–	–	100	100.0
Wincasa AG, Winterthur	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden	–	–	1 000	51.0

¹ merged with SPS Immobilien AG as at 15.06.2015

2.8 Current interest-bearing liabilities

in CHF 1 000	31.12.2014	31.12.2015
Convertible bonds	229 120	190 350
Other current interest-bearing liabilities	486 500	332 000
Total	715 620	522 350

Further information regarding bonds and convertible bonds can be found in Notes 3.2 «Convertible Bonds» and 3.3 «Bonds».

2.9 Other current liabilities

in CHF 1 000	31.12.2014	31.12.2015
Other current liabilities to group companies	433	221
Other current liabilities to shareholders	115	134
Other current liabilities to third parties	7 973	7 491
Total	8 521	7 846

2.10 Non-current interest-bearing liabilities

in CHF 1 000	31.12.2014	31.12.2015
Convertible bonds	190 350	—
Bonds	945 000	945 000
Other non-current interest-bearing liabilities	2 860 500	2 528 350
Total	3 995 850	3 473 350

Maturity structure of non-current interest-bearing liabilities

in CHF 1 000	31.12.2014	31.12.2015
Up to five years	1 874 350	1 831 850
Over five years	2 121 500	1 641 500
Total	3 995 850	3 473 350

2.11 Treasury shares

As at the balance sheet date, Swiss Prime Site AG held 2 741 [2 682] treasury shares. Swiss Prime Site Group AG additionally held 39 [0] shares of Swiss Prime Site AG, as at the balance sheet date. Purchases and sales were carried out at the applicable daily market rate.

Change in number of treasury shares	Volume-weighted average share price in CHF	2014 Number of treasury shares	Volume-weighted average share price in CHF	2015 Number of treasury shares
Holdings of treasury shares on 01.01.	—	18 916	—	2 682
Purchases at the volume-weighted average share price	73.62	10 000	74.95	9 600
Share-based compensation	71.76	— 10 085	74.95	— 9 541
Sales at the volume-weighted average share price ¹	68.52	— 16 149	—	—
Holdings of treasury shares on 31.12.	—	2 682	—	2 741

¹ sales to group companies for share-based compensation

3 ADDITIONAL INFORMATION

3.1 Full-time positions

Swiss Prime Site AG has no employees.

3.2 Convertible bonds

	in	CHF 300 m 2015	CHF 190.35 m 2016
Issuing volume, nominal	CHF m	300.000	190.350
Book value as at 31.12.2015	CHF m	0.000	190.350
Book value as at 31.12.2014	CHF m	229.120	190.350
Conversion price	CHF	70.97	81.89
Interest rate	%	1.875	1.875
Term to maturity	Years	5	5
Maturity	Date	20.01.2015	21.06.2016
Securities number		10 877 415 (SPS10)	13 119 623 (SPS11)

3.3 Bonds

	in	CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 100 m 2024
Issuing volume, nominal	CHF m	115.000	200.000	230.000	300.000	100.000
Book value as at 31.12.2015	CHF m	115.000	200.000	230.000	300.000	100.000
Book value as at 31.12.2014	CHF m	115.000	200.000	230.000	300.000	100.000
Interest rate	%	1.125	1.0	2.0	1.75	2.0
Term to maturity	Years	5	5	7	7	10
Maturity	Date	11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)

3.4 Shareholding rights for Board of Directors and Executive Board

Number of shares	31.12.2014	31.12.2015
Board of Directors		
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	28 376	33 657
Dr. Thomas Wetzol, Vice-Chairman of the BoD	2 341	2 652
Christopher M. Chambers, member of the BoD	40 415	45 528
Dr. Bernhard Hammer, member of the BoD	7 702	9 746
Dr. Rudolf Huber, member of the BoD	19 526	22 756
Mario F. Seris, member of the BoD	6 849	8 818
Klaus R. Wecken, member of the BoD	820 000	900 000
Executive Board		
Markus Graf, member of the Executive Board (CEO) ¹	35 169	31 683
René Zahnd, member of the Executive Board (CEO) ²	n/a	–
Markus Meier, member of the Executive Board (CFO) ³	n/a	2 519
Peter Wullschleger, member of the Executive Board (CFO) and secretary of the BoD ⁴	11 000	n/a
Peter Lehmann, member of the Executive Board (CIO)	9 294	13 001
Oliver Hofmann, member of the Executive Board and CEO of Wincasa AG	–	–
Franco Savastano, member of the Executive Board and CEO of Jelmoli – The House of Brands	–	–
Dr. Luca Stäger, member of the Executive Board and CEO of Tertianum AG	–	770
Total share ownership	980 672	1 071 130

¹ until 31.12.2015

² since 01.01.2016

³ since 01.06.2015

⁴ until 31.12.2014

3.5 Major shareholders

	31.12.2014 Shareholding interest in %	31.12.2015 Shareholding interest in %
Major shareholders (shareholding interest > 3%)		
BlackRock Investment Management (UK) Ltd., London	5.0	4.4
State Street Corporation, Boston	4.9	4.0
Credit Suisse Funds AG, Zurich	4.5	3.5

3.6 Significant events after the balance sheet date

There were no significant events occurring after the balance sheet date that would have an effect on the book values of the reported assets or liabilities, or which would need to be disclosed at this point.

4 PROPOSED APPROPRIATION OF BALANCE SHEET PROFIT

The Board of Directors proposes to the Annual General Meeting that the balance sheet profit for the financial year ended 31 December 2015 in the amount of CHF 335.171 million be appropriated as follows:

in CHF 1 000	31.12.2014	31.12.2015
Retained earnings brought forward	193 129	194 998
Profit	1 869	140 173
Total balance sheet profit	194 998	335 171
Dividend payment	—	—
Balance brought forward to new account	194 998	335 171

The Board of Directors proposes to the Annual General Meeting of 12 April 2016 a withholding tax-exempt distribution of CHF 3.70 per share from the capital contribution reserves. Based on the total number of 69 651 534 shares issued as at 7 March 2016, this distribution is equivalent to a reduction in capital contribution reserves of CHF 257.711 million.

..... EPRA KEY FIGURES

EPRA KEY FIGURES

EPRA KEY FIGURES
(EUROPEAN PUBLIC REAL ESTATE ASSOCIATION)

EPRA EARNINGS AND EPRA EARNINGS PER SHARE

in CHF 1 000	01.01.– 31.12.2014	01.01.– 31.12.2015
Earnings per consolidated income statement	286 658	355 061
Excluding:		
Revaluations of investment properties	– 113 234	– 124 571
Result from investment property sales	– 2 062	– 30 910
Result on sales of trading properties, gross	n/a	– 42 164
Tax on profits on disposals, gross	259	19 936
Negative goodwill/goodwill impairment	n/a	n/a
Changes in fair value of financial instruments	– 1 501	– 3 183
Transaction costs on acquisitions of group companies and associated companies	–	2 324
Deferred taxes in respect of EPRA adjustments	23 007	21 688
Adjustments in respect of associated companies	n/a	n/a
Adjustments in respect of non-controlling interests	n/a	n/a
EPRA earnings	193 127	198 181
Average number of outstanding shares	60 512 651	67 127 792
EPRA earnings per share in CHF	3.19	2.95

EPRA NET ASSET VALUE (NAV)

in CHF 1 000	31.12.2014	31.12.2015
NAV as per consolidated balance sheet	4 200 205	4 955 723
Dilution effects from exercise of options, convertibles and other equity interests	416 621	189 589
Diluted NAV, after the exercise of options, convertibles and other equity interests	4 616 826	5 145 312
Including:		
Revaluation of investment properties ¹	n/a	n/a
Revaluation of properties under construction ¹	n/a	n/a
Revaluation of other non-current investments	n/a	n/a
Revaluation of tenant leases held as finance leases	n/a	n/a
Revaluation of trading properties	8 793	–
Excluding:		
Fair value of derivative financial instruments	9 484	6 871
Deferred taxes	955 410	1 010 985
Goodwill as a result of deferred taxes	n/a	n/a
Adjustments in respect of associated companies	n/a	n/a
EPRA NAV	5 590 513	6 163 168
Number of outstanding shares (diluted)	66 342 666	71 973 214
EPRA NAV per share in CHF	84.27	85.63

¹ if IAS 40 cost option is used

EPRA TRIPLE NET ASSET VALUE (NNNAV)

in CHF 1 000	31.12.2014	31.12.2015
EPRA NAV	5 590 513	6 163 168
Excluding:		
Fair value of derivative financial instruments	– 9 484	– 6 871
Revaluation of financial debts	– 246 331	– 226 966
Deferred taxes	– 938 167	– 995 097
EPRA NNAV	4 396 531	4 934 234
Number of outstanding shares (diluted)	66 342 666	71 973 214
EPRA NNAV per share in CHF	66.27	68.56

EPRA NET YIELD ON RENTAL INCOME (NIY)

in CHF 1 000		31.12.2014	31.12.2015
Investment properties – wholly owned		9 739 301	9 686 607
Investment properties – share of joint ventures/funds		n/a	n/a
Trading properties		45 747	–
Less properties under construction and development sites, building land and trading properties		– 380 239	– 412 980
Value of completed property portfolio		9 404 809	9 273 627
Allowance for estimated purchasers' costs		n/a	n/a
Gross up value of completed property portfolio	A	9 404 809	9 273 627
Annualised rental income		430 518	417 129
Property outgoings		– 54 658	– 58 265
Annualised net rental income	B	375 860	358 864
Add: notional rent expiration of rent-free periods or other lease incentives		2 541	3 733
Topped-up net annualised rental income	C	378 401	362 597
EPRA NIY	B/A	4.0%	3.9%
EPRA topped-up NIY	C/A	4.0%	3.9%

EPRA VACANCY RATE

in CHF 1 000		31.12.2014	31.12.2015
Estimated rental value of vacant space		27 697	26 644
Estimated rental value of the whole portfolio		460 928	444 218
EPRA vacancy rate		6.0%	6.0%

..... FIVE-YEAR SUMMARY OF KEY FIGURES

FIVE-YEAR SUMMARY OF KEY FIGURES

FIVE-YEAR SUMMARY OF KEY FIGURES

	in	Restated ¹ 31.12.2011	Restated ¹ 31.12.2012	31.12.2013	31.12.2014	31.12.2015
Group key figures						
Investment properties at fair value ²	CHF m	8 165.1	8 600.3	9 339.5	9 785.0	9 686.6
Rental income	CHF m	410.8	408.8	420.1	443.1	445.9
Vacancy rate	%	4.6	5.0	6.4	6.6	6.7
Income from sale of trading properties	CHF m	–	–	–	–	105.1
Income from real estate services ³	CHF m	–	14.1	98.6	100.1	109.0
Income from retail ⁶	CHF m	155.1	159.0	156.2	151.9	136.8
Income from assisted living ⁴	CHF m	–	–	85.7	153.3	184.2
Operating profit (EBIT)	CHF m	604.1	514.4	539.2	462.8	553.4
Key figures Real Estate segment³						
Rental income from third parties	CHF m	393.6	391.0	376.7	377.4	378.0
Rental income from group companies	CHF m	36.4	36.4	47.5	53.9	54.0
Net yield on properties	%	4.8	4.5	4.2	4.1	3.9
Vacancy rate	%	4.4	4.8	6.1	6.4	6.5
Income from sale of trading properties	CHF m	–	–	–	–	105.1
Income from real estate services ²	CHF m	–	14.1	98.7	100.5	109.5
Operating profit (EBIT)	CHF m	607.8	525.8	561.3	491.9	586.2
Key figures Retail segment⁶						
Income from retail	CHF m	155.1	159.1	156.4	152.1	137.0
Rental income	CHF m	17.3	17.8	18.0	18.6	16.5
Operating profit (EBIT)	CHF m	9.3	–1.1	–6.5	0.9	–2.9
Key figures Assisted Living segment⁴						
Income from assisted living services	CHF m	–	–	85.7	153.6	185.0
Rental income from owner-occupied properties	CHF m	–	–	11.4	23.6	24.6
Rental income from leased properties	CHF m	–	–	14.0	23.5	26.7
Operating profit (EBIT)	CHF m	–	–	5.0	9.0	8.2
Group key financial figures						
EBITDA	CHF m	618.2	531.5	565.9	497.9	582.6
Operating profit (EBIT)	CHF m	604.1	514.4	539.2	462.8	553.4
Profit ⁵	CHF m	355.1	311.3	343.9	286.7	355.1
of which attributable to non-controlling interests	CHF m	–	–	–	0.9	–0.8
Comprehensive income ⁵	CHF m	365.1	323.5	378.2	288.2	377.1
of which attributable to non-controlling interests	CHF m	–	–	–	0.9	–0.8
Shareholders' equity ⁵	CHF m	3 434.9	3 913.9	4 107.3	4 201.8	4 956.0
of which non-controlling interests	CHF m	–	–	–	1.6	0.2
Equity ratio	%	39.9	42.4	39.1	39.6	46.4
Borrowed capital	CHF m	5 174.3	5 323.1	6 404.8	6 400.3	5 734.6
Borrowed capital ratio	%	60.1	57.6	60.9	60.4	53.6
Total shareholders' equity and borrowed capital	CHF m	8 609.2	9 237.0	10 512.2	10 602.1	10 690.6

¹ restatement due to IAS 19 rev.; 2011 only shareholders' equity

² includes all properties, irrespective of their recognition in the balance sheet; trading properties are recognised at lower of cost or net realisable value

³ acquisition of Wincasa AG as at 25.10.2012

⁴ acquisition of Tertianum AG as at 12.07.2013, sale of Permed AG as at 17.03.2014, acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

⁵ including non-controlling interests

⁶ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

FIVE-YEAR SUMMARY OF KEY FIGURES

	in	Restated ¹ 31.12.2011	Restated ¹ 31.12.2012	31.12.2013	31.12.2014	31.12.2015
Interest-bearing financial liabilities	CHF m	4 188.7	4 144.7	5 066.7	4 963.7	4 261.6
Interest-bearing financial liabilities in % of balance sheet total	%	48.7	44.9	48.2	46.8	39.9
Loan-to-value ratio of property portfolio (LTV)	%	51.0	48.0	54.1	50.7	44.0
Weighted average interest rate on financial liabilities	%	2.8	2.6	2.2	2.2	2.1
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.5	4.5	4.0	4.7	4.4
Return on equity (ROE)	%	10.6	8.9	9.1	7.0	7.6
Return on invested capital (ROIC)	%	5.8	4.8	4.6	3.7	4.3
Cash flow from operating activities	CHF m	327.2	213.9	-74.0	729.7	388.4
Cash flow from investing activities	CHF m	114.6	-137.8	-349.7	-280.4	100.4
Cash flow from financing activities	CHF m	-325.0	-0.9	425.6	-395.8	-511.1
Key financial figures excluding revaluation effects²						
Operating profit (EBIT)	CHF m	426.0	327.1	352.5	349.6	428.9
Profit	CHF m	250.8	198.2	222.8	236.0	280.8
of which attributable to non-controlling interests	CHF m	-	-	-	-	-0.2
Comprehensive income	CHF m	250.8	202.4	241.3	207.6	273.6
of which attributable to non-controlling interests	CHF m	-	-	-	-	-0.2
Return on equity (ROE)	%	7.7	5.9	6.1	5.9	6.1
Return on invested capital (ROIC)	%	4.5	3.5	3.4	3.2	3.6
Key figures per share						
Share price at end of period	CHF	70.55	76.35	69.05	73.00	78.50
Share price, highest	CHF	74.60	82.95	78.45	76.00	87.80
Share price, lowest	CHF	65.85	69.30	66.35	68.95	70.65
Earnings per share (EPS)	CHF	6.53	5.67	5.70	4.72	5.30
Earnings per share (EPS) excluding revaluation effects ²	CHF	4.62	3.61	3.69	3.90	4.20
NAV before deferred taxes ³	CHF	76.72	78.62	82.65	84.77	85.83
NAV after deferred taxes ³	CHF	63.34	65.22	67.91	69.06	71.15
Distribution from capital contribution reserves ⁴	CHF	3.60	3.60	3.60	3.70	3.70
Cash yield on closing price of the reporting period ⁴	%	5.1	4.7	5.2	5.1	4.7

¹ restatement due to IAS 19 rev.; 2011 only shareholders' equity² revaluations and deferred taxes³ non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV⁴ 31.12.2015 according to proposal to Annual General Meeting

FIVE-YEAR SUMMARY OF KEY FIGURES

	in	Restated ¹ 31.12.2011	Restated ¹ 31.12.2012	31.12.2013	31.12.2014	31.12.2015
Key figures per share						
Share performance (TR) p.a. in the last 12 months	%	6.1	14.9	–5.1	10.9	13.7
Share performance (TR) p.a. in the last 3 years	%	18.0	15.7	5.0	6.5	6.2
Share performance (TR) p.a. in the last 5 years	%	4.6	12.0	12.4	10.3	7.8
Premium	%	11.4	17.1	1.7	5.7	10.3
Market capitalisation						
	CHF m	3 835.7	4 581.9	4 177.7	4 439.9	5 467.6
Employees						
Number of employees ²	People	771	1 462	3 105	3 097	4 446
Full-time equivalents ²	FTE	547	1 239	2 321	2 370	3 311
Share statistics						
Shares issued	Number	54 368 714	60 011 611	60 503 081	60 820 602	69 651 534
Average treasury shares held	Number	–36 117	–4 369	–5 847	–6 458	–6 506
Average outstanding shares	Number	54 332 597	54 873 552	60 368 821	60 512 651	67 127 792
Treasury shares held	Number	–4 244	–4 828	–18 916	–2 682	–2 780
Outstanding shares	Number	54 364 470	60 006 783	60 484 165	60 817 920	69 648 754

¹ restatement due to IAS 19 rev.; 2011 only shareholders' equity

² 2013 adjusted to new, standardised reporting of employees (including temporary staff and other, according to personnel expenses)

..... **PROPERTY DETAILS**

PROPERTY DETAILS

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Aarau , Bahnhofstrasse 23	15 570	596	–	sole ownership	1946	1986	685
Affoltern a.A. , Obere Bahnhofstrasse 14	–	44		sold 01.03.2015			
Amriswil , Weinfelderstrasse 74	7 341	470	0.2	sole ownership	2004		3 672
Baden , Bahnhofstrasse 2	9 741	405	–	sole ownership	1927	1975	212
Baden , Weite Gasse 34, 36	9 070	389	–	sole ownership	1953	1975	366
Basel , Aeschenvorstadt 2–4	45 730	2 011	5.8	sole ownership	1960	2005	1 362
Basel , Barfüsserplatz 3	39 080	1 481	–	sole ownership	1874	1993	751
Basel , Centralbahnplatz 9/10	20 980	842	–	sole ownership	1870/ 2005	2005	403
Basel , Elisabethenstrasse 15	28 500	1 356	–	sole ownership	1933	1993	953
Basel , Freie Strasse 26/ Falknerstrasse 3	40 570	1 478	3.7	sole ownership	1854	1980	471
Basel , Freie Strasse 36	43 690	1 690	–	sole ownership	1894	2003	517
Basel , Freie Strasse 68	59 820	2 753	48.2	sole ownership	1930	2015/ 2016	1 461
Basel , Henric Petri-Strasse 9/ Elisabethenstrasse 19	31 240	1 506	0.7	sole ownership	1949	1985	2 387
Basel , Hochbergerstrasse 40/ parking	4 067	609	16.0	sole ownership, land lease	1976		4 209
Basel , Hochbergerstrasse 60/ building 805	4 064	301	–	sole ownership	1958	2006	5 420
Basel , Hochbergerstrasse 60/ building 860	2 098	134	65.1	sole ownership	1990		980
Basel , Hochbergerstrasse 60/ Stückli Business Park 60A–E	102 130	6 242	35.6	sole ownership	2008		8 343
Basel , Hochbergerstrasse 62	9 617	424	–	sole ownership	2005		2 680
Basel , Hochbergerstrasse 70/ Stückli shopping centre	218 580	15 047	15.7	sole ownership	2009		46 416
Basel , Messeplatz 12/Messeturm	206 310	9 342	–	sole ownership, partial land lease	2003		2 137
Basel , Peter Merian-Strasse 80	52 310	2 574	2.5	freehold property	1999		19 214
Basel , Rebgrasse 20	40 060	2 483	1.7	sole ownership	1973	1998	3 713
Belp , Aemmenmattstrasse 43	15 540	1 618	49.3	sole ownership	1991		5 863
Berlingen , Seestrasse 110	1 513	148	33.1	sole ownership	1992		1 293
Berlingen , Seestrasse 83, 88, 101, 154	36 680	1 970	–	sole ownership	1948– 1998		10 321
Berne , Bahnhofplatz 9	14 320	618	–	sole ownership	1930	1985	275
Berne , Genfergasse 14	109 380	4 305	–	sole ownership	1905	1998	4 602
Berne , Laupenstrasse 6	11 960	591	–	sole ownership	1911	1998	503
Berne , Mingerstrasse 12–18/ PostFinance Arena	113 840	6 582	–	sole ownership, land lease	1969/ 2009	2009	29 098

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
2 069	60.8	12.3	–	–	26.9	–
3 083	41.7	0.7	41.6	–	5.2	10.8
979	93.4	–	–	–	6.6	–
1 565	37.7	40.4	–	–	10.8	11.1
6 263	15.1	63.8	–	–	21.1	–
3 864	46.8	33.2	–	–	19.9	0.1
1 442	8.5	38.1	20.9	–	11.7	20.8
4 265	20.8	72.5	–	–	6.7	–
2 870	43.6	50.3	–	–	6.1	–
2 429	59.3	13.6	–	–	11.5	15.6
6 159	14.4	74.6	–	–	10.3	0.7
6 696	4.3	72.6	–	–	21.1	2.0
–	–	–	–	–	–	–
4 782	–	23.4	–	–	10.5	66.1
897	–	82.2	–	–	14.0	3.8
37 441	–	86.3	–	–	5.0	8.7
–	–	–	–	–	–	–
54 442	59.7	8.0	18.0	–	12.2	2.1
24 093	0.7	54.2	41.7	–	3.2	0.2
9 110	–	85.3	–	–	14.7	–
9 231	47.2	11.1	13.7	–	26.2	1.8
9 255	–	76.2	5.3	–	16.4	2.1
1 882	–	100.0	–	–	–	–
8 650	–	–	–	100.0	–	–
1 616	67.5	–	–	–	32.5	–
15 801	4.1	85.0	–	–	0.7	10.2
2 067	41.4	49.9	–	–	0.3	8.4
46 348	0.2	17.8	–	–	0.1	81.9

