

## IMPORTANT NOTICE

### **THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-US PERSONS AND ADDRESSEES OUTSIDE OF THE US**

**IMPORTANT: You must read the following before continuing.** The following disclaimer applies to the attached Prospectus accessed via internet or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND, SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your Representation:** In order to be eligible to review this Prospectus or make an investment decision with respect to the securities described herein, investors must not