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Berne, Schwarztorstrasse 48	50 750	2 812	–	sole ownership	1981	2011	1 959
Berne, Wankdorfallee 4/ EspacePost	165 450	8 150	–	sole ownership, land lease	2014		5 244
Berne, Weltpoststrasse 5 ⁴	73 680	5 454	13.8	sole ownership, land lease	1975/1985	2013	19 374
Biel, Solothurnstrasse 122	8 401	516	0.2	sole ownership, land lease	1961	1993	3 885
Brugg, Hauptstrasse 2	15 240	1 033	8.6	sole ownership	1958	2000	3 364
Buchs, St. Gallerstrasse 5	6 729	425	0.4	sole ownership	1995		2 192
Burgdorf, Emmentalstrasse 14	8 246	551	5.6	sole ownership	1972	1998	1 845
Burgdorf, Industrie Buchmatt	14 030	794	–	sole ownership, partial land lease	1973		15 141
Carouge, Avenue Cardinal-Mermillod 36–44	152 820	8 866	0.9	sole ownership	1956	2002	14 372
Cham, Dorfplatz 2	5 062	254	0.1	sole ownership	1992		523
Conthey, Route Cantonale 2	7 419	383	–	sole ownership	1989		3 057
Conthey, Route Cantonale 4	18 570	1 321	9.5	sole ownership, land lease	2009		7 444
Conthey, Route Cantonale 11	27 580	1 581	7.1	sole ownership, land lease	2002		10 537
Dietikon, Bahnhofplatz 11/ Neumattstrasse 24	10 140	505	0.8	sole ownership	1989		1 004
Dietikon, Kirchstrasse 20	12 270	596	0.1	sole ownership	1988		1 087
Dietikon, Zentralstrasse 12	7 234	489	–	sole ownership	1965		1 215
Dübendorf, Bahnhofstrasse 1	6 458	446	–	sole ownership, land lease	1988		1 308
Eyholz, Kantonsstrasse 79	3 093	289	–	sole ownership, land lease	1991		2 719
Frauenfeld, St. Gallerstrasse 30–30c	34 970	1 710	–	sole ownership	1991		8 842
Frauenfeld, Zürcherstrasse 305	8 740	562	7.2	sole ownership	1982	2006	3 866
Frick, Hauptstrasse 132/ Fricktal Centre A3	21 720	1 139	4.1	sole ownership	2007		13 365
Geneva, Centre Rhône-Fusterie	108 750	3 088	–	freehold property	1990		2 530
Geneva, Place Cornavin 10	–	932		sold 01.10.2015			
Geneva, Place du Molard 2–4	255 400	8 769	0.8	sole ownership	1690	2002	1 718
Geneva, Route de Meyrin 49	66 310	3 845	13.4	sole ownership	1987		9 890
Geneva, Rue Céard 14/ Croix-d'Or 11	28 450	751	1.8	sole ownership	1974/1985	1981	285
Geneva, Rue de Rive 3	33 050	1 236	13.1	sole ownership	1900	2002	377
Geneva, Rue du Rhône 48–50	515 370	17 715	2.9	sole ownership	1921	2002	5 166

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
8 148	–	75.7	–	–	23.0	1.3
33 650	–	94.2	–	–	4.9	0.9
25 838	–	67.3	4.5	–	21.0	7.2
3 320	74.9	2.7	–	–	15.3	7.1
4 211	60.5	4.1	3.5	–	30.4	1.5
1 784	13.2	60.1	–	–	18.3	8.4
2 061	46.2	43.5	–	–	8.6	1.7
11 966	2.9	5.4	–	–	89.4	2.3
35 084	23.7	59.2	0.8	–	14.8	1.5
1 067	11.4	61.5	–	–	27.1	–
2 480	71.6	4.6	–	–	19.8	4.0
5 038	86.3	–	3.0	–	6.0	4.7
7 326	73.6	7.6	0.7	–	14.3	3.8
1 783	19.5	56.1	–	–	24.4	–
1 894	23.5	65.0	–	–	11.5	–
3 266	40.9	6.2	–	–	46.4	6.5
1 671	17.7	59.3	–	–	23.0	–
1 321	92.2	5.7	–	–	–	2.1
9 528	–	–	–	100.0	–	–
4 319	56.6	18.4	–	–	18.2	6.8
4 984	64.6	–	3.2	–	15.6	16.6
11 186	76.2	0.3	–	–	23.5	–
7 178	35.4	56.3	2.2	–	3.7	2.4
10 134	–	85.6	–	–	13.1	1.3
1 677	66.0	–	–	–	34.0	–
1 860	50.0	29.9	9.6	–	8.2	2.3
33 420	44.3	33.3	7.2	–	9.1	6.1

¹ Property included in Assisted Living segment² Reclassified from investment properties to properties under construction due to total refurbishment³ Condominium trading properties⁴ Split into lots

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Glattbrugg, Schaffhauserstrasse 59	–	24	–	sold 01.02.2015			
Gossau, Wilerstrasse 82	20 560	1 121	–	sole ownership	2007		13 064
Grand-Lancy, Route des Jeunes 10/CCL La Praille	273 120	15 956	0.4	sole ownership, land lease	2002		20 597
Grand-Lancy, Route des Jeunes 12	52 960	3 158	0.5	sole ownership, land lease	2003		5 344
Heimberg, Gurnigelstrasse 38	8 878	604	–	sole ownership, land lease	2000		7 484
Horgen, Zugerstrasse 22, 24	11 580	628	–	sole ownership	1990		868
La Chaux-de-Fonds, Boulevard des Eplatures 44	6 883	434	–	sole ownership	1972		3 021
Lachen, Seidenstrasse 2	6 511	346	–	sole ownership	1993		708
Lausanne, Rue de Sébeillon 9/ Sébeillon Centre	12 850	959	5.4	sole ownership	1930	2001	2 923
Lausanne, Rue du Pont 5	144 900	6 893	0.6	sole ownership	1910	2004	3 884
Locarno, Largo Zorzi 4/ Piazza Grande	25 990	1 398	–	sole ownership	1956	2001	2 365
Locarno, Parking Centro	13 960	1 308	–	sole ownership, land lease	1990	2001	4 013
Locarno, Via delle Monache 8	886	68	1.1	freehold property	1989		2 409
Lutry, Route de l'Ancienne Cibleterie 2	28 650	1 738	2.0	freehold property	2006		13 150
Lucerne, Kreuzbuchstrasse 33/35	21 540	1 882	–	sole ownership, land lease	2010		14 402
Lucerne, Pilatusstrasse 4/Flora	64 680	2 741	–	freehold property	1979	2008	4 376
Lucerne, Schwanenplatz 3	15 700	618	–	sole ownership	1958	2004	250
Lucerne, Weggisgasse 20, 22	17 570	662	–	sole ownership	1982		228
Lucerne, Weinberglistrasse 4/ Tribschenstrasse 62	–	2 447	–	sold 01.10.2015			
Meilen, Seestrasse 545	6 733	510	–	sole ownership, land lease	2008		1 645
Meyrin, Route de Meyrin 210	2 447	247	–	sole ownership, partial land lease	1979	1999	3 860
Neuchâtel, Avenue J.-J. Rousseau 7	6 975	516	5.1	sole ownership	1991	1992	1 020
Neuchâtel, Rue de l'Ecluse 19/parking	627	38	4.5	sole ownership	1960	1997	715
Neuchâtel, Rue du Temple-Neuf 11	5 070	265	0.9	sole ownership	1953	1993	262
Neuchâtel, Rue du Temple-Neuf 14	40 530	2 096	8.8	sole ownership	1902/ 2014		1 928

OVERVIEW OF TYPE OF USE

Total m² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
4 689	78.1	2.1	–	–	10.7	9.1
36 095	51.9	0.9	28.5	–	16.6	2.1
12 765	3.3	38.0	42.9	–	13.7	2.1
1 543	83.6	2.8	–	–	7.0	6.6
2 408	11.0	75.5	–	–	13.5	–
2 506	94.7	1.7	–	–	3.0	0.6
1 532	13.9	67.6	–	–	18.5	–
10 123	8.4	56.4	–	–	24.7	10.5
20 802	50.5	23.3	9.2	–	10.1	6.9
6 690	61.4	14.0	1.7	–	10.2	12.7
50	–	–	–	–	100.0	–
256	–	–	–	–	93.4	6.6
3 232	72.4	2.8	4.6	–	14.8	5.4
10 533	–	–	–	100.0	–	–
9 892	69.4	12.2	–	–	9.6	8.8
1 512	10.8	62.6	–	–	18.7	7.9
1 285	76.8	–	–	–	23.2	–
2 458	–	–	–	100.0	–	–
1 117	65.6	4.4	–	–	15.7	14.3
3 127	–	70.0	–	–	22.5	7.5
–	–	–	–	–	–	–
1 153	18.4	56.5	–	–	13.9	11.2
6 896	45.4	24.6	–	–	11.0	19.0

PROPERTY DETAILS AS AT 31.12.2015

OVERVIEW OF TYPE OF USE

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE														
Niederwangen b. Bern, Riedmoosstrasse 10	40 150	2 364	–	sole ownership	1985	2006	12 709	12 925	33.2	13.1	–	–	45.7	8.0
Oberbüren, Buchental 2	13 090	767	–	sole ownership	1980	2007	6 401	6 486	34.3	1.8	–	–	62.4	1.5
Oberbüren, Buchental 3	3 344	341	12.4	sole ownership	1964		4 651	2 342	20.7	32.5	–	–	31.6	15.2
Oberbüren, Buchental 3a	3 277	240	–	sole ownership	1964		3 613	2 464	–	–	–	–	100.0	–
Oberbüren, Buchental 4	26 500	1 498	–	sole ownership	1990		4 963	9 547	38.5	20.3	–	–	41.2	–
Oberbüren, Buchental 5	941	65	–	sole ownership	1920		3 456	1 648	–	12.1	–	–	–	87.9
Oberwil, Mühlemattstrasse 23	2 980	305	–	freehold property, land lease	1986		6 200	1 651	63.3	4.2	–	–	28.9	3.6
Oftringen, Spitalweidstrasse 1/ shopping centre a1	90 360	5 697	7.4	sole ownership	2006		42 031	19 968	78.9	3.2	1.4	–	13.8	2.7
Olten, Bahnhofquai 18	28 000	1 575	0.8	sole ownership	1996		2 553	5 134	–	93.6	–	–	6.4	–
Olten, Bahnhofquai 20	39 670	2 045	0.1	sole ownership	1999		1 916	7 366	–	85.4	–	–	14.6	–
Olten, Frohburgstrasse 1	6 559	109	9.8	sole ownership	1899	2009	379	1 196	–	78.3	–	–	21.7	–
Olten, Frohburgstrasse 15	11 940	602	0.7	sole ownership	1961	1998	596	1 882	–	88.0	–	–	12.0	–
Olten, Solothurnerstrasse 201	6 620	333	–	sole ownership	2006		5 156	1 592	62.3	–	–	–	31.5	6.2
Olten, Solothurnerstrasse 231–235/Usego	23 420	1 895	44.4	sole ownership	1907	2011	12 922	11 920	23.3	64.0	–	–	9.9	2.8
Opfikon, Müllackerstrasse 2, 4/ Bubenholz	43 130	750	–	sole ownership	2015		6 169	10 802	–	–	–	100.0	–	–
Ostermundigen, Mitteldorfstrasse 16	33 830	1 596	–	sole ownership	2009		7 503	10 925	–	–	–	100.0	–	–
Otelfingen, Industriestrasse 19/21	102 600	7 414	18.0	sole ownership	1965	2000	101 933	80 366	–	16.6	–	–	78.1	5.3
Otelfingen, Industriestrasse 31	22 660	1 494	15.7	sole ownership	1986	1993	12 135	11 560	–	34.6	0.4	–	57.3	7.7
Payerne, Route de Bussy 2	24 170	1 222	–	sole ownership	2006		12 400	6 018	84.0	4.4	–	–	7.1	4.5
Petit-Lancy, Route de Chancy 59	121 220	6 461	36.0	sole ownership	1990		13 052	22 057	–	69.5	5.6	–	21.7	3.2
Pfäffikon SZ, Huobstrasse 5	61 300	2 800	–	sole ownership	2004		7 005	11 660	–	–	–	100.0	–	–
Rapperswil-Jona, Rathausstrasse 8	18 990	981	0.3	sole ownership	1992	2008	1 648	3 143	23.6	50.7	–	–	25.7	–
Romanel, Chemin du Marais 8	19 380	1 237	–	sole ownership	1973	1995	7 264	6 791	88.3	0.2	–	–	10.4	1.1
Schwyz, Oberer Steisteg 18, 20	8 618	526	–	sole ownership	1988	2004	1 039	2 672	8.6	58.4	–	–	33.0	–
Solothurn, Amthausplatz 1	12 980	854	0.8	sole ownership	1955	1988	1 614	3 355	17.9	57.9	–	–	24.2	–
Spreitenbach, Industriestrasse/ Tivoli	10 640	570	–	freehold property	1974	2010	25 780	980	87.2	–	–	–	12.8	–
Spreitenbach, Müslistrasse 44	4 317	226	–	sole ownership	2002		2 856	517	–	7.0	30.2	–	4.1	58.7
Spreitenbach, Pfadackerstrasse 6/Limmatpark	75 910	6 600	14.2	sole ownership	1972	2003	10 318	27 371	56.7	28.1	–	–	14.5	0.7
St. Gallen, Bohl 1/Goliathgasse 6	–	999	–	sold 01.10.2015										
St. Gallen, Spisergasse 12	11 240	490	–	sole ownership	1900	1998	208	1 070	82.7	–	–	–	–	17.3

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
St. Gallen , Zürcherstrasse 462–464/Shopping Arena	307 790	16 941	1.0	sole ownership, parking 73/100 co-ownership	2008		33 106
Stadel b. Niederglatt , Buechenstrasse 80 ¹	16 230	–	–	finance lease, bought 01.10.2015	2008		3 947
Sursee , Moosgasse 20	11 980	654	–	sole ownership	1998		4 171
Thalwil , Gotthardstrasse 40	5 880	278	–	sole ownership	1958	2004	541
Thun , Bälliz 67	17 240	636	–	sole ownership	1953	2001	875
Thun , Göttibachweg 2–2e, 4, 6, 8	40 520	2 222	–	sole ownership, land lease	2003		14 520
Uster , Poststrasse 10	8 104	377	–	sole ownership	1972	2012	701
Uster , Poststrasse 14/20	12 420	722	1.2	sole ownership	1854	2000	2 449
Vernier , Chemin de l'Étang 72/ Patio Plaza	93 600	5 715	28.4	sole ownership	2007		10 170
Vevey , Rue de la Clergère 1	12 160	717	4.8	sole ownership	1927	1994	717
Wabern , Nesslerenweg 30	18 720	1 007	–	sole ownership	1990		4 397
Wattwil , Ebnerstrasse 45 ¹	1 151	–	–	freehold property, bought 01.10.2015	1986		539
Wil , Obere Bahnhofstrasse 40	18 260	869	–	sole ownership	1958	2008	1 105
Winterthur , Theaterstrasse 17	62 070	3 403	78.7	sole ownership	1999		7 535
Winterthur , Untertor 24	9 826	314	–	sole ownership	1960	2006	290
Worblaufen , Alte Tiefenastrasse 6	82 280	4 771	–	49/100 co-ownership	1999		21 596
Zollikon , Bergstrasse 17, 19	11 790	646	15.7	sole ownership	1989	2004	1 768
Zollikon , Forchstrasse 452–456	16 770	734	–	sole ownership	1984/1998		2 626
Zuchwil , Allmendweg 8/ Riverside Business Park	–	6 832		sold 01.12.2015			
Zuchwil , Dorfackerstrasse 45/ Birchi Centre	29 160	2 428	10.8	sole ownership, land lease	1997		9 563
Zug , Zählerweg 4, 6/Dammstrasse 19/Landis + Gyr-Strasse 3/Opus 1	126 370	5 833	–	sole ownership	2002		7 400
Zug , Zählerweg 8, 10/ Dammstrasse 21, 23/Opus 2	160 020	7 348	–	sole ownership	2003		8 981
Zurich , Affolternstrasse 52/ MFO building	13 190	577	–	sole ownership	1889	2012	1 367
Zurich , Affolternstrasse 54, 56/ Cityport	177 190	9 182	3.7	sole ownership	2001		9 830
Zurich , Albisriederstrasse 203	64 650	2 390	15.0	sole ownership	1942–2003		22 745
Zurich , Bahnhofstrasse 42	93 300	1 435	0.2	sole ownership	1968	1990	482

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
39 845	57.8	9.6	9.5	–	19.7	3.4
2 674	–	–	–	100.0	–	–
2 410	77.2	–	6.8	–	16.0	–
986	9.1	57.8	13.2	–	19.9	–
3 173	32.4	51.2	2.0	–	10.7	3.7
11 556	–	–	–	100.0	–	–
1 431	17.1	61.3	–	–	21.6	–
3 195	63.3	11.7	3.8	–	19.5	1.7
13 682	–	82.2	–	–	17.1	0.7
3 085	15.5	72.5	–	–	12.0	–
6 288	–	–	–	100.0	–	–
335	–	100.0	–	–	–	–
2 878	80.4	8.6	–	–	7.2	3.8
14 270	–	73.1	1.4	–	6.1	19.4
1 364	69.9	–	–	–	30.1	–
18 213	–	87.4	–	–	12.0	0.6
2 126	26.1	44.1	–	–	29.8	–
2 251	–	68.4	–	–	31.6	–
13 274	76.0	1.6	–	–	13.3	9.1
15 802	–	90.3	–	–	9.7	–
19 903	–	91.1	–	–	8.9	–
2 776	–	53.1	25.8	–	21.1	–
23 420	–	92.1	–	–	7.6	0.3
12 724	–	64.3	20.7	–	10.9	4.1
2 003	42.7	44.6	–	–	12.7	–

¹ Property included in Assisted Living segment

² Reclassified from investment properties to properties under construction due to total refurbishment

³ Condominium trading properties

⁴ Split into lots

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Zurich, Bahnhofstrasse 69	53 020	1 577	0.4	sole ownership	1898	2007	230
Zurich, Bahnhofstrasse 106	49 290	1 204	–	sole ownership	1958		200
Zurich, Carl-Spitteler-Strasse 68/70	94 070	4 045	–	sole ownership	1993		11 732
Zurich, Etzelstrasse 14	7 410	–	–	sole ownership	1967		1 809
Zurich, Flurstrasse 89	7 686	469	0.3	sole ownership	1949	2003	2 330
Zurich, Fraumünsterstrasse 16	141 270	5 419	22.2	sole ownership	1901	1990	2 475
Zurich, Hagenholzstrasse 60/ SkyKey	283 780	11 149	–	sole ownership	2014		9 573
Zurich, Hardstrasse 201/ Prime Tower	559 840	20 803	–	sole ownership	2011		10 416
Zurich, Hardstrasse 219/ Eventblock Maag	15 890	975	–	sole ownership	1929–1978		8 002
Zurich, Josefstrasse 53, 59	82 050	3 925	0.2	sole ownership	1962/1972	2001	2 931
Zurich, Jupiterstrasse 15/ Böcklinstrasse 19	22 790	931	–	sole ownership	1900/1995	1996	1 630
Zurich, Kappenbühlweg 9, 11/ Holbrigstrasse 10/ Regensdorferstrasse 18a	67 110	2 991	–	sole ownership	1991		9 557
Zurich, Maagplatz 1/Platform	172 990	6 935	–	sole ownership	2011		5 942
Zurich, Manessestrasse 85	50 600	2 835	51.2	sole ownership	1985	2012	3 284
Zurich, Ohmstrasse 11, 11a	35 370	2 231	0.7	sole ownership	1927	2007	1 970
Zurich, Restelbergstrasse 108	9 732	352	–	sole ownership	1936	1997	1 469
Zurich, Schaffhauserstrasse 339	9 044	454	2.7	sole ownership	1957	1997	307
Zurich, Seidengasse 1/ Jelmoli – The House of Brands	807 430	29 333	–	sole ownership	1898	2010	6 514
Zurich, Siewerdstrasse 8	19 760	1 114	–	sole ownership	1981		1 114
Zurich, Sihlcity	200 388	10 668	1.0	242/1000 co-ownership	2007		10 162
Zurich, Sihlstrasse 24/ St. Annagasse 16	38 960	1 934	8.0	sole ownership	1885	2007	1 155
Zurich, Stadelhoferstrasse 18	27 680	1 093	–	sole ownership	1983	2004	1 046
Zurich, Stadelhoferstrasse 22	35 790	1 599	–	sole ownership, partial land lease	1983	2004	1 024
Zurich, Steinmühleplatz 1/ St. Annagasse 18/Sihlstrasse 20	97 420	3 842	0.2	sole ownership	1957	1999	1 534
Zurich, Steinmühleplatz/ Jelmoli parking	41 000	3 328	5.3	sole ownership with concession	1972	2009	1 970
Zurich, Talacker 21, 23	75 770	2 980	–	sole ownership	1965	2008	1 720
Total I	9 033 980	439 151	6.1				999 119

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
1 114	10.9	77.6	–	–	11.1	0.4
1 196	11.8	53.1	–	–	32.1	3.0
19 343	–	–	–	100.0	–	–
2 080	–	–	–	100.0	–	–
3 331	–	12.0	–	–	11.3	76.7
7 927	16.6	73.0	–	–	10.4	–
41 253	0.3	85.7	9.8	–	4.2	–
48 142	0.7	87.3	5.5	–	6.4	0.1
6 675	–	20.4	–	–	17.2	62.4
12 114	7.0	75.0	1.4	–	16.6	–
1 829	–	–	–	100.0	–	–
14 790	–	–	–	100.0	–	–
20 319	–	91.1	–	–	4.8	4.1
8 087	4.6	69.0	–	–	26.3	0.1
6 232	53.0	22.6	2.1	–	17.5	4.8
672	–	–	–	100.0	–	–
1 726	12.7	69.3	–	–	18.0	–
36 771	64.6	3.7	13.3	–	12.8	5.6
3 688	–	91.1	–	–	8.9	–
23 634	42.3	24.7	18.9	–	7.7	6.4
2 855	3.9	68.8	13.7	–	6.5	7.1
1 914	19.5	49.0	11.9	–	19.0	0.6
3 067	11.6	50.9	4.6	–	30.7	2.2
6 205	10.9	64.9	2.1	–	19.1	3.0
84	86.9	13.1	–	–	–	–
4 904	9.6	64.2	–	–	26.2	–
1 429 181	22.3	40.6	5.1	8.7	16.7	6.6

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
MIXED PROPERTIES							
Geneva, Quai du Seujet 30	–	699		sold 01.10.2015			
Geneva, Route de Malagnou 6/ Rue Michel-Chauvet 7	15 620	817	16.0	sole ownership	1960/ 1969	1989	1 321
Geneva, Rue de la Croix-d'Or 7/ Rue Neuve-du-Molard 4–6	60 380	2 324	0.2	sole ownership	1974/ 1985	1994	591
St. Gallen, Spisergasse 12	5 499	222	–	sole ownership	1423	1984	165
Thônex, Rue de Genève 104–108	94 350	4 770	0.1	sole ownership	2008		9 224
Zurich, Hardstrasse 219/ Maaghof North and East	–	3 745		sold 01.12.2015			
Zurich, Höggerstrasse 40/ Röschibachstrasse 22	–	9		sold 01.01.2015			
Zurich, Nansenstrasse 5/7	47 210	2 498	0.1	sole ownership	1985		1 740
Zurich, Querstrasse 6	3 958	166	–	sole ownership	1927	1990	280
Zurich, Schulstrasse 34, 36	12 630	547	0.3	sole ownership	1915	1995	697
Total II	239 647	15 797	4.1				14 018

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
1 616	–	47.7	11.6	–	3.8	36.9
3 472	38.4	24.3	–	–	3.6	33.7
617	31.6	17.7	–	–	24.1	26.6
11 662	56.1	0.4	3.5	–	8.2	31.8
5 883	41.0	25.3	–	–	6.1	27.6
565	13.6	–	–	–	–	86.4
1 721	–	36.1	–	–	7.8	56.1
25 536	41.3	15.2	2.3	–	7.0	34.2

BUILDING LAND

Basel, Hochbergerstrasse 60/ parking	3 300	216	4.0	sole ownership			5 440
Berne, Weltpoststrasse 1–3/ Weltpostpark ¹	3 200	–	–	sole ownership, land lease			11 700
Dietikon, Bodacher	–	17	–	sole ownership			13 615
Dietikon, Bodacher/Im Maienweg	2 045	–	–	sole ownership			4 249
Dietikon, Bodacher/Ziegelägerten	1 840	–	–	sole ownership			3 825
Geneva Airport, Route de Pré-Bois	12 235	–	–	sole ownership			9 118
Geneva Airport, Route de Pré-Bois 10/underground car park	7 194	110	–	sole ownership, land lease	2003		2 156
Meyrin, Chemin de Riantbosson, Avenue de Mategnin	9 007	–	–	574/1000 co-ownership			4 414
Niederwangen b. Bern, Riedmoosstrasse 10	3 607	–	–	sole ownership			5 895
Oberbüren, Buchental/parking	745	29	–	sole ownership			1 825
Plan-les-Ouates, Chemin des Aulx	18 470	85	–	sole ownership			28 429
Spreitenbach, Joosacker 7	–	53	–	sole ownership			16 405
Wangen b. Olten, Rickenbacherfeld	4 647	–	–	sole ownership			11 197
Total III	66 290	510	1.7				118 268

–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
409	–	–	–	–	100.0	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
409	–	–	–	–	100.0	–

¹ Property included in Assisted Living segment

² Reclassified from investment properties to properties under construction due to total refurbishment

³ Condominium trading properties

⁴ Split into lots

PROPERTY DETAILS AS AT 31.12.2015

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m ²
PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT SITES							
Bellinzona , Via San Gottardo 99–99b	–	–	–	sold 01.12.2015			
Berne , Viktoriastrasse 21, 21a, 21b ²	56 600	3 471	0.1	sole ownership	1970		14 036
Schlieren , Zürcherstrasse 39	34 890	–	–	sole ownership, bought 15.12.2015	1992/2003		26 684
Zurich , Brandschenkestrasse 25 ²	114 410	3 116	92.2	sole ownership	1910	2015–2017	3 902
Zurich , Flurstrasse 55/Flurpark 2	140 790	142	–	sole ownership	1979	2013–2015	8 270
Zurich , Naphtastrasse 10/ Maaghof North and East ³	–	–	–	last condominium sold 18.11.2015			
Zurich , Turbinenstrasse 21/ Maaghof North and East ³	–	–	–	last condominium sold 25.09.2015			
Total IV	346 690	6 729	42.7				52 892

Overall total	9 686 607	462 187					1 184 297
Rent loss from vacancies	–30 165						
Consolidated subtotal segment, excluding leased properties	432 022	6.5					
Intercompany eliminations	–53 989						
Rental income from third parties, Retail segment	16 528						
Rental income from third parties from own properties, Assisted Living segment	24 637						
Consolidated subtotal, excluding leased properties	419 198	6.7					
Rental income from leased properties, Assisted Living segment	26 673						
Consolidated overall total, including leased properties	445 871						

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–

¹ Property included in Assisted Living segment

² Reclassified from investment properties to properties under construction due to total refurbishment

³ Condominium trading properties

⁴ Split into lots





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30 June 2016

SEMI-ANNUAL REPORT



SWISS PRIME SITE

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SEMI-ANNUAL REPORT ONLINE

Swiss Prime Site Semi-Annual Report
is available for download as PDF
via the website www.swiss-prime-site.ch.

NOTES TO READERS

[] Previous year's figures are enclosed in brackets.

Translation: The original of this semi-annual report is written in German. In the case of inconsistencies between the German original and this English translation, the German version shall prevail.

..... SUMMARY OF KEY FIGURES

SUMMARY OF KEY FIGURES

SUMMARY OF KEY FIGURES

Key financial figures	in	30.06.2014	30.06.2015	31.12.2015	30.06.2016
Rental income from properties	CHF m	217.3	225.2	445.9	225.5
Income from sale of trading properties	CHF m	–	74.4	105.1	–
Income from real estate services	CHF m	48.4	52.5	109.0	54.8
Income from retail ¹	CHF m	71.0	65.7	136.8	60.2
Income from assisted living ²	CHF m	77.3	77.4	184.2	151.9
Operating income	CHF m	415.9	497.9	995.2	497.4
Revaluation of investment properties, properties under construction and development sites	CHF m	53.6	99.7	124.6	32.8
EBITDA	CHF m	236.0	315.9	582.6	226.3
Operating profit (EBIT)	CHF m	221.1	300.2	553.4	207.0
Group profit	CHF m	137.2	191.0	355.1	132.0
Cash flow from operating activities	CHF m	497.8	154.8	388.4	85.3
Shareholders' equity	CHF m	4 026.0	4 776.8	4 956.0	4 948.6
Equity ratio	%	39.2	44.4	46.4	45.3
Borrowed capital	CHF m	6 237.0	5 975.9	5 734.6	5 974.0
Return on equity (ROE)	%	6.8	8.9	7.6	5.4
Return on invested capital (ROIC)	%	3.6	4.5	4.3	3.3

Financial figures excluding revaluation effects³

EBITDA	CHF m	182.5	216.1	458.0	193.5
Operating profit (EBIT)	CHF m	167.5	200.5	428.9	174.2
Group profit	CHF m	107.0	133.4	280.8	120.3
Return on equity (ROE)	%	5.4	6.3	6.1	4.9
Return on invested capital (ROIC)	%	3.0	3.4	3.6	3.1

Real estate portfolio

Fair value of real estate portfolio	CHF m	9 558.0	9 904.9	9 686.6	9 886.4
of which projects/development properties	CHF m	602.6	193.0	346.7	264.3
Number of properties	Number	194	188	182	184
Rental floor space	m ²	1 531 876	1 633 323	1 455 126	1 498 123
Vacancy rate	%	6.8	7.4	6.7	6.4
Average discount rate	%	3.98	3.75	3.66	3.60

Employees

Number of employees as at balance sheet date	Persons	3 034	3 183	4 446	5 346
Full-time equivalents as at balance sheet date	FTE	2 334	2 444	3 311	3 976

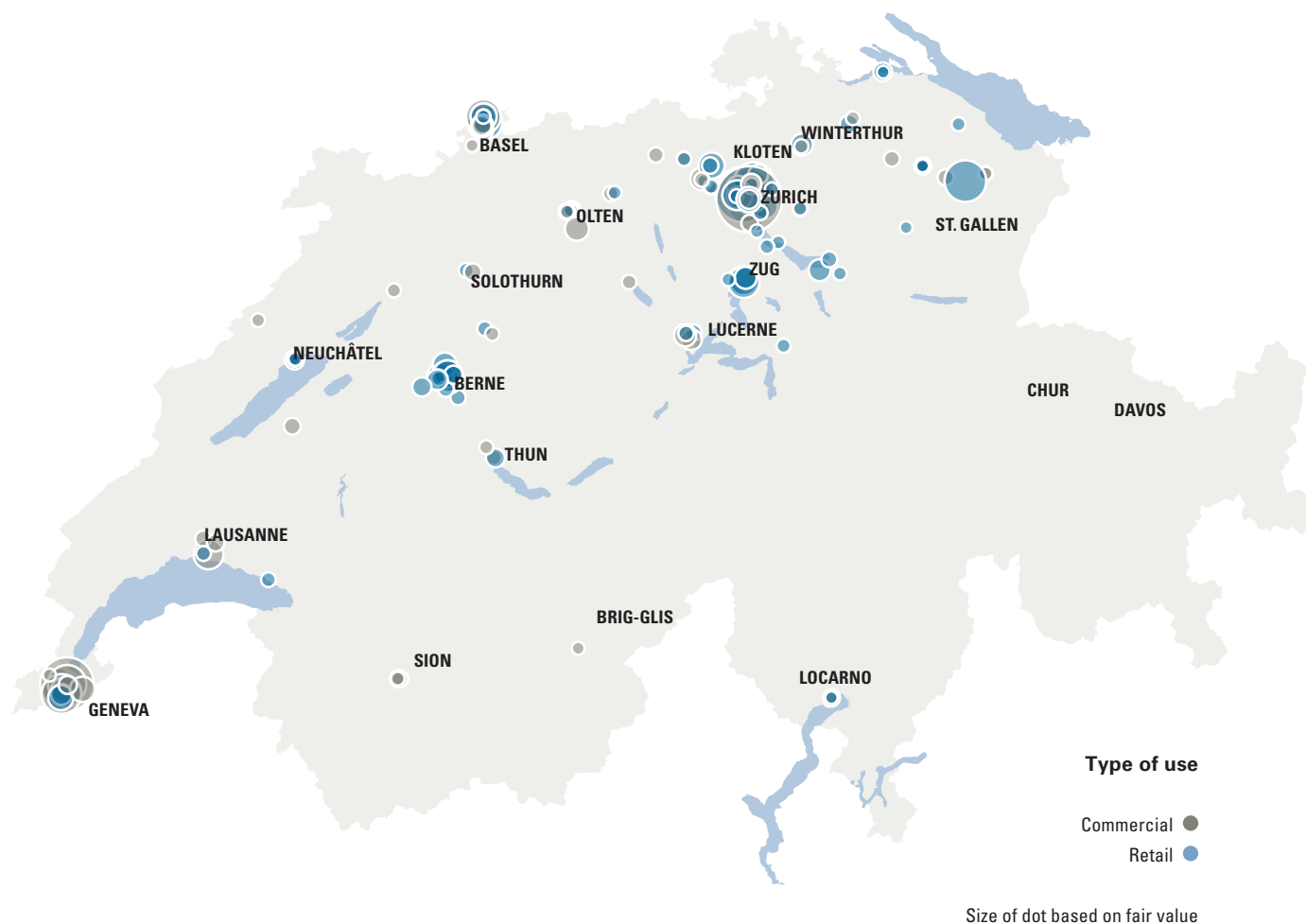
¹ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

² acquisition of Boas Senior Care as at 29.02.2016 and SENIOcare Group as at 01.10.2015

³ revaluations and deferred taxes

REAL ESTATE PORT FOLIO

OVERVIEW AND KEY FIGURES



ZÜRICH REGION

Fair value	CHF 3 963 m
Rental income	CHF 75 m
Yield	3.5%
Floor space	497 445 m ²
Vacancy rate	6.3%

BERNE REGION

Fair value	CHF 837 m
Rental income	CHF 22 m
Yield	4.4%
Floor space	224 800 m ²
Vacancy rate	4.0%

GENÈVE REGION

Fair value	CHF 2 126 m
Rental income	CHF 46 m
Yield	3.6%
Floor space	247 048 m ²
Vacancy rate	5.4%

NORTHWESTERN SWITZERLAND

Fair value	CHF 1 371 m
Rental income	CHF 33 m
Yield	4.0%
Floor space	283 980 m ²
Vacancy rate	12.2%

from Real Estate business field perspective, excluding third-party rents from own and additionally leased owner-occupied properties as at 30.06.2016

KEY DATA

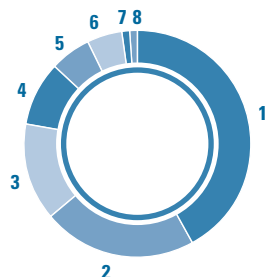
	in	30.06.2015	30.06.2016	Change in %
Fair value of real estate portfolio	CHF m	9 904.9	9 886.4	–0.2
of which projects/development properties	CHF m	193.0	264.3	37.0
Number of properties	Number	188	184	–2.1
of which new building projects	Number	5	6	20.0
Rental floor space ¹	m ²	1 633 323	1 498 123	–8.3
Rental income (Group)	CHF m	225.2	225.5	0.1
Vacancy rate	%	7.4	6.4	–13.5
Net property yield	%	4.0	3.9	–2.5

¹ excluding parking places/car parks

PORTFOLIO SPLIT BY REGION

Basis: Fair value as at 30.06.2016 [30.06.2015]

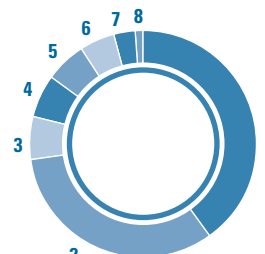
1 Zurich	42%	[41%]
2 Geneva	22%	[22%]
3 Northwestern Switzerland	14%	[15%]
4 Berne	9%	[9%]
5 Central Switzerland	6%	[6%]
6 Eastern Switzerland	5%	[5%]
7 Southern Switzerland	1%	[1%]
8 Western Switzerland	1%	[1%]



PORTFOLIO SPLIT BY TYPE OF USE¹

Basis: Net rental income as at 30.06.2016 [30.06.2015]

1 Office	40%	[39%]
2 Retail	33%	[33%]
3 Assisted Living	6%	[5%]
4 Cinema/restaurant	6%	[6%]
5 Parking	6%	[5%]
6 Storage	5%	[6%]
7 Other	3%	[4%]
8 Residential	1%	[2%]

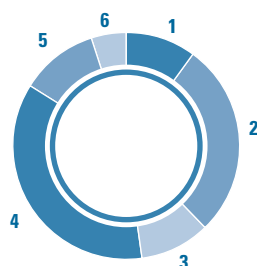


¹ Real Estate business field

RENTAL FLOOR SPACE BY AGE CATEGORY¹

(construction/renovation date)

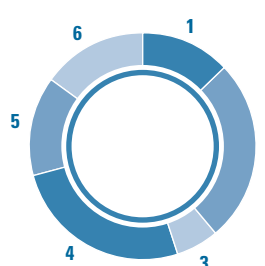
1 2011–2016	10%
2 2001–2010	28%
3 1991–2000	10%
4 1951–1990	36%
5 1901–1950	11%
6 Older than 1900	5%



FAIR VALUE BY AGE CATEGORY¹

(construction/renovation date)

1 2011–2016	13%
2 2001–2010	26%
3 1991–2000	6%
4 1951–1990	26%
5 1901–1950	14%
6 Older than 1900	15%



¹ excluding development properties, properties under construction and building land

..... **SHARE INFORMATION**

SHARE INFORMA TION

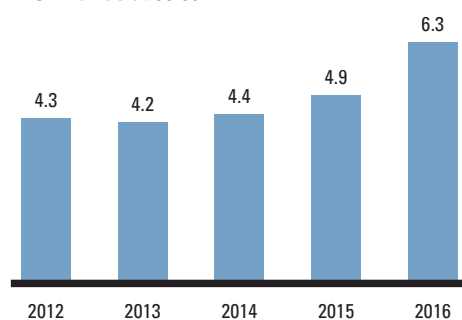
SHARE INFORMATION

Data per share	in	30.06.2015	30.06.2016	Change in %
Share capital	CHF m	1 065.7	1 093.6	2.6
Nominal value per share	CHF	15.30	15.30	–
Shares issued	Number	69 651 534	71 478 917	2.6
Treasury shares	Number	– 2 721	– 1 744	– 35.9
Average treasury shares held	Number	– 10 274	– 2 488	– 75.8
Average outstanding shares	Number	64 606 788	70 085 251	8.5
Outstanding shares	Number	69 648 813	71 477 173	2.6

Key figures per share	in	30.06.2015	30.06.2016	Change in %
Earnings per share (EPS)	CHF	2.96	1.89	– 36.1
Earnings per share excluding revaluation effects	CHF	2.06	1.72	– 16.5
NAV per share after deferred taxes	CHF	68.56	69.24	1.0
NAV per share before deferred taxes	CHF	82.92	83.66	0.9
Distribution per share	CHF	3.70	3.70	–
Cash yield	%	5.1	4.7	– 7.8
Share price as at balance sheet date	CHF	70.95	88.20	24.3
Share price, highest	CHF	87.80	88.20	0.5
Share price, lowest	CHF	70.95	74.95	5.6
Premium	%	3.5	27.4	682.9
Average trading volume per day	CHF m	17.7	15.4	– 13.0
Market capitalisation	CHF m	4 941.8	6 304.4	27.6

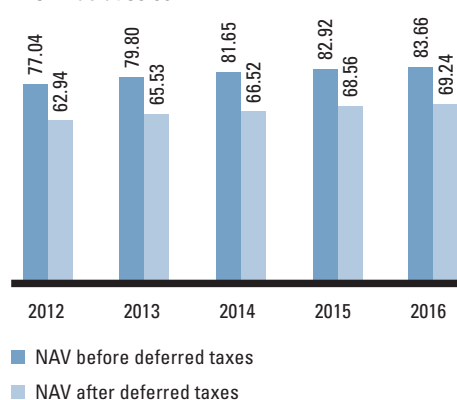
MARKET CAPITALISATION

in CHF bn as at 30.06.



NAV PER SHARE

in CHF as at 30.06.



..... SEMI-ANNUAL REPORT AS AT 30 JUNE 2016

SEMI ANNUAL REPORT 2016

SEMI-ANNUAL REPORT

AS AT 30 JUNE 2016

SIGNIFICANT EVENTS AND DEVELOPMENTS

Economic outlook

The Swiss economy has continued to follow a slightly positive trend in momentum, probably exhibiting a growth rate of roughly 1% year-on-year in the first half of 2016. Despite the negative pattern in retail sales, private consumption still remained the supporting pillar of economic growth. The labour market remained stable, although the trend is hardly robust. Investments in plant and equipment as well as government expenditures provided a positive contribution to growth, while construction investments continued to decline. On the other hand, the inflation rate continued to remain negative, and the negative interest rate environment accentuated further.

In light of the close economic interrelationship and intensive trading activities with the EU, the European economy had an impact on the Swiss real estate market too – albeit just indirectly and with a lagging effect. The economic recovery was somewhat stronger in the EU than in Switzerland in the first half-year, driven by positive momentum in Spain, the UK and Germany, providing an underpinning effect on the Swiss economy as well.

Milestones in the first half-year 2016

- > Acquisitions of Partners Group headquarters in Baar as well as the Schönbühl shopping centre with development potential in Lucerne
- > Acquisition of Boas Senior Care, the leading provider in the assisted living sector in Western Switzerland
- > Acquisition of immoveris ag and immoveris properties ag, thereby strengthening Wincasa's market position
- > CHF 190.35 million convertible bond converted at a rate of roughly 80%; shareholders' equity base strengthened
- > Successful placement of convertible bond amounting to CHF 250 million, with a 0.25% coupon and maturity date of 2023

Robust operating income

The performance turned in by Swiss Prime Site is manifested in the robust operating income of CHF 497.4 million, in the wake of the record year of 2015 [CHF 497.9 million]. The core Real Estate business realised rental income of CHF 225.5 million [CHF 225.2 million] as well as a renewed revaluation gain of CHF 32.8 million [CHF 99.7 million]. Assisted Living doubled its income to CHF 151.9 million in the reporting period [CHF 77.4 million].

Due to higher revaluation gains in the previous half-year 2015 as well as the gains recorded in the prior year from property sales (primarily realised gain of CHF 29.5 million from the sale of condominiums at the Maag Site), group profit for the first half-year was comparatively lower at CHF 132.0 million [CHF 191.0 million]. After adjusting for revaluation effects (i.e. revaluations and deferred taxes), profit amounted to CHF 120.3 million [CHF 133.4 million].

The shareholders' equity base was further strengthened year-on-year: The equity ratio amounted to 45.3% as at 30 June 2016 [44.4%], the return on equity (ROE) was 5.4% [8.9%] and the total return on invested capital (ROIC) stood at 3.3% [4.5%].

Changes in the scope of consolidation

Swiss Prime Site continued strengthening the real-estate-related business fields and thus broadening the basis for future growth.

Boas Senior Care, which was acquired as at 29 February 2016 (assisted living), comprises 16 companies that are now included in the scope of consolidation. In addition, Tertium Management AG was founded and WGD M Papillon AG (acquired in the previous year) was merged with Perlavita AG in the reporting period.

Furthermore, immoveris ag and immoveris properties ag (real estate services) were acquired as at 27 May 2016, and Ensemble artisanal et commercial de Riantbosson S.A. was merged with SPS Immobilien AG with retroactive effect as at 1 January 2016.

Real Estate business field

Income from rental properties decreased to CHF 207.7 million [CHF 220.0 million], as had been anticipated. The decline by 5.6% resulted from the elimination of rental income from divestments in the previous year (CHF –7.6 million), modifications and total renovations (CHF –3.2 million), acquisitions in the reporting period (CHF +0.7 million), completions of projects (CHF +0.3 million) and changes in existing properties (CHF –2.5 million).

The vacancy rate in the Real estate business field edged down by 1.0 percentage points to 6.2% [7.2%]. The net return on the real estate portfolio amounted to 3.9% [4.0%].

The quality of earnings was underscored by the good credit ratings of the tenants. The five largest external tenants are renowned corporations, contributing 20.3% [22.2%] to total rental income. Around 61% [57%] of all rental agreements have a residual term of four or more years.

Revaluations affecting net income amounting to CHF 36.9 million [CHF 121.2 million] reflect the attractiveness of prime properties amid a more challenging market environment.

In addition to income from the core business – leasing, developing, buying and selling real estate – the Real Estate business field also included earnings from the Wincasa AG real estate services business, which boosted its income to CHF 54.9 million [CHF 52.7 million] through the acquisition of key new contracts.

EBIT in this business field declined from CHF 331.3 million to CHF 222.9 million (–32.7%), primarily due to lower revaluation gains versus the previous year and realised gains from the one-time sale of condominiums at the Maag Site in Zurich in the prior year.

Changes in the real estate portfolio

No investment properties were divested in the reporting period [three in the first half-year 2015]. The profit of sale of CHF 10.1 million [CHF 0.0 million] includes subsequent purchase price payments tied to certain conditions from transactions executed in the previous year.

Two properties were acquired that ideally complement the real estate portfolio, replacing the properties divested in the previous year and their rental income. For example, the Swiss headquarters of Partners Group in Baar was acquired, a fully leased property that was constructed in 2009/2010, with modernly designed office floor space spanning four storeys. In addition, the Schönbühl shopping centre in Lucerne was acquired. This acquisition paves the way for Swiss Prime Site to secure an interesting development site situated in an attractive location in Lucerne.

Swiss Prime Site reviewed various other acquisition opportunities, but did not pursue these any further due to the high purchase prices or lack of compatibility with its investment strategy. The portfolio comprises 184 properties [182 as at 31 December 2015]. No acquisitions were executed in the comparable previous year's period.

Revaluation of the real estate portfolio

As at 30 June 2016, Wüest & Partner AG valued the real estate portfolio at CHF 9886.4 million [CHF 9686.6 million as at 31 December 2015]. This revaluation led to a net valuation gain affecting net income of CHF 32.8 million at the Group level [CHF 99.7 million] (excluding revaluation of owner-occupied properties), or 0.3% of the portfolio's value as at 31 December 2015. The increase in fair value by CHF 199.8 million or 2.1% comprised value changes (including renovations and investments) to existing properties (CHF +58.6 million), value changes to parcels of building land (CHF +1.3 million),

the two acquisitions (CHF + 114.6 million) as well as value changes to and investments in projects (CHF + 25.3 million). These were divided as follows: Viktoriastrasse 21 in Berne CHF + 1.3 million, Route de Pré-Bois 10 in Geneva CHF + 0.3 million, Chemin des Aulx in Plan-les-Ouates CHF + 1.6 million, Brandschenkestrasse 25 in Zurich CHF + 16.5 million and Etzelstrasse 14 in Zurich CHF + 5.6 million.

Of the total 165 existing properties (excluding acquisitions (2), plots of building land (11) and properties under construction (6)) 102 were valued higher, 3 were valued the same and 60 were valued lower than as at 31 December 2015. The weighted average real discount rate of 3.60% decreased by 0.06 percentage points versus 31 December 2015 [3.66%]. Assuming an inflation rate of 1.0% [1.0%], this percentage corresponds to a nominal discount rate of 4.64% [4.69% as at 31 December 2015].

New construction and building projects proceeding according to plan

The former Swiss Post headquarters located at Viktoriastrasse in Berne (Schönburg) is being modified into an upscale residential building with a hotel wing situated on the north side. The preliminary project for the residential building and hotel is concluded; the building application should have been submitted in the third quarter. The construction start date is anticipated at the outset of 2017; completion is planned for autumn 2019.

For the property located at Route de Pré-Bois in immediate proximity to Geneva-Cointrin Airport, a project is envisaged for a seven-storey office building comprising rentable floor space of 2 600 m² in Minergie standard. The building permit and modification application are legally valid, and the total contractor submission has taken place. Completion is planned for the end of 2017.

A development project is envisaged in Plan-les-Ouates (Espace Tourbillon) comprising five modular and flexible commercial buildings with a subterranean logistics infrastructure for trucks. Total rentable floor space for both construction phases amounts to more than 100 000 m². The construction start date is scheduled for the beginning of 2017, and completion is planned for 2019 (phase 1) and 2021 (phase 2).

The former NZZ printing facility in Schlieren should be converted into an innovative centre for scientific and information transfer. The project is currently in the development phase; the construction start date is envisaged for 2018.

The office property located at Brandschenkestrasse 25 in Zurich is being modified into a hotel with roughly 400 rooms. The excellent urban location near the Bahnhofstrasse and the property's available floor space are ideally suitable for a hotel according to Motel One Group's operating and design concept. The modification activities are proceeding according to deadline; the hotel plans to open its doors in the summer of 2017.

A new replacement building for a geriatric care centre is being constructed for Tertianum AG at Etzelstrasse 14 in Zurich, comprising a total of 47 geriatric care rooms. Demolition of the existing structure is concluded, and the excavation activities have commenced. Completion is planned for October 2017.

Weltpostpark is being constructed at Weltpoststrasse 1–3 in Berne, a building complex consisting of roughly 170 broadly diversified apartments as well as smaller commercial floor space. The building application will be submitted in the near future. The building permit is expected to be issued at the beginning of next year. Completion is planned for the spring of 2019.

Retail business field

Swiss Prime Site has underpinned the Retail business field for a promising future through investments and executed significant growth initiatives. Jelmoli – The House of Brands has launched a state-of-the-art online shop, opened the largest footwear department in Switzerland and provided attractive retail space for the renowned watch specialist Bucherer. In contrast to overall decline in customer frequency levels in Zurich's city centre, Jelmoli – The House of Brands recorded an increase in the number of visitors, thereby confirming its adopted strategy. Revenues from Jelmoli – The House of Brands on the Bahnhofstrasse in Zurich held steady at the previous year's level, despite the very challenging retail trade environment and lack of revenues from floor space that was temporarily unavailable for operations due to investments in shop construction.

Income from the Retail business field amounted to CHF 60.2 million [CHF 65.9 million]. This figure included net retail turnover from Jelmoli – The House of Brands of CHF 60.2 million [CHF 60.9 million] as well as turnover from Clouds Restaurant in the comparable reporting period, which was transferred to Candrian Catering AG as at 1 July 2015. Jelmoli – The House of Brands also realised net revenues from third-party leasing of CHF 7.6 million [CHF 8.5 million]. Operating income declined from CHF 75.2 million to CHF 69.0 million. Accordingly, operating expenses decreased from CHF 82.1 million to CHF 77.3 million, resulting in operating profit of CHF –8.3 million [CHF –6.9 million].

Assisted Living business field

Swiss Prime Site tapped significant growth potential through the acquisitions of SENIOcare as at 1 October 2015 and Boas Senior Care as at 29 February 2016. These acquisitions paved the way for the Assisted Living business field to achieve total geographic coverage of Switzerland, as well as further expand its leading market position in the assisted living sector.

Tertianum Group doubled income from assisted living to CHF 152.0 million [CHF 77.9 million] thanks to acquisition- and project-related effects. In addition, the Assisted Living business field generated rental income from leasing group owner-occupied properties to third parties of CHF 12.1 million [CHF 12.0 million] as well as from additionally rented properties of CHF 25.0 million [CHF 11.9 million]. Operating expenses increased from CHF 99.3 million to CHF 186.3 million. Operating profit (EBIT) amounted to CHF 3.5 million [CHF 3.3 million]. Due to the integration of SENIOcare and Boas Senior Care as well as resulting incurred integration costs, any comparison with the previous year is only of limited relevance.

Consolidated operating profit and net profit

Profit amounted to CHF 132.0 million [CHF 191.0 million]. The decrease by CHF 59.0 million was attributable primarily to sales of condominiums in Maaghof North and East carried out in the previous year, as well as to CHF 67.0 million lower revaluation gains and CHF 5.7 million reduced interest expense. Profit excluding revaluation effects¹ declined by 9.8% to CHF 120.3 million [CHF 133.4 million]. Earnings before interest and taxes (EBIT) dropped by 31.1% from CHF 300.2 million to CHF 207.0 million. EBIT excluding revaluations decreased by 13.1% from CHF 200.5 million to CHF 174.2 million.

Operating expenses climbed by 12.9% from CHF 302.9 million to CHF 341.9 million, of which real estate costs accounted for CHF 62.2 million [CHF 47.5 million], and cost of goods sold made up CHF 45.6 million [CHF 40.4 million]. Real estate costs changed particularly due to the additionally leased owner-occupied properties in the Assisted Living business field. Operating expenses in the previous year included non-recurring costs of CHF 44.8 million relating to the sale of condominiums. Personnel costs amounted to CHF 184.7 million [CHF 127.1 million], other operating expenses totalled CHF 30.1 million [CHF 27.4 million] and depreciation, amortisation and impairments added up to CHF 19.4 million [CHF 15.7 million]. The decrease in the tax rate was attributable primarily to the tax effect resulting from realised gains on sales of condominium units in the prior year.

Noteworthy in the comparison of results with the relevant previous year's period is that SENIOcare, Boas Senior Care as well as immoveris ag and immoveris properties ag were integrated into Swiss Prime Sites financial statements as at 1 October 2015, 29 February 2016 and 27 May 2016, respectively. IAS 19 revised «Employee Benefits» resulted in booking volatility in personnel costs as well as the remeasurement of net defined benefit obligations in other comprehensive income.

¹ revaluations and deferred taxes

Financial situation

The balance sheet ratios changed only slightly versus those at the end of 2015. Shareholders' equity shrank by CHF 7.4 million to CHF 4 948.6 million [CHF 4 956.0 million]. The decrease essentially comprises profit (CHF + 132.0 million), other comprehensive income (CHF – 31.8 million) and the distribution from capital contribution reserves of 19 April 2016 (CHF – 259.6 million), as well as conversions of the CHF 190.350 million convertible bond (CHF + 147.7 million), in addition to share-based compensation (CHF + 2.2 million) and the acquisition of treasury shares (CHF – 2.1 million). Treasury share holdings amounted to 1 744 on 30 June 2016 [2 780 at year end].

The amount of borrowed capital increased by CHF 239.4 million from CHF 5 734.6 million to CHF 5 974.0 million (+4.2%), resulting in a solid equity ratio of 45.3% [46.4%]. In the reporting period, Swiss Prime

Site issued a convertible bond on 16 June 2016 amounting to CHF 250.0 million with interest rate of 0.25% and term to maturity of seven years (until 16 June 2023). The CHF 190.350 million convertible bond was converted at a rate of nearly 80% as at maturity date of 21 June 2016, resulting in the aforementioned increase in shareholders' equity and redemption of the remaining amount of CHF 40.7 million in the reporting period.

The weighted average interest rate of all interest-bearing financial liabilities declined to 1.9% [2.1% on 31 December 2015], and the weighted average residual term to maturity amounted to 4.2 years [4.4 years as at 31 December 2015]. The real estate portfolio's loan-to-value (LTV) ratio edged up slightly to 45.2% [44.0% as at 31 December 2015]. Financial expenses decreased from CHF 50.1 million to CHF 44.1 million. Financial income amounted to CHF 1.5 million [CHF 1.0 million].

Information relating to the share/distribution

The closing price of the Swiss Prime Site AG share on 30 June 2016 was CHF 88.20 [CHF 78.50 on 31 December 2015], resulting in a total return (i.e. share price performance and distribution = total return (TR)) of +29.8%. This share price performance noticeably surpassed the benchmark indices SXI Real Estate Shares (+22.1%) and Swiss Performance Index (SPI) (-2.9%). The average daily trading volume amounted to CHF 15.4 million in the reporting period [CHF 17.7 million].

Earnings per share dropped by 36.1% from CHF 2.96 to CHF 1.89, and before revaluation effects by 16.5% from CHF 2.06 to CHF 1.72. Net asset value (NAV) after deferred taxes amounted to CHF 69.24 thus falling 2.7% short of the figure of CHF 71.15 on 31 December 2015. Net asset value (NAV) per share before deferred taxes edged down by 2.5% from CHF 85.83 to CHF 83.66 as at 31 December 2015. The premium – i.e. difference between the share price of CHF 88.20 [CHF 78.50 as at 31 December 2015] and NAV after deferred taxes of CHF 69.24 [CHF 71.15 as at 31 December 2015] – amounted to 27.4% [10.3%].

Share capital increased as a result of conversions (+1 827 383 shares) to CHF 1 093.6 million or 71 478 917 shares [CHF 1 065.7 million, 69 651 534 shares as at 31 December 2015].

The withholding tax-exempt distribution from capital contribution reserves of CHF 3.70 per share [CHF 3.70] approved by the Annual General Meeting on 12 April 2016 was carried out on 19 April 2016. The distribution corresponded to a cash yield of 4.7% (based on the closing share price at year end).

Outlook

In the current attractive sales market, Swiss Prime Site will continue to carry out further divestments of investment properties in the second half-year 2016, within the scope of ordinary portfolio management. At the same time, the Company is exploiting the opportunities offered in the realm of development projects, conversions and modernisations.

Following conclusion of the ongoing integration phase in the Assisted Living business field, Swiss Prime Site will have laid the cornerstone for achieving further profitable growth, in the real estate portfolio as well as in the operating business.

With further growth of the Swiss Prime Investment Foundation, earnings from Real Estate Investment Management should trend on a positive path.

Swiss Prime Site's forecast for 2016 continues to call for rising rental income and total operating income that surpasses the previous year's level. The Company also expects a renewed reduction in the vacancy rate. Swiss Prime Site continues to remain well positioned for securing sustainable returns with its high-quality portfolio and real estate-related business fields.

..... **CONSOLIDATED FINANCIAL STATEMENTS**

CONSOLI DATED FINANCIAL STATE MENTS

CONSOLIDATED INCOME STATEMENT

in CHF 1 000	Notes	01.01.– 30.06.2015	01.01.– 30.06.2016
Rental income from properties	5	225 241	225 523
Income from sale of trading properties	5	74 366	–
Income from real estate services	5	52 508	54 848
Income from retail	5	65 721	60 208
Income from assisted living	5	77 350	151 914
Other operating income	5	2 719	4 881
Operating income		497 905	497 374
Revaluation of investment properties, properties under construction and development sites, net	11	99 735	32 777
Result from investments in associates		5 503	8 631
Result from investment property sales, net	6	11	10 114
Real estate costs		–47 541	–62 156
Cost of trading properties sold		–44 820	–
Cost of goods sold		–40 411	–45 644
Personnel costs	7	–127 124	–184 676
Other operating expenses		–27 399	–30 103
Depreciation, amortisation and impairment		–15 666	–19 359
Operating expenses		–302 961	–341 938
Operating profit (EBIT)		300 193	206 958
Financial expenses	8	–50 051	–44 056
Financial income	8	976	1 522
Profit before income taxes		251 118	164 424
Income tax expenses	9	–60 076	–32 404
Profit		191 042	132 020
Profit attributable to shareholders of Swiss Prime Site AG		191 292	132 714
Loss attributable to non-controlling interests		–250	–694
Earnings per share (EPS), in CHF	15	2.96	1.89
Diluted earnings per share, in CHF	15	2.89	1.79

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF 1 000	Notes	01.01.– 30.06.2015	01.01.– 30.06.2016
Profit		191 042	132 020
Revaluation of owner-occupied properties	12	27 467	11 165
Deferred taxes on revaluation of owner-occupied properties		– 6 317	– 2 568
Remeasurement of net defined benefit obligations (mainly reduction of discount rate)		– 19 184	– 52 462
Deferred taxes on remeasurement of net defined benefit obligations		4 386	12 066
Items that will not be reclassified subsequently to profit or loss		6 352	– 31 799
Items that will be reclassified subsequently to profit or loss		–	–
Other comprehensive income after income taxes		6 352	– 31 799
Comprehensive income		197 394	100 221
Comprehensive income attributable to shareholders of Swiss Prime Site AG		197 644	100 915
Comprehensive income attributable to non-controlling interests		– 250	– 694

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

in CHF 1 000	Notes	31.12.2015	30.06.2016
Assets			
Cash		234 929	160 777
Securities		482	496
Accounts receivable		80 432	88 370
Other current receivables		27 138	24 284
Current income tax assets		4 634	6 980
Inventories		25 549	26 448
Accrued income and prepaid expenses		33 482	28 891
Assets held for sale	10/11	–	122 525
Total current assets		406 646	458 771
Pension plan assets		8 963	12 385
Non-current financial investments		1 261	1 263
Investments in associates		47 494	53 976
Investment properties and building land	11	8 445 335	8 568 236
Properties under construction and development sites	11	346 690	251 325
Owner-occupied properties	12	894 582	931 330
Owner-occupied properties under construction	12	–	13 020
Tangible assets		64 590	68 115
Goodwill	13	369 520	443 363
Intangible assets		80 524	81 474
Deferred tax assets		24 960	39 387
Total non-current assets		10 283 919	10 463 874
Total assets		10 690 565	10 922 645
Liabilities and shareholders' equity			
Accounts payable		13 307	15 704
Current financial liabilities	14	572 105	700 097
Other current liabilities		127 171	104 560
Advance payments		33 046	28 756
Current income tax liabilities		44 412	8 744
Accrued expenses and deferred income		96 708	87 814
Total current liabilities		886 749	945 675
Non-current financial liabilities	14	3 689 488	3 769 222
Other non-current financial liabilities	14	6 871	6 289
Deferred tax liabilities		1 035 945	1 058 769
Pension provision obligations		115 546	194 088
Total non-current liabilities		4 847 850	5 028 368
Total liabilities		5 734 599	5 974 043
Share capital		1 065 668	1 093 627
Capital reserves		1 023 578	888 034
Revaluation reserves		102 027	110 624
Retained earnings		2 764 450	2 856 768
Shareholders' equity attributable to shareholders of Swiss Prime Site AG		4 955 723	4 949 053
Non-controlling interests		243	– 451
Total shareholders' equity		4 955 966	4 948 602
Total liabilities and shareholders' equity		10 690 565	10 922 645

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1 000	Notes	01.01.– 30.06.2015	01.01.– 30.06.2016
Profit		191 042	132 020
Depreciation, amortisation and impairment		15 666	19 359
Result from investment property sales, net	6	– 11	– 10 114
Result from investments in associates		– 5 503	– 8 631
Revaluation of investment properties, properties under construction and development sites, net	11	– 99 735	– 32 777
Other non-cash items affecting net income		2 138	2 209
Financial expenses	8	50 051	44 056
Financial income	8	– 976	– 1 522
Income tax expenses	9	60 076	32 404
Change in inventories		3 252	– 565
Change in trading properties		27 380	–
Net change in other current assets		– 44 530	3 657
Net change in recognised pension plan assets/liabilities		4 103	4 899
Net change in other non-current receivables		425	–
Change in operating current liabilities		– 27 181	– 49 000
Income tax payments		– 21 447	– 50 696
Cash flow from operating activities		154 750	85 299
Investments in investment properties and building land	11	– 35 585	– 146 579
Investments in properties under construction and development sites	11	– 21 259	– 16 434
Investments in owner-occupied properties	12	– 529	307
Investments in owner-occupied properties under construction	12	– 8 470	–
Divestments of investment properties and building land	11	43 847	–
Acquisition of participations and operating businesses, less acquired cash		– 5 100	– 49 480
Investments in intangible assets		– 2 813	– 2 612
Investments in tangible assets		– 5 812	– 8 320
Interest payments received		191	305
Investments in current financial investments		–	– 110 000
Redemptions of current financial investments		–	120 492
Dividends received		2 487	2 277
Cash flow from investing activities		– 33 043	– 210 044
Increase in financial liabilities		1 487 000	2 231 000
Redemption of financial liabilities		– 1 737 500	– 2 081 208
Redemption of convertible bond	14	– 26 085	– 40 700
Issue of convertible bond	14	–	246 968
Interest payments made		– 53 783	– 43 738
Distribution from capital contribution reserves		– 235 611	– 259 608
Share capital increase		91 343	–
Premium from capital increase		332 732	–
Cost of capital increase		– 6 248	–
Purchase of treasury shares		– 1 710	– 2 121
Cash flow from financing activities		– 149 862	50 593
Change in cash		– 28 155	– 74 152
Cash at beginning of period		257 196	234 929
Cash at end of period		229 041	160 777

The Notes form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in CHF 1 000	Notes	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Shareholders' equity attributable to shareholders of Swiss Prime Site AG	Non-controlling interests	Total shareholders' equity
Total as at 01.01.2015		930 555	781 123	72 792	2 415 735	4 200 205	1 596	4 201 801
Profit		–	–	–	191 292	191 292	–250	191 042
Revaluation of owner-occupied properties	12	–	–	27 467	–	27 467	–	27 467
Deferred taxes on revaluation of owner-occupied properties		–	–	–6 317	–	–6 317	–	–6 317
Remeasurement of net defined benefit obligations		–	–	–	–19 184	–19 184	–	–19 184
Deferred taxes on remeasurement of net defined benefit obligations		–	–	–	4 386	4 386	–	4 386
Other comprehensive income after income taxes		–	–	21 150	–14 798	6 352	–	6 352
Comprehensive income		–	–	21 150	176 494	197 644	–250	197 394
Distribution from capital contribution reserves on 21.04.2015		–	–235 611	–	–	–235 611	–	–235 611
Conversion of 40 607 units of the CHF 300 million convertible bond into 2 860 803 registered shares	14	43 770	155 976	–	–	199 746	–	199 746
Capital increase on 29.05.2015		91 343	321 991	–	–	413 334	–	413 334
Share-based compensation		–	1 813	–	–	1 813	–	1 813
Purchase of treasury shares		–	–1 710	–	–	–1 710	–	–1 710
Total as at 30.06.2015		1 065 668	1 023 582	93 942	2 592 229	4 775 421	1 346	4 776 767
Total as at 01.01.2016		1 065 668	1 023 578	102 027	2 764 450	4 955 723	243	4 955 966
Profit		–	–	–	132 714	132 714	–694	132 020
Revaluation of owner-occupied properties	12	–	–	11 165	–	11 165	–	11 165
Deferred taxes on revaluation of owner-occupied properties		–	–	–2 568	–	–2 568	–	–2 568
Remeasurement of net defined benefit obligations		–	–	–	–52 462	–52 462	–	–52 462
Deferred taxes on remeasurement of net defined benefit obligations		–	–	–	12 066	12 066	–	12 066
Other comprehensive income after income taxes		–	–	8 597	–40 396	–31 799	–	–31 799
Comprehensive income		–	–	8 597	92 318	100 915	–694	100 221
Distribution from capital contribution reserves on 19.04.2016		–	–259 608	–	–	–259 608	–	–259 608
Conversion of 29 930 units of the CHF 190.35 million convertible bond into 1 827 383 registered shares	14	27 959	119 740	–	–	147 699	–	147 699
Issue of 0.25% convertible bond, equity component		–	4 236	–	–	4 236	–	4 236
Share-based compensation		–	2 209	–	–	2 209	–	2 209
Purchase of treasury shares		–	–2 121	–	–	–2 121	–	–2 121
Total as at 30.06.2016		1 093 627	888 034	110 624	2 856 768	4 949 053	–451	4 948 602

The Notes form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BUSINESS ACTIVITIES

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations, primarily with commercially utilised floor space as well as project developments. The investment focal point is aimed at properties and projects with sustainable, attractive returns and long-term value-boosting potential. The real estate portfolio is actively managed. Swiss Prime Site also operates in real-estate-related business fields aimed at strengthening and broadening the earnings base, in addition to diversifying risks.

Further information regarding the individual business fields can be found in Note 4 «Segment reporting».

2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 Principles of consolidated reporting

The Company's consolidated financial statements were produced in accordance with IAS 34 «Interim Financial Reporting» and correspond to article 17 of the Directive on Financial Reporting of the Swiss stock exchange (SIX Swiss Exchange). The consolidated financial statements comprise the holding company as well as its group companies (hereinafter jointly referred to as «group companies»).

The consolidated financial statements are essentially based on the historical cost principle. Deviations from this principle apply to investment properties, properties and owner-occupied properties under construction, development sites (except those designated for divestment) and owner-occupied properties. In accordance with the fair value model of IAS 40 «Investment property» and due to the revaluation model of IAS 16 «Property, plant and equipment», these properties are valued at fair value. In addition, securities and derivatives are recognised at stock-exchange prices or at fair values as at the balance sheet date.

These consolidated financial statements were prepared in Swiss francs (CHF). All amounts, except for the figures per share, are rounded to CHF 1 000. All group companies maintain their accounts in Swiss francs as well. Transactions denominated in foreign currencies are immaterial.

2.2 Amendments relative to IFRS accounting principles

Apart from the changes described below, the applicable accounting principles remain the same as in the previous year. As at 1 January 2016, Swiss Prime Site introduced the following new or revised standards and interpretations:

Standard/ interpretation	Title
IAS 1 rev.	Disclosure initiative
IAS 16 rev. and IAS 38 rev.	Clarification of acceptable methods of depreciation and amortisation
IFRS 11 rev.	Accounting for acquisitions of interests in joint operations
Various	Annual improvements to IFRSs 2012–2014 cycle

The amendments had no significant impact on these consolidated financial statements.

3 ACQUISITIONS

3.1 Boas Senior Care

As at 29 February 2016, 100% of the shares in Boas Senior Care were acquired for CHF 70.807 million in cash. Boas Senior Care is the leading group for senior housing and geriatric care centres in French-speaking Switzerland, with 15 operating facilities (632 geriatric care beds and 176 apartments). The acquisition paves the way for Tertium Group to achieve comprehensive geographic coverage of Switzerland in the assisted living sector and further extend its market leadership.

The fair values of the identifiable assets and liabilities of Boas Senior Care as at the acquisition date of 29 February 2016 were as follows:

in CHF 1 000	29.02.2016
Assets	
Cash	3 737
Accounts receivable	7 227
Other current receivables	1 618
Inventories	334
Accrued income and prepaid expenses	4 199
Current financial investments	10 494
Total current assets	27 609
Tangible assets	3 998
Intangible assets	1 423
Deferred tax assets	2 936
Total non-current assets	8 357
Total assets	35 966
Liabilities	
Accounts payable	6 525
Current financial liabilities	3 247
Other current liabilities	3 622
Accrued expenses and deferred income	3 642
Total current liabilities	17 036
Non-current financial liabilities	1 357
Other non-current financial liabilities	396
Pension provision obligations	16 108
Long-term provisions	299
Total non-current liabilities	18 160
Total liabilities	35 196
Total identifiable net assets at fair value	770
Offset with loan	20 000
Cash settlement (purchase price)	50 807
Goodwill	70 037

Acquired receivables

in CHF 1 000	Contractual receivables, gross	Non- collectable receivables	Fair value
Accounts receivable	8 651	– 1 424	7 227
Other current receivables	1 618	–	1 618
Total receivables	10 269	– 1 424	8 845

Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. With the acquisition of Boas Senior Care, Swiss Prime Site has tapped significant growth potential in French-speaking Switzerland and further underpinned its strategic market position in the assisted living sector. Goodwill is not deductible for tax purposes.

From the date of acquisition until 30 June 2016, Boas Senior Care generated a contribution to consolidated operating income of CHF 23.376 million and to profit of CHF 0.621 million. For the first half-year 2016 reporting period, operating income amounted to CHF 34.149 million and profit totalled CHF 0.643 million. If the acquisition had taken place as at 1 January 2016, consolidated operating income and consolidated profit would have amounted to CHF 508.147 million and CHF 132.042 million, respectively, in the first half-year 2016.

The transaction costs amounted to CHF 2.003 million and were recognised in the consolidated income statement in consultancy costs under other operating expenses (reported in cash flow from operating activities). Net money outflow in the reporting period amounted to CHF 47.070 million (reported in cash flow from investing activities).

3.2 immoveris, Berne

At the end of May, 100% of two companies – immoveris ag and immoveris properties ag – were acquired. The acquisitions underpin Wincasa AG's market position as the leading integrated real estate services provider in Switzerland. The balance sheet totals of the two companies amounted to CHF 2.499 million at the date of acquisition.

4 SEGMENT REPORTING

Swiss Prime Site is a group that primarily operates in the real estate business comprising buying and selling, managing and developing investment properties, in addition to operating the Real Estate Investment Management business for the Swiss Prime Investment Foundation, as well as providing real estate services through Wincasa. Swiss Prime Site also operates in real estate-related business fields.

The consolidated financial data are subdivided into the segments subject to mandatory reporting as follows:

- > Real Estate, which also includes Wincasa and Real Estate Investment Management for the Swiss Prime Investment Foundation
- > Retail (Jelmoli), an integral part of Swiss Prime Site's expertise in the retail trade sector
- > Assisted Living (Tertianum), the growth driver for the segment's own portfolio as well as that of the Swiss Prime Investment Foundation

SEGMENT INCOME STATEMENT 01.01. – 30.06.2016

in CHF 1 000	Real Estate segment ¹	Retail segment ²	Assisted Living segment ³	Total segments	Eliminations	01.01. – 30.06.2016 Total group
Rental income from properties	207 652	7 586	37 092	252 330	– 26 807	225 523
thereof from third parties	180 845	7 586	37 092	225 523	–	225 523
thereof from other segments	26 807	–	–	26 807	– 26 807	–
Income from real estate services ¹	54 896	–	–	54 896	– 48	54 848
Income from retail ²	–	60 213	–	60 213	– 5	60 208
Income from assisted living ³	–	–	151 954	151 954	– 40	151 914
Other operating income	3 220	1 229	743	5 192	– 311	4 881
Operating income	265 768	69 028	189 789	524 585	– 27 211	497 374
Revaluation of investment properties, properties under construction and development sites, net	36 942	–	–	36 942	– 4 165	32 777
Result from investments in associates	8 631	–	–	8 631	–	8 631
Result from investment property sales, net	10 114	–	–	10 114	–	10 114
Real estate costs	– 26 278	– 16 938	– 45 951	– 89 167	27 011	– 62 156
Cost of goods sold	–	– 30 415	– 15 229	– 45 644	–	– 45 644
Personnel costs	– 56 591	– 20 140	– 107 947	– 184 678	2	– 184 676
Other operating expenses	– 13 020	– 4 851	– 12 430	– 30 301	198	– 30 103
Depreciation, amortisation and impairment	– 2 642	– 4 948	– 4 779	– 12 369	– 6 990	– 19 359
Operating expenses	– 98 531	– 77 292	– 186 336	– 362 159	20 221	– 341 938
Operating profit (EBIT)	222 924	– 8 264	3 453	218 113	– 11 155	206 958
Financial expenses						– 44 056
Financial income						1 522
Profit before income taxes						164 424

¹ acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

² transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

³ acquisition of Boas Senior Care as at 29.02.2016, SENIOcare Group as at 01.10.2015 and WGDm Papillon AG as at 01.07.2015

SEGMENT INCOME STATEMENT 01.01. – 30.06.2015

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment ¹	Total segments	Eliminations	01.01.– 30.06.2015 Total group
Rental income from properties	219 977	8 526	23 957	252 460	–27 219	225 241
thereof from third parties	192 758	8 526	23 957	225 241	–	225 241
thereof from other segments	27 219	–	–	27 219	–27 219	–
Income from sale of trading properties	74 366	–	–	74 366	–	74 366
Income from real estate services	52 743	–	–	52 743	–235	52 508
Income from retail	–	65 874	–	65 874	–153	65 721
Income from assisted living ¹	–	–	77 853	77 853	–503	77 350
Other operating income	1 391	751	716	2 858	–139	2 719
Operating income	348 477	75 151	102 526	526 154	–28 249	497 905
Revaluation of investment properties, properties under construction and development sites, net	121 192	–	–	121 192	–21 457	99 735
Result from investments in associates	5 503	–	–	5 503	–	5 503
Result from investment property sales, net	11	–	–	11	–	11
Real estate costs	–26 796	–17 599	–31 037	–75 432	27 891	–47 541
Cost of trading properties sold	–44 820	–	–	–44 820	–	–44 820
Cost of goods sold	–	–32 437	–7 974	–40 411	–	–40 411
Personnel costs	–52 919	–22 198	–52 069	–127 186	62	–127 124
Other operating expenses	–16 171	–5 040	–6 483	–27 694	295	–27 399
Depreciation, amortisation and impairment	–3 143	–4 815	–1 699	–9 657	–6 009	–15 666
Operating expenses	–143 849	–82 089	–99 262	–325 200	22 239	–302 961
Operating profit (EBIT)	331 334	–6 938	3 264	327 660	–27 467	300 193
Financial expenses						–50 051
Financial income						976
Profit before income taxes						251 118

¹ acquisition of Sternmatt Pflegewohngruppen as at 05.01.2015

In the Eliminations column, the revenues realised between the segments are eliminated. In addition, these eliminations contain ordinary depreciation and impairment on owner-occupied properties as well as the revaluations recorded that affect net income in the Real Estate segment on investment properties used within the group, which are recognised in the consolidated financial statements as owner-occupied properties.

Composition of operating income by products and services

Operating income comprised CHF 57.317 million [CHF 131.867 million] from the sale of goods and CHF 440.057 million [CHF 366.038 million] from the provision of services.

Income from Real Estate Investment Management is included in other operating income.

SEGMENT BALANCE SHEET AS AT 30.06.2016

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment	Total segments	Eliminations	30.06.2016 Total group
Total assets	10 331 258	147 710	495 931	10 974 899	– 52 254	10 922 645
Total liabilities	5 768 235	61 760	196 302	6 026 297	– 52 254	5 974 043
Investments in non-current assets	168 305	6 114	79 145	253 564	–	253 564

SEGMENT BALANCE SHEET AS AT 31.12.2015

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment	Total segments	Eliminations	31.12.2015 Total group
Total assets	10 194 315	144 861	394 553	10 733 729	– 43 164	10 690 565
Total liabilities	5 593 110	48 231	136 422	5 777 763	– 43 164	5 734 599

Investments in associates of CHF 53.976 million [CHF 47.494 million] are included in the total assets of the Real Estate segment.

All assets held by Swiss Prime Site are located in Switzerland.

5 OPERATING INCOME

in CHF 1 000	01.01.– 30.06.2015	01.01.– 30.06.2016
Target rental income from investment properties	230 294	214 265
Rental income from additionally leased properties	11 927	24 975
Rent loss from vacancies	– 16 980	– 13 717
Rental income from properties	225 241	225 523
Income from sale of trading properties	74 366	–
Income from real estate services¹	52 508	54 848
Income from retail, gross	75 033	68 692
Rebates	– 9 312	– 8 484
Income from retail²	65 721	60 208
Income from assisted living³	77 350	151 914
Other operating income	2 719	4 881
Total operating income	497 905	497 374

¹ acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

² transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

³ 2016: acquisition of Boas Senior Care as at 29.02.2016

2015: acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

Details on rental income

The following table depicts the breakdown of the contractual end of the term of individual rental agreements based on future net annual rental income and land lease income from investment properties (excluding properties under construction and development sites, and excluding additionally leased properties) as at 30 June 2016:

End of contract	30.06.2015 Future rental income in CHF 1 000	30.06.2015 Share in %	30.06.2016 Future rental income in CHF 1 000	30.06.2016 Share in %
Under 1 year ¹	59 358	13.4	43 855	10.3
Over 1 year	46 049	10.4	46 097	10.8
Over 2 years	45 422	10.2	40 351	9.5
Over 3 years	39 855	9.0	36 573	8.6
Over 4 years	34 944	7.9	63 880	15.0
Over 5 years	51 587	11.6	36 964	8.7
Over 6 years	23 018	5.2	11 785	2.8
Over 7 years	6 351	1.4	16 508	3.9
Over 8 years	13 289	3.0	17 795	4.2
Over 9 years	18 103	4.1	10 764	2.5
Over 10 years	105 562	23.8	100 580	23.7
Total	443 538	100.0	425 152	100.0

¹ includes all indefinite rental agreements (residential, parking facilities, commercial properties etc.)

Future rental income has been presented from the Real Estate segment perspective and based on the rental agreements of the Group's properties as at 30 June 2016 [30 June 2015].

Largest external tenants

As at the balance sheet date, the five largest external tenants accounted for 20.3% [22.2%] of future annual rental income and land lease income (Real Estate segment perspective). These individual tenants have good credit ratings and consist of the following corporations, in particular:

in %	30.06.2015	30.06.2016
Coop	6.6	6.4
Migros	5.0	4.9
Swisscom	3.7	3.4
Swiss Post	4.1	2.9
Zurich Insurance Company Ltd.	n/a	2.7
Inditex S.A.	2.8	n/a

According to IAS 17 «Leases», rental agreements represent leasing transactions. The rental agreements are generally indexed; in the case of retail property, additional turnover-based rents are sometimes agreed. Rental agreements are normally concluded for a term of five to ten years, often with a five-year extension option.

6 RESULT FROM INVESTMENT PROPERTY SALES

in CHF 1 000	01.01.– 30.06.2015	01.01.– 30.06.2016
Gains from sales of commercial properties without significant residential space	–	3 220
Losses from sales of commercial properties without significant residential space	–	–6
Gains from mixed properties	–	6 900
Gains from sales of properties held for sale	11	–
Total result from investment property sales, net	11	10 114

No investment properties were divested in the reporting period [three in the first half-year 2015]. The profit of sale includes subsequent purchase price payments tied to certain conditions from transactions executed in the previous year.

7 PERSONNEL COSTS

in CHF 1 000	01.01.– 30.06.2015	01.01.– 30.06.2016
Wages and salaries	– 102 123	– 151 471
Social security expenses	– 8 503	– 12 093
Pension plan expenses	– 12 123	– 15 737
Other personnel expenses	– 4 375	– 5 375
Total personnel costs	– 127 124	– 184 676
Number of employees as at 30.06.	3 183	5 346
Number of full-time equivalents as at 30.06.	2 444	3 976

As at 30 June 2016, Swiss Prime Site employed a workforce of 5 346 [3 183 as at 30 June 2015] persons. The increase is attributable particularly to the acquisitions in the Assisted Living segment.

Personnel costs reflect salaries from all segments, in addition to compensation to the members of the Board of Directors, including the relevant social security contributions incurred, as well as expenses for leasing of personnel.

8 FINANCIAL RESULT

FINANCIAL EXPENSES

in CHF 1 000	01.01.– 30.06.2015	01.01.– 30.06.2016
Interest expenses	– 50 042	– 44 321
Fair value changes of financial instruments	–	271
Other financial expenses	– 9	– 6
Total financial expenses	– 50 051	– 44 056

FINANCIAL INCOME

in CHF 1 000	01.01.– 30.06.2015	01.01.– 30.06.2016
Interest income	221	309
Dividend income on securities and financial investments	268	128
Fair value changes of financial instruments	412	572
Other financial income	75	513
Total financial income	976	1 522

9 INCOME TAXES

in CHF 1 000	01.01.– 30.06.2015	01.01.– 30.06.2016
Current income taxes for the reporting period	– 18 822	– 11 321
Adjustments for current income taxes for other accounting periods	553	– 10
Total current income taxes	– 18 269	– 11 331
Deferred taxes resulting from revaluation and depreciation	– 44 878	– 22 753
Deferred taxes resulting from the sale of investment properties	3 156	–
Deferred taxes from tax rate changes and reductions from duration of ownership deductions	– 2 206	1 878
Deferred taxes resulting from losses carried forward	632	– 217
Other deferred taxes	1 489	19
Total deferred taxes	– 41 807	– 21 073
Total income taxes	– 60 076	– 32 404

Current income taxes were calculated at the effective maximum tax rates. At the same time, agreements with the relevant tax authorities were considered as well.

Deferred taxes are subject to the risk of tax rate changes as well as changes in the cantonal tax regulations.

10 ASSETS HELD FOR SALE

in CHF 1 000	31.12.2015	30.06.2016
Geneva, Rue de Rive 3	–	33 010
Locarno, Largo Zorzi 4/Piazza Grande	–	25 990
Locarno, Parking Centro	–	14 010
Locarno, Via delle Monache 8	–	842
Niederwangen b. Bern, Riedmoosstrasse 10	–	40 380
Niederwangen b. Bern, Riedmoosstrasse 10 (building land)	–	3 608
Wangen b. Olten, Rickenbacherfeld	–	4 685
Total assets held for sale	–	122 525

In line with active portfolio management, various properties were held as intended for sale.

Properties with fair value of CHF 122.525 million as at 30 June 2016 were reclassified from the investment properties and building land to assets held for sale.

As at 31 December 2015, no properties were reported as assets held for sale due to unfulfilled criteria.

11 INVESTMENT PROPERTIES

CHANGE IN INVESTMENT PROPERTIES

in CHF 1 000	Building land	Commercial properties without significant residential space	Mixed properties	Total investment properties	Properties held for sale	Properties under con- struction/ develop- ment sites	Total
Total as at 01.01.2015	53 132	8 118 596	253 139	8 424 867	254 418	228 470	8 907 755
Follow-up investments	2 220	33 151	5	35 376	209	21 259	56 844
Capitalised borrowing costs	–	–	–	–	–	3 061	3 061
Reclassifications	–	7 428	– 15 120	– 7 692	140 942	– 133 250	–
Net transfer of investment properties to owner-occupied properties	–	– 36 836	–	– 36 836	27 480	–	– 9 356
Disposal by sale	–	–	–	–	– 43 836	–	– 43 836
Positive fair value adjustment	2 257	138 866	4 662	145 785	101	27 625	173 511
Negative fair value adjustment	– 803	– 67 918	– 470	– 69 191	– 4 104	– 481	– 73 776
Fair value adjustment first half-year 2015	1 454	70 948	4 192	76 594	– 4 003	27 144	99 735
Total as at 30.06.2015	56 806	8 193 287	242 216	8 492 309	375 210	146 684	9 014 203
Purchases	3 481	–	–	3 481	–	32 563	36 044
Follow-up investments	3 793	69 234	439	73 466	472	11 033	84 971
Capitalised borrowing costs	–	1 940	–	1 940	–	– 1 179	761
Reclassifications	3 201	16 852	15 120	35 173	– 339 433	304 260	–
Net transfer of investment properties to owner-occupied properties	–	6 961	–	6 961	– 27 480	–	– 20 519
Disposal by sale	–	– 221 836	– 15 120	– 236 956	–	– 111 315	– 348 271
Positive fair value adjustment	– 143	110 677	– 645	109 889	681	– 25 298	85 272
Negative fair value adjustment	– 848	– 37 717	– 2 363	– 40 928	– 9 450	– 10 058	– 60 436
Fair value adjustment second half-year 2015	– 991	72 960	– 3 008	68 961	– 8 769	– 35 356	24 836
Total as at 31.12.2015	66 290	8 139 398	239 647	8 445 335	–	346 690	8 792 025
Purchases	–	115 981	–	115 981	–	–	115 981
Follow-up investments	4 334	26 092	172	30 598	–	16 434	47 032
Capitalised borrowing costs	–	111	–	111	–	299	410
Reclassifications	– 35 848	26 578	–	– 9 270	122 525	– 113 255	–
Net transfer of investment properties to owner-occupied properties	–	– 46 139	–	– 46 139	–	–	– 46 139
Positive fair value adjustment	241	77 010	1 618	78 869	–	2 517	81 386
Negative fair value adjustment	– 1 411	– 45 698	– 140	– 47 249	–	– 1 360	– 48 609
Fair value adjustment first half-year 2016	– 1 170	31 312	1 478	31 620	–	1 157	32 777
Total as at 30.06.2016	33 606	8 293 333	241 297	8 568 236	122 525	251 325	8 942 086

FURTHER DETAILS ON INVESTMENT PROPERTIES

in CHF 1 000	Building land	Commercial properties without significant residential space	Mixed properties	Total investment properties	Properties held for sale	Properties under con- struction/ develop- ment sites	Total
Fire insurance values¹							
On 01.01.2015	3 547	5 876 118	149 722	6 029 387	233 070	318 033	6 580 490
On 01.01.2016	7 547	5 607 122	131 653	5 746 322	—	555 112	6 301 434
On 30.06.2016	1 975	5 834 729	132 018	5 968 722	91 257	303 500	6 363 479
Net rental income²							
01.01.— 30.06.2015	248	187 773	5 683	193 704	7 508	71	201 283
01.01.— 30.06.2016	174	191 617	5 435	197 226	3 030	292	200 548
Vacancy rate (in %)							
01.01.— 30.06.2015	1.7	7.8	0.8	7.6	13.3	—	7.8
01.01.— 30.06.2016	2.4	6.5	4.0	6.4	2.4	15.3	6.4

¹ There were no building insurance values for properties under construction. For building projects, respective builders' liability insurance policies were concluded.

² generated with own investment properties and owner-occupied properties

The valuations of properties are determined at least on a semi-annual basis by an external, independent and qualified valuation expert: Wüest & Partner AG, Zurich. The Executive Board, in consultation with the Board of Directors, is responsible for selecting the valuation experts and assigning the mandate for the valuation on an annual basis. The results of the valuations and individual valuation assumptions are verified by the Executive Board and discussed in detail with the respective valuation experts.

The discount rates utilised for the valuation of investment properties, building land, investment properties held for sale and properties under construction as well as development sites hovered within a range from 2.5% to 5.3% on the balance sheet date [from 2.7% to 5.3% as at 31 December 2015]. The weighted average real discount rate amounted to 3.60% [3.66% as at 31 December 2015].

CURRENT DEVELOPMENT AND NEW BUILDING PROJECTS

Berne, Viktoriastrasse 21 (Schönburg)

Project description	The office property comprising total utilised floor space of more than 30 000 square metres was constructed as the Swiss Post headquarters in 1970 by Theo Hotz following a project contest. The effective layout plan is oriented toward the current condition and enables numerous uses, particularly residential. Swiss Prime Site was able to acquire the Schönburg property in 2014 and (following Swiss Post's departure) decided to preserve the structure and create a high-quality residential and hotel complex based on extensive variant studies. The property should house a three-star business hotel at the north wing, in addition to around 150 high-quality apartments spread across the eight upper floors. Attractive townhouses as well as a supermarket and large fitness studio will be constructed in the low-level annex building on the east side. The building structure will be preserved, including the enormous subterranean level, while four additional emergency staircases will be installed across all floors. Façades, the entire building technology and total interior will be replaced. Clean-up of hazardous materials from the façade demolition work can extend the construction period by several months. Construction costs (excluding hotel interior) are estimated at CHF 130 million.
Project status	By means of feasibility studies for various options, the preliminary project for the residential and hotel modification process was completed as at end 2015. The search for a hotel operator has been underway since January 2016. The total contractor optimisation programme with Losinger Marazzi AG and Implenia AG kicked off at the beginning of May. The building application should be submitted in August 2016. The objective is to select a total contractor based on the optimisation phase, so that an actual total contractor submission can be waived. Preparations for implementing construction and remediation operations can be started directly with the selected total contractor. The construction start-up date is planned for the beginning of 2017.
Occupancy rate ¹	No definitive rental agreements are yet available. Of the applications submitted for hotel operator, three business concepts have made it to the short list. Negotiations for the 1 000-square-metre supermarket and 1 200-square-metre fitness studio are proceeding favourably.
Completion	Ready for occupancy in summer to autumn 2019

Geneva-Cointrin, Route de Pré-Bois 16

Project description	The property is located in the community of Meyrin in the immediate vicinity of the Geneva-Cointrin Airport. A hotel was constructed on the neighbouring plot of land in 2003, and at the same time a subterranean level with underground garage and storage rooms was erected on the plot as preparatory construction for a future building extension. The hotel operator exercised its purchase option in 2005, and the transaction was concluded in 2010. Swiss Prime Site was able to acquire the property within the scope of the Jelvoli acquisition in 2009. The development project began in 2014 with the objective of offering the market flexible and turnkey floor space for small- and medium-sized enterprises (SMEs). The concept envisages a seven-storey office building with rentable space of roughly 2 600 square metres according to the Minergie standard. The rentable floor space per floor of nearly 400 square metres can be ideally allocated to one, two or three tenants and is optimally suited for this target group. The investment volume (excluding land) amounts to roughly CHF 14 million.
Project status	The building permit and application for modification are legally validated. The total contractor submission has been carried out, and the final price adjustments are in process. Regulating the requisite easements with the neighbours is proceeding in full swing.
Occupancy rate ¹	No advance leasing; the decision-making process with SMEs is rather brief. Marketing activities will commence following the summer holidays in 2016.
Completion	End 2017

Plan-les-Ouates, Chemin des Aulx

Project description	Swiss Prime Site is sole owner of the last major plots of building land in the Zone Industrielle Plan-les-Ouates (ZIPLO), comprising land area of roughly 28 400 square metres. The permissible utilisation was clarified by means of a preliminary enquiry, which may amount to around 250%. Services and retail utilisation are permitted on a subordinate basis; tenants must be approved by the Industrial Land Foundation of Geneva (FTI). The development project envisages five modular and flexible commercial buildings with a subterranean optimal logistics infrastructure for trucks. The ground floor is oriented toward the needs of major industrial as well as retail tenants, while the upper floors are ideally suitable for high-tech, biotech, clean-tech and R&D, in addition to commercial, trade or office utilisation. Total rentable floor space for both phases amounts to more than 100 000 square metres. The investment volume (excluding land) amounts to roughly CHF 390 million. The first phase will consist of the construction of three modules (A, B, C) as well as subterranean logistics together with parking.
Project status	The building permit is legally validated. The total contractor submission for the first phase and basic configuration has been carried out. An intensive project optimisation (all buildings with seven instead of six upper floors, a reduction of the subterranean floors) will take place in parallel to the review of tender offers. The application for modification will be submitted and total contractor service contract signed in late autumn 2016. The construction start date is scheduled for the beginning of 2017.
Occupancy rate ¹	Specific negotiations for roughly 40% of the first phase are currently underway in full swing with the objective of signing rental agreements in autumn 2016.
Completion	Ready for occupancy: phase one 2019/ phase two probably from 2021

Schlieren, Zürcherstrasse 39 (NZZ printing facility)

Project description	The former NZZ printing facility was acquired in December 2015, and the property is to be converted into an innovative centre for science and information transfer. Infrastructure for services companies, training and further education as well as research and development, in addition to co-working spaces and facilities for community activities and culture are all envisaged for the centre. At the same time, the building structure should be largely preserved, providing future users with a fascinating spatial experience with its rooms featuring up to 18-metre-high ceilings. The focus of the development project is aimed at creating an ecosystem, within which new ideas should emerge and innovations can be achieved. The development of an innovative platform for education, science and information transfer will address the growing necessity for realms of social interaction and changing forms of collaboration. The property's location as well as position and structure are ideally suitable for such purposes.
Project status	Building on the underlying utilisation concept of the acquisition, feasibility regarding the building structure and market conditions will be fine-tuned and the supply of floor space specified in an iterative process in 2016. Furthermore, the potential of the overall site for adding additional floors and expanding the property, including the relevant planning, will be the subject of review. The construction start date is planned for 2018. Potential interim utilisation concepts (2016/2017) as well as ideas for step-by-step preparations and leasing of partial floor space are continuously flowing into the development process.
Occupancy rate ¹	The floor space in the hall area utilised by NZZ will be relinquished by autumn 2016. Disassembly of the printing machine is proceeding favourably. Existing tenants at the site include NZZ Call Center, Verity Studios, Presto Presse-Vertriebs AG. Contact has been established with various potential tenants for the restructuring.
Completion	2018

Zurich, Brandschenkestrasse 25 (Motel One)

Project description	The office property located at Brandschenkestrasse 25 is being modified as a roughly 400-room hotel. The investment volume amounts to around CHF 65 million to convert the courtyard-rimmed complex into a hotel. Modification of the four buildings situated on a total area of 3 900 square metres will be carried out under strict compliance with their diverse and, to some extent, landmark-protected architecture. The excellent urban location near the Bahnhofstrasse as well as the property's floor space offering are superbly appropriate for a hotel according to the operating and design concept of Motel One Group.
Project status	The execution order was issued to the total contractor at the beginning of 2015. The green light for construction was issued in September 2015. The modification activities are proceeding according to plan. The hotel plans to open its doors in the summer of 2017.
Occupancy rate ¹	The entire building is leased to Motel One Group as at summer 2017.
Completion	Summer 2017

Zurich, Etzelstrasse 14 (Etzelgut)

Project description	Swiss Prime Site is constructing a new replacement building for Tertium AG situated in a prime location in Zurich's urban district for a geriatric care facility, with a total of 47 geriatric care rooms and integrated dementia department with six rooms, providing space for ten dementia patients. The basic configuration includes modern-equipped kitchens, a patient-care bath and contemporary therapy rooms, in addition to various service rooms. Thanks to proximity to the Morgental tram and bus station, the geriatric care facility benefits from the neighbouring local infrastructure with Migros, Swiss Post and additional services and is therefore ideally integrated into the community. Easy accessibility to public transportation offers the advantage that the geriatric care facility is well connected to Zurich's city centre, making it simple for family members to visit patients.
Project status	Demolition of the building is concluded. Excavation activities have commenced.
Occupancy rate ¹	The building will be 100% utilised directly by the Tertium Group.
Completion	1 October 2017

¹ occupancy rate and sales status as at 30.06.2016

12 OWNER-OCCUPIED PROPERTIES AND OWNER-OCCUPIED PROPERTIES UNDER CONSTRUCTION

CHANGE IN OWNER-OCCUPIED PROPERTIES

in CHF 1 000	31.12.2015	30.06.2016
Owner-occupied properties as at 01.01.	778 656	894 582
Follow-up investments	2 560	- 307
Additions from acquisitions	20 181	-
Disposals	- 2 800	-
Transferred depreciation	- 12 127	- 7 037
Positive fair value adjustment	35 370	12 257
Negative fair value adjustment	- 263	- 1 284
Reclassifications into/from investment properties and owner-occupied properties under construction, net	73 005	33 119
Owner-occupied properties as at reporting date	894 582	931 330

SUMMARY OF TRANSFERRED DEPRECIATION AND IMPAIRMENT

in CHF 1 000	31.12.2015	30.06.2016
Cumulative depreciation and impairment as at 01.01.	-	-
Depreciation	12 127	7 037
Impairment	189	192
Transferred depreciation and impairment	- 12 316	- 7 229
Cumulative depreciation and impairment as at reporting date	-	-

UTILISATION OF OWNER-OCCUPIED PROPERTIES

	31.12.2015	30.06.2016
Berlingen, Seestrasse 110	completely	completely
Berlingen, Seestrasse 83, 88, 101, 154	completely	completely
Frauenfeld, St. Gallerstrasse 30–30c	completely	completely
Lucerne, Kreuzbuchstrasse 33/35	completely	completely
Meilen, Seestrasse 545	completely	completely
Olten, Frohburgstrasse 1	partly	partly
Opfikon, Müllackerstrasse 2, 4/Bubenholz	completely	completely
Ostermundigen, Mitteldorfstrasse 16	completely	completely
Pfäffikon/SZ, Huobstrasse 5	completely	completely
Stadel b. Niederglatt, Buechenstrasse 80	completely	completely
Thun, Göttibachweg 2–2e, 4, 6, 8	completely	completely
Wabern, Nesslerenweg 30	completely	completely
Wattwil, Ebnaterstrasse 45	completely	completely
Zurich, Carl Spitteler-Strasse 68/70	completely	completely
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	completely	completely
Zurich, Kappenhühlweg 9, 11/Holbrigstrasse 10/Regensdorferstrasse 18a	completely	completely
Zurich, Restelbergstrasse 108	completely	completely
Zurich, Seidengasse 1/Jelmoli – The House of Brands	partly	partly

Reclassification of investment properties into owner-occupied properties and vice-versa is implemented on a semi-annual basis by means of using the current rent tables. If the owner-occupied properties had been valued according to the historical cost model, the book value would have been CHF 808.525 million as at the balance sheet date [CHF 790.135 million as at 31 December 2015]. Transferred depreciation was based on the cumulative depreciation as at the revaluation date, which was eliminated against the gross book value of the revalued owner-occupied properties.

Owner-occupied properties were valued according to the discounted cash flow method (DCF) by the independent valuation expert Wüest & Partner AG, Zurich, based on regular (semi-annual) fair value appraisals. The applied real discount rate hovered in range between 3.05% to 5.0% [3.1% to 5.0% as at 31 December 2015]. These valuations were based on market prices of recently executed transactions.

Fire insurance values of owner-occupied properties amounted to CHF 593.280 million [CHF 580.735 million as at 31 December 2015]. Rental income from owner-occupied properties totalled CHF 12.117 million [CHF 12.030 million as at 30 June 2015].

OWNER-OCCUPIED PROPERTIES UNDER CONSTRUCTION

in CHF 1 000	31.12.2015	30.06.2016
Owner-occupied properties under construction as at 01.01.	52 890	–
Additions	12 690	–
Capitalised borrowing costs	693	–
Disposals	–29 178	–
Positive fair value adjustment	6 035	–
Reclassifications into/from investment properties and owner-occupied properties, net	–43 130	13 020
Owner-occupied properties under construction as at reporting date	–	13 020

SUMMARY OF TRANSFERRED DEPRECIATION AND IMPAIRMENT

in CHF 1 000	31.12.2015	30.06.2016
Cumulative depreciation and impairment as at 01.01.	–	–
Reversal of impairment	– 3 300	–
Transferred depreciation and impairment	3 300	–
Cumulative depreciation and impairment as at reporting date	–	–

If these particular owner-occupied properties under construction were valued according to the historical cost model, the book value would have been CHF 13.020 million as at the balance sheet date.

The fire insurance value of these properties amounted to CHF 7.568 million as at the balance sheet date.

13 GOODWILL AND BRANDS

Goodwill and brand names are attributed to the cash-generating units of Swiss Prime Site that correspond to the operating segments.

GOODWILL

in CHF 1 000	31.12.2015	30.06.2016
Real Estate segment	87 368	91 174
Retail segment	35 930	35 930
Assisted Living segment	246 222	316 259
Total goodwill	369 520	443 363

The Real Estate, Retail and Assisted Living segments each constitute an operating segment. The amount to be realised by the cash-generating units was based on value in use.

The increase in goodwill is attributable to the acquisitions of Boas Senior Care and immoveris.

BRAND NAMES

in CHF 1 000	31.12.2015	30.06.2016
Real Estate segment	4 395	4 395
Retail segment	22 797	22 797
Assisted Living segment	25 949	25 886
Total brand names	53 141	53 078

14 FINANCIAL LIABILITIES

in CHF 1 000	31.12.2015	30.06.2016
Mortgage-backed loans	382 000	699 200
Convertible bonds	189 589	—
Other loans	516	897
Total current financial liabilities	572 105	700 097
Mortgage-backed loans	2 737 525	2 573 753
Convertible bonds	—	242 748
Bonds	940 672	941 114
Non-current loans	11 291	11 607
Total non-current financial liabilities	3 689 488	3 769 222
Other non-current financial liabilities	6 871	6 289
Total financial liabilities	4 268 464	4 475 608

The convertible bond of CHF 189.589 million reported in current financial liabilities as at 31 December 2015 matured on 21 June 2016; the unconverted amount of the bond of CHF 40.700 million was redeemed.

Non-current financial liabilities of CHF 3 769.222 million [CHF 3 689.488 million] were recognised in the balance sheet at amortised cost, which generally corresponded to the nominal value. There were no extraordinary debt covenants for loans secured by real estate or for bonds. The contractual limits are continually monitored and were complied with by the Company.

To secure the financial liabilities, various credit line agreements were concluded under market conditions (at arm's length), both with third-party banks and with related banks. Within the scope of the general credit lines, the maximum credit available is determined and adjusted by the banks on the basis of the valuation of the land mortgage rights transferred to them as security. Increasing credit lines or individual loans, redemption of existing loans and refinancing are carried out continuously on the basis of the liquidity plan.

As at the balance sheet date, the loan-to-value ratio of the real estate portfolio amounted to 45.2% [44.0% as at 31 December 2015].

BONDS

	in	CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 100 m 2024
Issuing volume, nominal	CHF m	115.000	200.000	230.000	300.000	100.000
Book value as at 30.06.2016	CHF m	114.796	199.155	229.425	298.441	99.297
Book value as at 31.12.2015	CHF m	114.746	199.032	229.359	298.280	99.255
Interest rate	%	1.125	1.0	2.0	1.75	2.0
Term to maturity	years	5	5	7	7	10
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)
Fair value as at 30.06.2016 (level 1)	CHF m	118.335	205.800	247.250	318.600	110.750
Fair value as at 31.12.2015 (level 1)	CHF m	118.450	204.900	243.455	315.000	106.050

Bonds are redeemed at their nominal value.

CONVERTIBLE BONDS

	in	CHF 190.35 m 2016	CHF 250 m 2023
Issuing volume, nominal	CHF m	190.350	250.000
Nominal value as at 30.06.2016	CHF m	–	250.000
Book value as at 30.06.2016	CHF m	–	242.748
Book value as at 31.12.2015	CHF m	189.589	–
Conversion price	CHF	81.89	105.38
Interest rate	%	1.875	0.250
Term to maturity	years	5	7
Maturity	date	21.06.2016	16.06.2023
Securities number		13 119 623 (SPS11)	32 811 156 (SPS16)
Fair value as at 30.06.2016 (level 1)	CHF m	–	251.000
Fair value as at 31.12.2015 (level 1)	CHF m	192.806	–

In the first half of 2016, conversions took place with a volume amounting to nominal CHF 149.650 million [CHF 203.035 million]. The conversions resulted in an increase in share capital of CHF 27.959 million [CHF 43.770 million] or 1 827 383 [2 860 803] registered shares, and addition to capital reserves of CHF 119.740 million [CHF 155.976 million]. The remaining amount of the CHF 190.35 million convertible bond of CHF 40.700 million was redeemed on 21 June 2016. In the previous year, the residual amount of the CHF 300 million convertible bond of CHF 26.085 million was redeemed on 20 January 2015.

Swiss Prime Site AG issued a convertible bond as at 16 June 2016, amounting to CHF 250.000 million with a term to maturity of seven years and interest rate of 0.25%. Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time between 27 July 2016 and 7 June 2023. The newly issued shares are secured by conditional capital.

The equity component resulting from the convertible option was recognised directly in shareholders' equity. The other embedded options of the convertible bond – i.e. premature redemption option under certain preconditions (clean-up call and issuer call) – as well as the put option granted under certain preconditions (delisting of shares put) are contained within the borrowed capital component and are not recognised separately.

CONVERSION PRICE AND NUMBER OF POSSIBLE SHARES GIVEN 100% CONVERSION

Convertible bonds	31.12.2015 Conversion price in CHF	31.12.2015 Number of possible shares	30.06.2016 Conversion price in CHF	30.06.2016 Number of possible shares
1.875%-convertible bond 21.06.2011–21.06.2016, CHF 190.350 million	81.89	2 324 460	n/a	n/a
0.25%-convertible bond 16.06.2016–16.06.2023, CHF 250.000 million	n/a	n/a	105.38	2 372 367
Total number of possible shares		2 324 460		2 372 367

OVERVIEW OF FUTURE CONTRACTUAL CASH OUTFLOWS (INCLUDING INTEREST) FROM ALL FINANCIAL LIABILITIES

in CHF 1 000	30.06.2016 Book value	Contractual cash flows	< 6 months		6 to 12 months		1 to 2 years		2 to 5 years		> 5 years	
			Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation
Accounts payable	15 704	15 704	–	15 704	–	–	–	–	–	–	–	–
Current financial liabilities	700 097	704 855	4 159	516 463	599	183 634	–	–	–	–	–	–
Other current liabilities	104 560	104 561	1	104 560	–	–	–	–	–	–	–	–
Non-current financial liabilities	3 769 222	4 103 942	35 826	–	35 826	–	64 366	416 834	138 599	1 970 191	49 368	1 392 932
Total non-derivative financial liabilities	4 589 583	4 929 062	39 986	636 727	36 425	183 634	64 366	416 834	138 599	1 970 191	49 368	1 392 932
Derivatives with negative fair values	6 289	5 582	–	1 832	–	563	–	924	–	2 210	–	53
Total derivative financial liabilities	6 289	5 582	–	1 832	–	563	–	924	–	2 210	–	53
Total financial liabilities	4 595 872	4 934 644	39 986	638 559	36 425	184 197	64 366	417 758	138 599	1 972 401	49 368	1 392 985

in CHF 1 000	31.12.2015 Book value	Contractual cash flows	< 6 months		6 to 12 months		1 to 2 years		2 to 5 years		> 5 years	
			Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation
Accounts payable	13 307	13 307	–	13 307	–	–	–	–	–	–	–	–
Current financial liabilities	572 105	580 654	6 038	339 608	1 750	233 258	–	–	–	–	–	–
Other current liabilities	127 171	127 176	3	127 092	2	79	–	–	–	–	–	–
Non-current financial liabilities	3 689 488	4 051 951	37 812	–	37 811	–	69 035	513 777	153 495	1 504 433	60 656	1 674 932
Total non-derivative financial liabilities	4 402 071	4 773 088	43 853	480 007	39 563	233 337	69 035	513 777	153 495	1 504 433	60 656	1 674 932
Derivatives with negative fair values	6 871	6 871	–	1 812	–	1 832	–	934	–	2 071	–	222
Total derivative financial liabilities	6 871	6 871	–	1 812	–	1 832	–	934	–	2 071	–	222
Total financial liabilities	4 408 942	4 779 959	43 853	481 819	39 563	235 169	69 035	514 711	153 495	1 506 504	60 656	1 675 154

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.2 [4.4] years due to the contractual maturities.

CURRENT AND NON-CURRENT FINANCIAL LIABILITIES CATEGORISED BY INTEREST RATE

in CHF 1 000	31.12.2015 Total nominal value	30.06.2016 Total nominal value
Financial liabilities up to 1.00%	91 800	634 800
Financial liabilities up to 1.50%	695 850	695 550
Financial liabilities up to 2.00%	1 106 950	876 600
Financial liabilities up to 2.50%	1 249 400	1 249 400
Financial liabilities up to 3.00%	729 630	711 057
Financial liabilities up to 3.50%	100 000	70 000
Financial liabilities up to 4.00%	257 200	230 496
Financial liabilities up to 4.50%	34 000	10 717
Financial liabilities up to 5.00%	1 334	1 434
Total financial liabilities	4 266 164	4 480 054

The weighted average interest rate for all interest-bearing financial liabilities amounted to 1.9% [2.1%].
The loans were mainly obtained at fixed interest rates.

15 KEY FIGURES PER SHARE

The profit used to calculate earnings per share or diluted earnings per share was the reported profit attributable to shareholders of Swiss Prime Site AG.

WEIGHTED AVERAGE NUMBER OF SHARES

	01.01.– 30.06.2015	01.01.– 30.06.2016
Shares issued as at 01.01.	60 820 602	69 651 534
Weighted number of shares issued on conversions	2 768 271	436 205
Weighted number of shares on capital increase as at 29.05.2015	1 028 189	–
Average number of treasury shares (180 days)	– 10 274	– 2 488
Total weighted average number of shares 01.01.–30.06. (180 days)	64 606 788	70 085 251
Weighted number of shares issued on conversions	– 2 768 271	– 436 205
Effective number of converted shares	2 860 803	1 827 383
Highest possible number of shares that can be issued on conversions	2 324 460	2 372 367
Basis for calculation of diluted earnings per share	67 023 780	73 848 796

BASIS FOR CALCULATION OF DILUTED EARNINGS PER SHARE

in CHF 1 000	01.01.– 30.06.2015	01.01.– 30.06.2016
Profit attributable to shareholders of Swiss Prime Site AG	191 292	132 714
Interests on convertible bonds, amortisation of proportional costs and tax effects	2 188	– 779
Relevant profit for calculation of diluted earnings per share	193 480	131 935

EARNINGS AND NET ASSET VALUE (NAV) PER SHARE

in CHF	01.01.– 30.06.2015	01.01.– 30.06.2016
Earnings per share (EPS)	2.96	1.89
Diluted earnings per share	2.89	1.79
Shareholders' equity per share (NAV) before deferred taxes ¹	82.92	83.66
Shareholders' equity per share (NAV) after deferred taxes ¹	68.56	69.24

¹ Non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV.

16 FUTURE OBLIGATIONS AND CONTINGENT LIABILITIES

in CHF 1 000	31.12.2015	30.06.2016
2016	41 570	36 101
2017	16 592	33 504
2018	–	2 916
Total future obligations based on total contractor agreements	58 162	72 521

Swiss Prime Site concluded agreements with various total contractors for the construction of new and modified buildings within the scope of new construction activities as well as restructuring and renovation of existing properties. The due dates for the respective residual payments for these total contractor agreements are shown in the table above. The relevant properties were as follows:

Properties	Planned completion	31.12.2015 Outstanding payments in CHF 1 000	30.06.2016 Outstanding payments in CHF 1 000
Basel, Freie Strasse 68/Motel One	2016	3 835	850
Zurich, Brandschenkestrasse 25/Motel One	2017	43 517	33 352
Zurich, Etzelstrasse 14	2017	10 810	9 700
Meyrin, Route de Meyrin 210/Riantbosson	2018	–	28 619
Total outstanding payments/future obligations		58 162	72 521

Contingent liabilities

Since end 2013, there was a contingent liability related to an unresolved difference of opinion with the Swiss Federal Tax Administration (FTA). This dispute is related to interest on arrears with regard to the reporting procedure surrounding withholding tax on dividend distributions within the group. Notwithstanding what we view as proper and timely reporting of the distributions in 2012, four subsidiaries received requests for effective payment of the withholding tax and interest on arrears toward the end of 2013 and beginning of 2014. Due to the risk of substantial interest on arrears, Swiss Prime Site paid the withholding tax on 24 December 2013 as a precautionary measure, which was subsequently reimbursed by the FTA on 10 January 2014.

Swiss Prime Site filed an objection to the decision that was issued by the FTA. Based on a legal opinion, the Company believes that there are no legitimate or legal grounds for either the subsequent imposition of withholding taxes or the obligation to effect payment of interest on arrears. Although Swiss Prime Site is convinced that its actions are appropriate and is attempting to legally assert its point of view, a litigation risk exists. According to internal calculations, the interest on arrears would amount to maximum CHF 25.0 million in the case that a final decision in favour of the FTA is taken. Since the outcome of the dispute is still uncertain and the extent of the amounts to be ultimately paid in case of

a negative outcome cannot be reliably determined at present due to the various possible outcome scenarios, the Company has waived setting up a provision, in accordance with IAS 37.

There were no other contingent liabilities at the balance sheet date, neither securities nor guarantees.

17 PLEDGED ASSETS

in CHF 1 000	31.12.2015	30.06.2016
Fair value of affected investment properties	7 907 295	7 771 347
Fair value of affected owner-occupied properties	702 728	759 358
Nominal value of pledged mortgage notes	4 718 030	4 590 186
Current claim (nominal)	3 118 850	3 272 550

18 GROUP COMPANIES AND ASSOCIATES

Swiss Prime Site AG holds the following investments in group companies

FULLY CONSOLIDATED INVESTMENTS IN GROUP COMPANIES (DIRECT OR INDIRECT)

		31.12.2015		30.06.2016	
	Field of activity	Capital in CHF 1 000	Shareholding in %	Capital in CHF 1 000	Shareholding in %
Clos Bercher SA, Bercher ⁵	Assisted living	–	–	100	100.0
Ensemble artisanal et commercial de Riantbosson S.A., Olten ¹	Real estate	1 000	100.0	n/a.	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz ⁵	Assisted living	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux ⁵	Assisted living	–	–	100	100.0
immooveris ag, Berne ²	Real estate services	–	–	200	100.0
immooveris properties ag, Berne ²	Real estate services	–	–	100	100.0
Jelmoli AG, Zurich	Retail	6 600	100.0	6 600	100.0
La Fontaine SA, Court ⁵	Assisted living	–	–	100	100.0
La Résidence des Marronniers SA, Martigny ⁵	Assisted living	–	–	100	100.0
Le Manoir AG, Gampelen ⁵	Assisted living	–	–	100	100.0
Leora S.à.r.l., Villeneuve ⁵	Assisted living	–	–	140	100.0
Les Tourelles S.à.r.l., Martigny ⁵	Assisted living	–	–	20	100.0
Perlavita AG, Zurich	Assisted living	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg	Assisted living	300	100.0	300	100.0
Quality Inside SA, Crissier ⁵	Assisted living	–	–	150	100.0
Résidence Bel-Horizon Sarl, Ecublens ⁵	Assisted living	–	–	20	100.0
Résidence de la Jardinerie SA, Delémont ⁵	Assisted living	–	–	100	100.0
Résidence du Bourg SA, Aigle ⁵	Assisted living	–	–	50	100.0
Résidence Joli Automne SA, Ecublens ⁵	Assisted living	–	–	100	100.0
Résidence le Pacific SA, Etoy ⁵	Assisted living	–	–	150	100.0
Résidence l'Eaudine SA, Montreux ⁵	Assisted living	–	–	100	100.0
SENIOcare AG, Wattwil ³	Assisted living	2 400	100.0	2 400	100.0
SPS Beteiligungen Alpha AG, Olten	Investments	650 000	100.0	650 000	100.0
SPS Beteiligungen Beta AG, Olten	Investments	450 000	100.0	450 000	100.0
SPS Beteiligungen Gamma AG, Olten	Investments	300 000	100.0	300 000	100.0
SPS Immobilien AG, Olten	Real estate	50 000	100.0	50 000	100.0
Swiss Prime Site Fund Advisory AG II, Olten	Collective investments	100	100.0	100	100.0
Swiss Prime Site Group AG, Olten	Services	100	100.0	100	100.0
Tertianum AG, Zurich	Assisted living	9 562	100.0	9 562	100.0
Tertianum Management AG, Zurich ⁴	Services	–	–	500	100.0
Tertianum Romandie Management SA, Crissier ⁵	Assisted living	–	–	100	100.0
Vitadomo AG, Zurich	Assisted living	100	100.0	100	100.0
WGDM Papillon AG, Winterthur ⁵	Assisted living	100	100.0	n/a	n/a
Wincasa AG, Winterthur	Real estate services	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden ³	Assisted living	1 000	51.0	1 000	51.0

¹ increase in shareholding interest to 100% as at 17.12.2015; merged with SPS Immobilien AG as at 20.05.2016

² acquisition as at 27.05.2016

³ acquisition as at 01.10.2015

⁴ founded as at 18.03.2016

⁵ acquisition as at 29.02.2016

⁶ acquisition as at 01.07.2015, merged with Perlavita AG as at 26.04.2016

INVESTMENTS IN ASSOCIATES VALUED ACCORDING TO THE EQUITY METHOD

		31.12.2015 Capital in CHF 1 000	Shareholding in %	30.06.2016 Capital in CHF 1 000	Shareholding in %
Parkgest Holding S.A., Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

19 MAJOR SHAREHOLDERS

	31.12.2015 Shareholding interest in %	30.06.2016 Shareholding interest in %
Major shareholders (shareholding interest > 3%)		
BlackRock Investment Management (UK) Ltd., London	4.4	4.4
State Street Corporation, Boston	4.0	4.0
Credit Suisse Funds AG, Zurich	3.5	3.3

20 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated financial statements were approved for publication by the Board of Directors on 18 August 2016.

As at 1 July 2016, 100% of the shares of Résidence Les Sources BOAS SA were acquired at a provisionally determined purchase price of CHF 9 million. This acquisition concludes the integration of Boas Senior Care into the Assisted Living segment.

There were no other events occurring between 30 June 2016 and the date of publication of these consolidated financial statements that would result in adjustment of the carrying amounts of the group's assets and liabilities as at 30 June 2016, or which would need to be disclosed at this point.

..... EPRA KEY FIGURES

EPRA KEY FIGURES

EPRA KEY FIGURES
(EUROPEAN PUBLIC REAL ESTATE ASSOCIATION)

EPRA EARNINGS AND EPRA EARNINGS PER SHARE

in CHF 1 000	01.01.– 30.06.2015	01.01.– 30.06.2016
Earnings per consolidated income statement	191 042	132 020
Excluding:		
Revaluations of investment properties	– 99 735	– 32 777
Result from investment property sales	– 11	– 10 114
Result on sales of trading properties, gross	– 29 546	–
Tax on profits on disposals, gross	7 768	2 194
Negative goodwill/goodwill impairment	n/a	n/a
Changes in fair value of financial instruments	– 412	– 843
Transaction costs on acquisitions of group companies and associated companies	n/a	2 324
Deferred taxes in respect of EPRA adjustments	21 759	7 771
Adjustments in respect of associated companies	n/a	n/a
Adjustments in respect of non-controlling interests	n/a	n/a
EPRA earnings	90 865	100 575
Average number of outstanding shares	64 606 788	70 085 251
EPRA earnings per share in CHF	1.41	1.44

EPRA NET ASSET VALUE (NAV)

in CHF 1 000	31.12.2015	30.06.2016
NAV as per consolidated balance sheet	4 955 723	4 949 053
Dilution effects from exercise of options, convertibles and other equity interests	189 589	242 748
Diluted NAV, after the exercise of options, convertibles and other equity interests	5 145 312	5 191 801
Including:		
Revaluation of investment properties ¹	n/a	n/a
Revaluation of properties under construction ¹	n/a	n/a
Revaluation of other non-current investments	n/a	n/a
Revaluation of tenant leases held as finance leases	n/a	n/a
Revaluation of trading properties	–	–
Excluding:		
Fair value of derivative financial instruments	6 871	6 289
Deferred taxes	1 010 985	1 019 382
Goodwill as a result of deferred taxes	n/a	n/a
Adjustments in respect of associated companies	n/a	n/a
EPRA NAV	6 163 168	6 217 472
Number of outstanding shares (diluted)	71 973 214	73 849 540
EPRA NAV per share in CHF	85.63	84.19

¹ if IAS 40 cost option is used

EPRA TRIPLE NET ASSET VALUE (NNNAV)

in CHF 1 000	31.12.2015	30.06.2016
EPRA NAV	6 163 168	6 217 472
Excluding:		
Fair value of derivative financial instruments	– 6 871	– 6 289
Revaluation of financial debts	– 226 966	– 219 531
Deferred taxes	– 995 097	– 1 004 015
EPRA NNAV	4 934 234	4 987 637
Number of outstanding shares (diluted)	71 973 214	73 849 540
EPRA NNAV per share in CHF	68.56	67.54

EPRA NET YIELD ON RENTAL INCOME (NIY)

in CHF 1 000	31.12.2015	30.06.2016
Investment properties – wholly owned	9 686 607	9 886 436
Investment properties – share of joint ventures/funds	n/a	n/a
Trading properties	–	–
Less properties under construction and development sites, building land and trading properties	– 412 980	– 297 951
Value of completed property portfolio	9 273 627	9 588 485
Allowance for estimated purchasers' costs	n/a	n/a
Gross up value of completed property portfolio	A 9 273 627	9 588 485
Annualised rental income	417 129	424 736
Property outgoings	– 58 265	– 56 735
Annualised net rental income	B 358 864	368 001
Add: notional rent expiration of rent-free periods or other lease incentives	3 733	6 006
Topped-up net annualised rental income	C 362 597	374 007
EPRA NIY	B/A 3.9%	3.8%
EPRA topped-up NIY	C/A 3.9%	3.9%

EPRA VACANCY RATE

in CHF 1 000	31.12.2015	30.06.2016
Estimated rental value of vacant space	26 644	24 279
Estimated rental value of the whole portfolio	444 218	453 590
EPRA vacancy rate	6.0%	5.4%

..... FIVE-YEAR SUMMARY OF KEY FIGURES

FIVE-YEAR SUMMARY OF KEY FIGURES

FIVE-YEAR SUMMARY OF KEY FIGURES

	in	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.06.2016
Group key figures						
Investment properties at fair value ¹	CHF m	8 350.0	8 876.4	9 558.0	9 904.9	9 886.4
Rental income from properties	CHF m	204.2	199.5	217.3	225.2	225.5
Vacancy rate	%	5.4	6.1	6.8	7.4	6.4
Income from sale of trading properties	CHF m	–	–	–	74.4	–
Income from real estate services ²	CHF m	–	45.6	48.4	52.5	54.8
Income from retail ³	CHF m	76.2	74.2	71.0	65.7	60.2
Income from assisted living ⁴	CHF m	–	–	77.3	77.4	151.9
Operating profit (EBIT)	CHF m	289.4	339.4	221.1	300.2	207.0
Key figures Real Estate segment²						
Rental income from third parties	CHF m	195.2	190.6	182.7	192.8	180.9
Rental income from group companies	CHF m	18.8	18.4	28.5	27.2	26.8
Net yield on properties	%	4.6	4.3	4.1	4.0	3.9
Vacancy rate	%	5.1	5.8	6.5	7.2	6.2
Income from sale of trading properties	CHF m	–	–	–	74.4	–
Income from real estate services	CHF m	–	45.6	48.7	52.7	54.9
Operating profit (EBIT)	CHF m	297.6	351.4	227.5	331.3	222.9
Key figures Retail segment³						
Income from retail	CHF m	76.4	74.4	71.1	65.9	60.2
Rental income	CHF m	9.0	8.9	9.0	8.5	7.6
Operating profit (EBIT)	CHF m	– 5.6	– 4.4	– 4.8	– 6.9	– 8.3
Key figures Assisted Living segment⁴						
Income from assisted living services	CHF m	–	–	77.3	77.9	152.0
Rental income from owner-occupied properties	CHF m	–	–	11.5	12.0	12.1
Rental income from leased properties	CHF m	–	–	14.0	11.9	25.0
Operating profit (EBIT)	CHF m	–	–	4.7	3.3	3.5
Group key financial figures						
EBITDA	CHF m	297.5	349.7	236.0	315.9	226.3
Operating profit (EBIT)	CHF m	289.4	339.4	221.1	300.2	207.0
Profit	CHF m	177.8	222.3	137.2	191.0	132.0
of which attributable to non-controlling interests	CHF m	–	–	0.9	– 0.3	– 0.7
Shareholders' equity	CHF m	3 433.7	3 964.7	4 026.0	4 776.8	4 948.6
of which non-controlling interests	CHF m	–	–	1.6	1.3	– 0.5
Equity ratio	%	39.5	42.0	39.2	44.4	45.3
Borrowed capital	CHF m	5 254.9	5 475.0	6 237.0	5 975.9	5 974.0
Borrowed capital ratio	%	60.5	58.0	60.8	55.6	54.7
Total shareholders' equity and borrowed capital	CHF m	8 688.6	9 439.7	10 263.0	10 752.7	10 922.6

¹ includes all properties, irrespective of their recognition in the balance sheet

² acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

³ transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

⁴ acquisition of Boas Senior Care as at 29.02.2016, SENIOcare Group as at 01.10.2015 and WGDM Papillon AG as at 01.07.2015

FIVE-YEAR SUMMARY OF KEY FIGURES

	in	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.06.2016
Interest-bearing financial liabilities	CHF m	4 281.1	4 277.3	4 937.4	4 487.8	4 469.3
Interest-bearing financial liabilities (in % of balance sheet total)	%	49.3	45.3	48.1	41.7	40.9
Loan-to-value ratio of property portfolio (LTV)	%	51.0	48.0	51.6	45.3	45.2
Weighted average interest rate on financial liabilities	%	2.6	2.4	2.2	2.2	1.9
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.1	4.2	4.6	4.7	4.2
Return on equity (ROE)	%	10.4	11.9	6.8	8.9	5.4
Return on invested capital (ROIC)	%	5.5	5.9	3.6	4.5	3.3
Cash flow from operating activities	CHF m	86.4	109.5	497.8	154.8	85.3
Cash flow from investing activities	CHF m	–54.0	–96.6	–141.8	–33.0	–210.0
Cash flow from financing activities	CHF m	–147.4	–98.7	–404.9	–149.9	50.6
Key financial figures excluding revaluation effects¹						
Operating profit (EBIT)	CHF m	159.1	169.7	167.5	200.5	174.2
Profit	CHF m	91.1	110.4	107.0	133.4	120.3
of which attributable to non-controlling interests	CHF m	–	–	–	–	–0.7
Return on equity (ROE)	%	5.4	6.1	5.4	6.3	4.9
Return on invested capital (ROIC)	%	3.5	3.5	3.0	3.4	3.1
Key figures per share						
Share price at end of period	CHF	79.15	69.45	73.50	70.95	88.20
Share price, highest	CHF	79.40	78.45	76.00	87.80	88.20
Share price, lowest	CHF	69.30	68.35	68.95	70.95	74.95
Earnings per share (EPS)	CHF	3.27	3.69	2.25	2.96	1.89
Earnings per share (EPS) excluding revaluation effects ¹	CHF	1.67	1.83	1.77	2.06	1.72
NAV before deferred taxes ²	CHF	77.04	79.80	81.65	82.92	83.66
NAV after deferred taxes ²	CHF	62.94	65.53	66.52	68.56	69.24
Distribution from capital contribution reserves	CHF	3.60	3.60	3.60	3.70	3.70
Cash yield on closing price of the previous year	%	5.1	4.7	5.2	5.1	4.7

¹ revaluations and deferred taxes² non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV.

FIVE-YEAR SUMMARY OF KEY FIGURES

	in	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.06.2016
Key figures per share						
Share performance (TR) p.a. in the last 12 months	%	15.0	– 6.8	11.0	2.1	29.8
Share performance (TR) p.a. in the last 3 years	%	22.7	9.5	6.0	1.9	13.7
Share performance (TR) p.a. in the last 5 years	%	8.7	9.0	13.6	8.2	9.5
Premium	%	25.8	6.0	10.5	3.5	27.4
Market capitalisation						
	CHF m	4 318.1	4 201.9	4 447.0	4 941.8	6 304.4
Employees						
Number of employees	People	734	1 451	3 034	3 183	5 346
Full-time equivalents	FTE	534	1 181	2 334	2 444	3 976
Share statistics						
Shares issued	Number	54 555 802	60 503 081	60 503 081	69 651 534	71 478 917
Average treasury shares held	Number	– 4 244	– 4 828	– 9 765	– 10 274	– 2 488
Average outstanding shares	Number	54 437 993	60 241 807	60 493 316	64 606 788	70 085 251
Treasury shares held	Number	– 4 244	– 4 828	– 2 767	– 2 721	– 1 744
Outstanding shares	Number	54 551 558	60 498 253	60 500 314	69 648 813	71 477 173

..... **PROPERTY DETAILS**

PROPERTY DETAILS

PROPERTY DETAILS AS AT 30.06.2016

City, address	Fair value (CHF 1000)	Target rental and land lease income (CHF 1000)	Vacancy rate (%)	Ownership status	Built	Year of renovation	Site area (m²)
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Aarau, Bahnhofstrasse 23	15 570	348	–	sole ownership	1946	1986	685
Amriswil, Weinfelderstrasse 74	7 334	238	–	sole ownership	2004		3 672
Baar, Zugerstrasse 57, 63	62 000	301	–	sole ownership bought 15.05.2016	2009		6 029
Baden, Bahnhofstrasse 2	9 858	202	–	sole ownership	1927	1975	212
Baden, Weite Gasse 34, 36	9 231	220	–	sole ownership	1953	1975	366
Basel, Aeschenvorstadt 2–4	47 070	1 032	0.6	sole ownership	1960	2005	1 362
Basel, Barfüsserplatz 3	39 480	856	–	sole ownership	1874	1993	751
Basel, Centralbahnplatz 9/10	21 360	421	–	sole ownership	1870/2005	2005	403
Basel, Elisabethenstrasse 15	28 680	677	1.6	sole ownership	1933	1993	953
Basel, Freie Strasse 26/ Falknerstrasse 3	39 450	726	7.8	sole ownership	1854	1980	471
Basel, Freie Strasse 36	43 700	845	–	sole ownership	1894	2003	517
Basel, Freie Strasse 68	64 320	1 273	52.1	sole ownership	1930	2015/2016	1 461
Basel, Henric Petri-Strasse 9/ Elisabethenstrasse 19	32 940	747	0.6	sole ownership	1949	1985	2 387
Basel, Hochbergerstrasse 40/ parking	5 187	296	47.8	sole ownership land lease	1976		4 209
Basel, Hochbergerstrasse 60/ building 805	4 063	151	–	sole ownership	1958	2006	5 420
Basel, Hochbergerstrasse 60/ building 860	2 367	74	48.6	sole ownership	1990		980
Basel, Hochbergerstrasse 60/ Stücki Business Park 60A–E	102 670	3 144	36.1	sole ownership	2008		8 343
Basel, Hochbergerstrasse 62	9 563	212	–	sole ownership	2005		2 680
Basel, Hochbergerstrasse 70/ Stücki shopping centre	204 790	6 543	15.8	sole ownership	2009		46 416
Basel, Messeplatz 12/Messeturm	207 980	4 669	–	sole ownership partial land lease	2003		2 137
Basel, Peter Merian-Strasse 80	54 200	1 330	1.5	freehold property	1999		19 214
Basel, Rebgrasse 20	40 980	1 340	2.3	sole ownership	1973	1998	3 713
Belp, Aemmenmattstrasse 43	15 370	800	48.0	sole ownership	1991		5 863
Berlingen, Seestrasse 110	1 446	77	31.7	sole ownership	1992		1 293
Berlingen, Seestrasse 83, 88, 101, 154	36 730	985	–	sole ownership	1948–1998		10 321
Berne, Bahnhofplatz 9	14 420	285	–	sole ownership	1930	1985	275
Berne, Genfergasse 14	110 320	2 139	–	sole ownership	1905	1998	4 602
Berne, Laupenstrasse 6	12 050	293	–	sole ownership	1911	1998	503
Berne, Mingerstrasse 12–18/ PostFinance Arena	114 690	3 282	–	sole ownership land lease	1969/2009	2009	29 098

OVERVIEW OF TYPE OF USE

Total m² commercial units, excluding parking	Retail (%)	Offices, medical practice premises, etc. (%)	Cinemas and restaurants (%)	Assisted Living (%)	Storage facilities (%)	Other (%)
2 069	60.8	12.3	–	–	26.9	–
3 083	41.7	0.7	41.6	–	5.2	10.8
8 995	–	91.4	3.5	–	2.4	2.7
979	93.4	–	–	–	6.6	–
1 565	37.7	40.4	–	–	10.8	11.1
6 296	17.1	63.5	–	–	18.9	0.5
3 864	46.8	33.2	–	–	19.9	0.1
1 442	8.5	38.1	20.9	–	11.7	20.8
4 265	20.8	72.5	–	–	6.7	–
2 870	43.6	50.3	–	–	6.1	–
2 429	59.3	13.6	–	–	11.5	15.6
6 159	14.4	74.6	–	–	10.3	0.7
6 696	4.3	72.6	–	–	21.1	2.0
–	–	–	–	–	–	–
4 782	–	23.4	–	–	10.5	66.1
897	–	82.2	–	–	14.0	3.8
37 441	–	86.3	–	–	5.0	8.7
–	–	–	–	–	–	–
54 365	59.8	8.0	18.0	–	12.1	2.1
24 093	0.7	54.2	41.7	–	3.2	0.2
9 110	–	85.3	–	–	14.7	–
9 231	47.2	11.1	13.7	–	26.2	1.8
9 364	–	75.1	5.3	–	17.5	2.1
1 882	–	100.0	–	–	–	–
8 650	–	–	–	100.0	–	–
1 616	67.5	–	–	–	32.5	–
15 801	4.1	85.0	–	–	0.7	10.2
2 067	41.4	49.9	–	–	0.3	8.4
46 348	0.2	17.8	–	–	0.1	81.9

PROPERTY DETAILS AS AT 30.06.2016

OVERVIEW OF TYPE OF USE

City, address	Fair value (CHF 1000)	Target rental and land lease income (CHF 1000)	Vacancy rate (%)	Ownership status	Built	Year of renovation	Site area (m ²)	Total m ² commercial units, excluding parking	Retail (%)	Offices, medical practice premises, etc. (%)	Cinemas and restaurants (%)	Assisted Living (%)	Storage facilities (%)	Other (%)
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE														
Berne, Schwarztorstrasse 48	51 410	1 398	–	sole ownership	1981	2011	1 959	8 148	–	75.7	–	–	23.0	1.3
Berne, Wankdorfallee 4/ EspacePost	167 000	4 075	–	sole ownership land lease	2014		5 244	33 650	–	94.2	–	–	4.9	0.9
Berne, Weltpoststrasse 5	73 000	2 795	14.5	sole ownership land lease	1975/ 1985	2013	19 374	25 836	–	67.2	4.5	–	20.9	7.4
Biel, Solothurnstrasse 122	8 311	254	0.2	sole ownership land lease	1961	1993	3 885	3 320	74.9	2.7	–	–	15.3	7.1
Brugg, Hauptstrasse 2	15 660	542	8.0	sole ownership	1958	2000	3 364	4 211	60.5	4.1	3.5	–	30.4	1.5
Buchs, St. Gallerstrasse 5	6 728	212	0.5	sole ownership	1995		2 192	1 784	13.2	60.1	–	–	18.3	8.4
Burgdorf, Emmentalstrasse 14	8 089	276	37.5	sole ownership	1972	1998	1 845	2 061	46.2	43.5	–	–	8.6	1.7
Burgdorf, Industrie Buchmatt	13 960	389	–	sole ownership partial land lease	1973		15 141	11 966	2.9	5.4	–	–	89.4	2.3
Carouge, Avenue Cardinal-Mermillod 36–44	154 120	4 476	1.7	sole ownership	1956	2002	14 372	35 084	23.7	59.2	0.8	–	14.8	1.5
Cham, Dorfplatz 2	5 070	127	1.3	sole ownership	1992		523	1 067	11.4	61.5	–	–	27.1	–
Conthey, Route Cantonale 2	6 309	188	–	sole ownership	1989		3 057	2 480	71.6	4.6	–	–	19.8	4.0
Conthey, Route Cantonale 4	18 510	624	10.1	sole ownership land lease	2009		7 444	5 038	86.3	–	3.0	–	6.0	4.7
Conthey, Route Cantonale 11	27 490	848	2.3	sole ownership land lease	2002		10 537	7 326	73.6	7.6	0.7	–	14.3	3.8
Dietikon, Bahnhofplatz 11/ Neumattstrasse 24	10 210	253	1.9	sole ownership	1989		1 004	1 783	19.5	56.1	–	–	24.4	–
Dietikon, Kirchstrasse 20	12 400	299	–	sole ownership	1988		1 087	1 894	23.5	65.0	–	–	11.5	–
Dietikon, Zentralstrasse 12	7 264	244	–	sole ownership	1965		1 215	3 266	40.9	6.2	–	–	46.4	6.5
Dübendorf, Bahnhofstrasse 1	6 373	220	–	sole ownership land lease	1988		1 308	1 671	17.7	59.3	–	–	23.0	–
Eyholz, Kantonsstrasse 79	2 954	142	–	sole ownership land lease	1991		2 719	1 321	92.2	5.7	–	–	–	2.1
Frauenfeld, St. Gallerstrasse 30–30c	35 360	855	–	sole ownership	1991		8 842	9 528	–	–	–	100.0	–	–
Frauenfeld, Zürcherstrasse 305	7 577	299	26.4	sole ownership	1982	2006	3 866	4 289	51.0	20.9	–	–	21.2	6.9
Frick, Hauptstrasse 132/ Fricktal Centre A3	22 210	573	–	sole ownership	2007		13 365	4 984	64.6	–	3.2	–	15.6	16.6
Geneva, Centre Rhône-Fusterie	108 600	1 535	–	freehold property	1990		2 530	11 186	76.2	0.3	–	–	23.5	–
Geneva, Place du Molard 2–4	255 690	4 250	1.4	sole ownership	1690	2002	1 718	7 178	35.4	56.3	2.2	–	3.7	2.4
Geneva, Route de Meyrin 49	65 760	1 859	7.5	sole ownership	1987		9 890	10 119	–	85.7	–	–	13.1	1.2
Geneva, Rue Céard 14/ Croix-d'Or 11	28 990	630	–	sole ownership	1974/ 1985	1981	285	1 677	66.0	–	–	–	34.0	–
Geneva, Rue de Rive 3	33 010	610	12.0	sole ownership	1900	2002	377	1 860	50.0	29.9	9.6	–	8.2	2.3
Geneva, Rue du Rhône 48–50	522 240	9 181	2.7	sole ownership	1921	2002	5 166	33 420	44.3	33.3	7.2	–	9.1	6.1
Gossau, Wilerstrasse 82	20 540	557	0.1	sole ownership	2007		13 064	4 689	78.1	2.1	–	–	10.7	9.1

PROPERTY DETAILS AS AT 30.06.2016

City, address	Fair value (CHF 1000)	Target rental and land lease income (CHF 1000)	Vacancy rate (%)	Ownership status	Built	Year of renovation	Site area (m²)
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COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE

Grand-Lancy , Route des Jeunes 10/CCL La Praille	273 330	8 097	0.4	sole ownership land lease	2002		20 597
Grand-Lancy , Route des Jeunes 12	52 460	1 578	0.5	sole ownership land lease	2003		5 344
Heimberg , Gurnigelstrasse 38	8 848	301	–	sole ownership land lease	2000		7 484
Horgen , Zugerstrasse 22, 24	11 560	314	–	sole ownership	1990		868
La Chaux-de-Fonds , Boulevard des Eplatures 44	6 864	216	–	sole ownership	1972		3 021
Lachen , Seidenstrasse 2	6 453	174	–	sole ownership	1993		708
Lausanne , Rue de Sébeillon 9/ Sébeillon Centre	12 810	468	–	sole ownership	1930	2001	2 923
Lausanne , Rue du Pont 5	145 540	3 323	0.3	sole ownership	1910	2004	3 884
Locarno , Largo Zorzi 4/ Piazza Grande	25 990	698	–	sole ownership	1956	2001	2 365
Locarno , Parking Centro	14 010	595	–	sole ownership land lease	1990	2001	4 013
Locarno , Via delle Monache 8	842	34	1.1	freehold property	1989		2 409
Lutry , Route de l'Ancienne Ciblerie 2	28 960	858	2.5	freehold property	2006		13 150
Lucerne , Langensandstrasse 23/ Schönbühl	52 590	225	1.2	sole ownership bought 25.05.2016	1969	2007	20 150
Lucerne , Kreuzbuchstrasse 33/35	20 910	941	–	sole ownership land lease	2010		14 402
Lucerne , Pilatusstrasse 4/Flora	64 940	1 207	–	freehold property	1979	2008	4 376
Lucerne , Schwanenplatz 3	15 980	306	–	sole ownership	1958	2004	250
Lucerne , Weggigasse 20, 22	17 590	332	–	sole ownership	1982		228
Meilen , Seestrasse 545	6 860	255	–	sole ownership land lease	2008		1 645
Meyrin , Route de Meyrin 210	2 439	123	–	sole ownership partial land lease	1979	1999	3 860
Neuchâtel , Avenue J.-J. Rousseau 7	7 005	257	12.6	sole ownership	1991	1992	1 020
Neuchâtel , Rue de l'Ecluse 19/Parking	633	4	–	sole ownership	1960	1997	715
Neuchâtel , Rue du Temple-Neuf 11	5 081	133	10.3	sole ownership	1953	1993	262
Neuchâtel , Rue du Temple-Neuf 14	40 330	1 053	9.7	sole ownership	1902/ 2014		1 928
Niederwangen b. Bern , Riedmoosstrasse 10	40 380	1 165	–	sole ownership	1985	2006	12 709
Oberbüren , Buchental 2	13 060	380	–	sole ownership	1980	2007	6 401
Oberbüren , Buchental 3	3 337	168	12.6	sole ownership	1964		4 651

OVERVIEW OF TYPE OF USE

Total m² commercial units, excluding parking	Retail (%)	Offices, medical practice premises, etc. (%)	Cinemas and restaurants (%)	Assisted Living (%)	Storage facilities (%)	Other (%)
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36 093	52.0	0.9	28.5	–	16.5	2.1
12 765	3.3	38.0	42.9	–	13.7	2.1
1 543	83.6	2.8	–	–	7.0	6.6
2 408	11.0	75.5	–	–	13.5	–
2 506	94.7	1.7	–	–	3.0	0.6
1 532	13.9	67.6	–	–	18.5	–
10 123	8.4	56.4	–	–	24.7	10.5
20 802	50.5	23.3	9.2	–	10.1	6.9
6 690	61.4	14.0	1.7	–	10.2	12.7
50	–	–	–	–	100.0	–
256	–	–	–	–	93.4	6.6
3 232	72.4	2.8	4.6	–	14.8	5.4
10 456	62.6	8.4	–	–	17.9	11.1
10 533	–	–	–	100.0	–	–
9 892	69.4	12.2	–	–	9.6	8.8
1 512	10.8	62.6	–	–	18.7	7.9
1 285	76.8	–	–	–	23.2	–
2 458	–	–	–	100.0	–	–
1 117	65.6	4.4	–	–	15.7	14.3
3 127	–	70.0	–	–	22.5	7.5
–	–	–	–	–	–	–
1 153	18.4	56.5	–	–	13.9	11.2
6 896	45.4	24.6	–	–	11.0	19.0
12 925	33.2	13.1	–	–	45.7	8.0
6 486	34.3	1.8	–	–	62.4	1.5
2 342	20.7	32.5	–	–	31.6	15.2

PROPERTY DETAILS AS AT 30.06.2016

OVERVIEW OF TYPE OF USE

City, address	Fair value (CHF 1000)	Target rental and land lease income (CHF 1000)	Vacancy rate (%)	Ownership status	Built	Year of renovation	Site area (m ²)	Total m ² commercial units, excluding parking	Retail (%)	Offices, medical practice premises, etc. (%)	Cinemas and restaurants (%)	Assisted Living (%)	Storage facilities (%)	Other (%)
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE														
Oberbüren , Buchental 3a	3 212	118	–	sole ownership	1964		3 613	2 464	–	–	–	–	100.0	–
Oberbüren , Buchental 4	26 480	738	–	sole ownership	1990		4 963	9 547	38.5	20.3	–	–	41.2	–
Oberbüren , Buchental 5	936	32	–	sole ownership	1920		3 456	1 648	–	12.1	–	–	–	87.9
Oberwil , Mühlemattstrasse 23	2 930	150	–	freehold property land lease	1986		6 200	1 651	75.9	4.2	–	–	16.3	3.6
Oftringen , Spitalweidstrasse 1/ shopping centre a1	88 570	2 818	5.7	sole ownership	2006		42 031	19 968	78.9	3.2	1.4	–	13.8	2.7
Olten , Bahnhofquai 18	28 090	797	0.7	sole ownership	1996		2 553	5 134	–	93.6	–	–	6.4	–
Olten , Bahnhofquai 20	39 920	1 022	0.1	sole ownership	1999		1 916	7 366	–	85.4	–	–	14.6	–
Olten , Frohburgstrasse 1	6 667	55	9.8	sole ownership	1899	2009	379	1 196	–	78.3	–	–	21.7	–
Olten , Frohburgstrasse 15	12 140	301	0.8	sole ownership	1961	1998	596	1 882	–	88.0	–	–	12.0	–
Olten , Solothurnerstrasse 201	6 753	166	–	sole ownership	2006		5 156	1 592	62.3	–	–	–	31.5	6.2
Olten , Solothurnerstrasse 231–235/Usego	23 360	962	41.9	sole ownership	1907	2011	12 922	11 949	23.2	64.1	–	–	9.9	2.8
Opfikon , Müllackerstrasse 2, 4/ Bubenholz	44 560	500	–	sole ownership	2015		6 169	10 802	–	–	–	100.0	–	–
Ostermundigen , Mitteldorfstrasse 16	33 780	799	–	sole ownership	2009		7 503	10 925	–	–	–	100.0	–	–
Otelfingen , Industriestrasse 19/21	102 600	3 699	17.1	sole ownership	1965	2000	101 933	80 366	–	16.6	–	–	78.1	5.3
Otelfingen , Industriestrasse 31	22 720	730	13.2	sole ownership	1986	1993	12 135	11 560	–	34.6	0.4	–	57.3	7.7
Payerne , Route de Bussy 2	24 300	605	–	sole ownership	2006		12 400	6 018	84.0	4.4	–	–	7.1	4.5
Petit-Lancy , Route de Chancy 59	124 240	3 672	29.0	sole ownership	1990		13 052	22 084	2.3	66.2	6.5	–	21.7	3.3
Pfäffikon SZ , Huobstrasse 5	61 200	1 400	–	sole ownership	2004		7 005	11 660	–	–	–	100.0	–	–
Rapperswil-Jona , Rathausstrasse 8	19 100	463	0.4	sole ownership	1992	2008	1 648	3 143	23.6	50.7	–	–	25.7	–
Romanel , Chemin du Marais 8	19 320	605	–	sole ownership	1973	1995	7 264	6 791	88.3	0.2	–	–	10.4	1.1
Schwyz , Oberer Steisteg 18, 20	8 718	264	0.8	sole ownership	1988	2004	1 039	2 672	8.6	58.4	–	–	33.0	–
Solothurn , Amthausplatz 1	13 010	431	0.7	sole ownership	1955	1988	1 614	3 352	17.8	57.9	–	–	24.3	–
Spreitenbach , Industriestrasse/ Tivoli	10 780	272	–	freehold property	1974	2010	25 780	980	87.2	–	–	–	12.8	–
Spreitenbach , Müslistrasse 44	4 340	111	–	sole ownership	2002		2 856	517	–	7.0	30.2	–	4.1	58.7
Spreitenbach , Pfadackerstrasse 6/Limmatpark	75 820	3 278	14.3	sole ownership	1972	2003	10 318	27 371	56.7	28.1	–	–	14.5	0.7
St. Gallen , Spisergasse 12	11 450	245	–	sole ownership	1900	1998	208	1 070	82.7	–	–	–	–	17.3
St. Gallen , Zürcherstrasse 462–464/Shopping Arena	307 040	8 297	1.1	sole ownership parking 73/100 co-ownership	2008		33 106	39 835	57.8	9.6	9.5	–	19.7	3.4
Stadel b. Niederglatt , Buechenstrasse 80 ¹	16 000	–	–	financial lease	2008		3 947	2 674	–	–	–	100.0	–	–
Sursee , Moosgasse 20	11 720	326	–	sole ownership	1998		4 171	2 410	77.2	–	6.8	–	16.0	–
Thalwil , Gotthardstrasse 40	5 892	140	–	sole ownership	1958	2004	541	986	9.1	57.8	13.2	–	19.9	–
Thun , Bälliz 67	17 390	415	–	sole ownership	1953	2001	875	3 173	32.4	51.2	2.0	–	10.7	3.7

¹ property included in Assisted Living segment² reclassified from properties under construction to investment properties after total refurbishment³ reclassified from building land to properties under construction due to new construction⁴ reclassified from investment properties to properties under construction due to total refurbishment

PROPERTY DETAILS AS AT 30.06.2016

City, address	Fair value (CHF 1000)	Target rental and land lease income (CHF 1000)	Vacancy rate (%)	Ownership status	Built	Year of renovation	Site area (m ²)
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE							
Thun , Göttibachweg 2–2e, 4, 6, 8	39 750	1 111	–	sole ownership land lease	2003		14 520
Uster , Poststrasse 10	8 148	186	–	sole ownership	1972	2012	701
Uster , Poststrasse 14/20	12 270	366	0.9	sole ownership	1854	2000	2 449
Vernier , Chemin de l'Etang 72/ Patio Plaza	94 650	2 529	25.2	sole ownership	2007		10 170
Vevey , Rue de la Clergère 1	12 200	356	3.8	sole ownership	1927	1994	717
Wabern , Nesslerenweg 30	18 550	504	–	sole ownership	1990		4 397
Wattwil , Ebnaterstrasse 45 ¹	1 152	–	–	freehold property	1986		539
Wil , Obere Bahnhofstrasse 40	18 290	433	–	sole ownership	1958	2008	1 105
Winterthur , Theaterstrasse 17	61 220	1 663	73.9	sole ownership	1999		7 535
Winterthur , Untertor 24	9 957	156	–	sole ownership	1960	2006	290
Worblaufen , Alte Tiefenaustrasse 6	81 690	2 363	–	49/100 co-ownership	1999		21 596
Zollikon , Bergstrasse 17, 19	11 770	323	15.7	sole ownership	1989	2004	1 768
Zollikon , Forchstrasse 452–456	17 020	367	–	sole ownership	1984/ 1998		2 626
Zuchwil , Dorfackerstrasse 45/ Birchi Centre	29 170	1 226	31.9	sole ownership land lease	1997		9 563
Zug , Zählerweg 4, 6/ Dammstrasse 19/ Landis+Gyr-Strasse 3/Opus 1	128 500	2 927	0.1	sole ownership	2002		7 400
Zug , Zählerweg 8, 10/ Dammstrasse 21, 23/Opus 2	163 440	3 680	–	sole ownership	2003		8 981
Zurich , Affolternstrasse 52/ MFO building	13 260	288	–	sole ownership	1889	2012	1 367
Zurich , Affolternstrasse 54, 56/ Cityport	177 200	4 592	7.6	sole ownership	2001		9 830
Zurich , Albisriederstrasse 203	64 090	1 227	19.7	sole ownership	1942– 2003		22 745
Zurich , Bahnhofstrasse 42	116 240	945	0.3	sole ownership	1968	1990	482
Zurich , Bahnhofstrasse 69	54 730	789	10.9	sole ownership	1898	2007	230
Zurich , Bahnhofstrasse 106	50 180	601	–	sole ownership	1958		200
Zurich , Carl-Spitteler-Strasse 68/70	96 240	2 025	–	sole ownership	1993		11 732
Zurich , Flurstrasse 55/ Medienpark ²	140 810	1 352	92.0	sole ownership	1979	2013– 2015	8 270
Zurich , Flurstrasse 89	7 692	235	–0.3	sole ownership	1949	2003	2 330
Zurich , Fraumünsterstrasse 16	140 950	2 508	13.4	sole ownership	1901	1990	2 475
Zurich , Hagenholzstrasse 60/ SkyKey	286 770	5 575	–	sole ownership	2014		9 573
Zurich , Hardstrasse 201/ Prime Tower	566 360	10 279	–	sole ownership	2011		10 416

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail (%)	Offices, medical practice premises, etc. (%)	Cinemas and restaurants (%)	Assisted Living (%)	Storage facilities (%)	Other (%)
11 556	–	–	–	100.0	–	–
1 431	17.1	61.3	–	–	21.6	–
3 195	63.3	11.7	3.8	–	19.5	1.7
13 682	–	82.2	–	–	17.1	0.7
3 085	15.5	72.5	–	–	12.0	–
6 288	–	–	–	100.0	–	–
335	–	100.0	–	–	–	–
2 878	80.4	8.6	–	–	7.2	3.8
14 270	–	73.1	1.4	–	6.1	19.4
1 364	69.9	–	–	–	30.1	–
18 213	–	87.4	–	–	12.0	0.6
2 126	26.1	44.1	–	–	29.8	–
2 251	–	68.4	–	–	31.6	–
13 274	76.0	1.6	–	–	13.3	9.1
15 802	–	90.3	–	–	9.7	–
19 903	–	91.1	–	–	8.9	–
2 776	–	53.1	25.8	–	21.1	–
23 486	–	91.9	–	–	7.8	0.3
12 724	–	64.3	20.7	–	10.9	4.1
2 003	42.7	44.6	–	–	12.7	–
1 114	10.9	77.6	–	–	11.1	0.4
1 196	11.8	53.1	–	–	32.1	3.0
19 343	–	–	–	100.0	–	–
25 528	1.6	70.3	1.5	–	25.8	0.8
3 331	–	12.0	–	–	11.3	76.7
7 927	16.6	73.0	–	–	10.4	–
41 253	0.3	85.7	9.8	–	4.2	–
48 142	0.7	87.3	5.5	–	6.4	0.1

¹ property included in Assisted Living segment

² reclassified from properties under construction to investment properties after total refurbishment

³ reclassified from building land to properties under construction due to new construction

⁴ reclassified from investment properties to properties under construction due to total refurbishment

PROPERTY DETAILS AS AT 30.06.2016

OVERVIEW OF TYPE OF USE

City, address	Fair value (CHF 1000)	Target rental and land lease income (CHF 1000)	Vacancy rate (%)	Ownership status	Built	Year of renovation	Site area (m²)	Total m² commercial units, excluding parking	Retail (%)	Offices, medical practice premises, etc. (%)	Cinemas and restaurants (%)	Assisted Living (%)	Storage facilities (%)	Other (%)
COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE														
Zurich, Hardstrasse 219/Eventblock Maag	15 880	517	1.8	sole ownership	1929–1978		8 002	6 871	–	19.9	–	–	19.5	60.6
Zurich, Josefstrasse 53, 59	83 250	1 983	5.0	sole ownership	1962/1972	2001	2 931	12 114	7.0	75.0	1.4	–	16.6	–
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	23 200	466	–	sole ownership	1900/1995	1996	1 630	1 829	–	–	–	100.0	–	–
Zurich, Kappenbühlweg 9, 11/Holbrigstrasse 10/Regensdorferstrasse 18a	67 720	1 495	–	sole ownership	1991		9 557	14 790	–	–	–	100.0	–	–
Zurich, Maagplatz 1/Platform	174 460	3 481	–	sole ownership	2011		5 942	20 319	–	91.1	–	–	4.8	4.1
Zurich, Manessestrasse 85	51 600	1 334	46.1	sole ownership	1985	2012	3 284	8 367	4.5	66.3	–	–	26.3	2.9
Zurich, Ohmstrasse 11, 11a	35 490	1 110	–	sole ownership	1927	2007	1 970	6 138	53.7	23.0	2.2	–	16.2	4.9
Zurich, Restelbergstrasse 108	9 955	176	–	sole ownership	1936	1997	1 469	672	–	–	–	100.0	–	–
Zurich, Schaffhauserstrasse 339	8 843	231	–	sole ownership	1957	1997	307	1 726	12.7	69.3	–	–	18.0	–
Zurich, Seidengasse 1/Jelmoli – The House of Brands	807 780	14 492	–	sole ownership	1898	2010	6 514	36 771	64.6	3.7	13.3	–	12.8	5.6
Zurich, Siewerdstrasse 8	19 830	617	–	sole ownership	1981		1 114	3 688	–	91.1	–	–	8.9	–
Zurich, Sihlcity	194 384	5 445	1.2	242/1000 co-ownership	2007		10 162	23 634	42.3	24.7	18.9	–	7.7	6.4
Zurich, Sihlstrasse 24/St. Annagasse 16	39 320	955	–	sole ownership	1885	2007	1 155	2 855	3.9	68.8	13.7	–	6.5	7.1
Zurich, Stadelhoferstrasse 18	27 950	547	–	sole ownership	1983	2004	1 046	1 914	19.5	49.0	11.9	–	19.0	0.6
Zurich, Stadelhoferstrasse 22	35 870	799	–	sole ownership partial land lease	1983	2004	1 024	3 067	11.6	50.9	4.6	–	30.7	2.2
Zurich, Steinmühleplatz 1/St. Annagasse 18/Sihlstrasse 20	99 230	1 960	0.2	sole ownership	1957	1999	1 534	6 205	10.9	64.9	2.1	–	19.1	3.0
Zurich, Steinmühleplatz/Jelmoli parking	40 990	1 649	0.5	sole ownership with concession	1972	2009	1 970	84	86.9	13.1	–	–	–	–
Zurich, Talacker 21, 23	76 350	1 490	–	sole ownership	1965	2008	1 720	4 904	9.6	64.2	–	–	26.2	–
Total I	9 338 895	215 186	6.2				103 175	1 472 587	22.2	41.1	5.0	8.3	16.8	6.6
Geneva, Route de Malagnou 6/Rue Michel-Chauvet 7	15 630	395	16.7	sole ownership	1960/1969	1989	1 321	1 616	–	47.7	11.6	–	3.8	36.9
Geneva, Rue de la Croix-d'Or 7/Rue Neuve-du-Molard 4–6	60 700	1 163	13.5	sole ownership	1974/1985	1994	591	3 472	38.4	24.3	–	–	3.6	33.7

PROPERTY DETAILS AS AT 30.06.2016

City, address	Fair value (CHF 1000)	Target rental and land lease income (CHF 1000)	Vacancy rate (%)	Ownership status	Built	Year of renovation	Site area (m²)
MIXED PROPERTIES							
St. Gallen , Spisergasse 12	5 607	111	–	sole ownership	1423	1984	165
Thônex , Rue de Genève 104–108	94 210	2 395	–	sole ownership	2008		9 224
Zurich , Nansenstrasse 5/7	48 490	1 242	0.1	sole ownership	1985		1 740
Zurich , Querstrasse 6	4 020	80	–	sole ownership	1927	1990	280
Zurich , Schulstrasse 34, 36	12 640	274	–	sole ownership	1915	1995	697
Total II	241 297	5 660	4.0				14 018

OVERVIEW OF TYPE OF USE

Total m² commercial units, excluding parking	Retail (%)	Offices, medical practice premises, etc. (%)	Cinemas and restaurants (%)	Assisted Living (%)	Storage facilities (%)	Other (%)
617	31.6	17.7	–	–	24.1	26.6
11 662	56.1	0.4	3.5	–	8.2	31.8
5 883	41.0	25.3	–	–	6.1	27.6
565	13.6	–	–	–	–	86.4
1 721	–	36.1	–	–	7.8	56.1
25 536	41.3	15.2	2.3	–	7.0	34.2

BUILDING LAND

Basel , Hochbergerstrasse 60/ parking	3 300	127	3.4	sole ownership			5 440
Berne , Weltpoststrasse 1–3/ Weltpostpark	4 300	–	–	sole ownership land lease			11 700
Dietikon , Bodacher	–	9	–	sole ownership			13 615
Dietikon , Bodacher/Im Maienweg	2 044	–	–	sole ownership			4 249
Dietikon , Bodacher/Ziegelälgerten	1 840	2	–	sole ownership			3 825
Geneva Airport , Route de Pré-Bois	12 350	–	–	sole ownership			9 118
Meyrin , Chemin de Riantbosson, Avenue de Mategnin	9 032	–	–	sole ownership			4 414
Niederwangen b. Bern , Riedmoosstrasse 10	3 608	–	–	sole ownership			5 895
Oberbüren , Buchental/parking	740	14	–	sole ownership			1 825
Spreitenbach , Joosacker 7	–	26	–	sole ownership			16 405
Wangen b. Olten , Rickenbacherfeld	4 685	–	–	sole ownership			11 197
Total III	41 899	178	2.4				87 683

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Berne , Viktoriastrasse 21, 21a, 21b	57 920	–	–	sole ownership	1970		14 036
Geneva Airport , Route de Pré-Bois 10/ underground car park ³	7 455	55	96.6	sole ownership land lease	2003		2 156

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¹ property included in Assisted Living segment

² reclassified from properties under construction to investment properties after total refurbishment

³ reclassified from building land to properties under construction due to new construction

⁴ reclassified from investment properties to properties under construction due to total refurbishment

PROPERTY DETAILS AS AT 30.06.2016

City, address	Fair value (CHF 1000)	Target rental and land lease income (CHF 1000)	Vacancy rate (%)	Ownership status	Built	Year of renovation	Site area (m ²)
PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT SITES							
Plan-les-Ouates, Chemin des Aulx ³	20 100	39	–	sole ownership			28 429
Schlieren, Zürcherstrasse 39	34 920	204	–	sole ownership	1992/2003		26 684
Zurich, Brandschenkestrasse 25	130 930	47	–	sole ownership	1910	2015–2017	3 902
Zurich, Etzelstrasse 14 ⁴	13 020	–	–	sole ownership	1967		1 809
Total IV	264 345	345	15.3				77 016

OVERVIEW OF TYPE OF USE

Total m ² commercial units, excluding parking	Retail (%)	Offices, medical practice premises, etc. (%)	Cinemas and restaurants (%)	Assisted Living (%)	Storage facilities (%)	Other (%)
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–

Overall total	9 886 436	221 369				1 210 476	1 498 123	22.5	40.8	4.9	8.1	16.7	7.0
Rent losses from vacancies	– 13 717												
Consolidated subtotal segment, excluding leased properties	207 652	6.2											
Intercompany eliminations	– 26 807												
Rental income from third parties, Retail segment	7 586												
Rental income from third parties from own properties, Assisted Living segment	12 117												
Consolidated subtotal, excluding leased properties	200 548	6.4											
Rental income from leased properties, Assisted Living segment	24 975												
Consolidated overall total, including leased properties	225 523												

¹ property included in Assisted Living segment² reclassified from properties under construction to investment properties after total refurbishment³ reclassified from building land to properties under construction due to new construction⁴ reclassified from investment properties to properties under construction due to total refurbishment

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ADDENDUM

IMPRINT

Overall responsibility | Editorial

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MEDIA RELEASE

Olten, 12 April 2016

Resolutions of the Annual General Meeting of Swiss Prime Site AG

- **Constant distribution of CHF 3.70 per share**
- **Approval of increase in and extension of deadline for authorised capital**
- **Approval of increase in conditional capital**
- **New election of Dr. Elisabeth Bourqui and Markus Graf on the Board of Directors**

Swiss Prime Site AG's shareholders have accepted all the proposals of the Board of Directors at today's Annual General Meeting in Olten, with the exception of the proposed approval of the Compensation Report 2015 in a non-binding consultative vote. The distribution to shareholders amounts to a constant CHF 3.70 (previous year: CHF 3.70) per share and will be effected as a withholding tax-exempt payout from capital contribution reserves, corresponding to a cash yield of 4.7% based on the share price of CHF 78.50 as at 31 December 2015. The payout will be executed on 19 April 2016 (ex-date: 15. April 2016).

The shareholders also approved the increase in and extension of deadline for authorised capital until 12 April 2018 as well as the increase in conditional capital. Swiss Prime Site has therefore ensured its financial strength, enabling the Company to flexibly meet its financing and refinancing needs.

All Board of Directors members were re-elected for a period of office of one year, with the exception of Dr. Thomas Wetzel, who was not running for re-election. Dr. Elisabeth Bourqui and Markus Graf were newly elected to the Board of Directors, also for a period of office of one year (see also the media release of 15 March 2016:

<http://www.swiss-prime-site.ch/medien/medienmitteilungen/en/2016/e-mr-16-03-15.pdf>)

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Swiss Prime Site

Swiss Prime Site AG is Switzerland's leading listed real estate company. The Group's portfolio is valued at CHF 9.7 billion and comprises value-retaining and high-quality properties with primarily office and retail floor space situated in prime locations. The real estate investments, coupled with the real estate services provided by group company Wincasa AG, make up the Real Estate business field. The Retail business field consists of Jelmoli – The House of Brands premium department store. The Assisted Living business field comprises the senior residences and geriatric care facilities provided by Tertianum Group.

Swiss Prime Site is distinguished by its experienced management team, considerable earnings continuity and excellent risk/return profile. The Company has been listed on the SIX Swiss Exchange since 2000 and reports market capitalisation of CHF 5.5 billion as at the last balance sheet date.

SIX Swiss Exchange / symbol SPSN / securities number 803 838

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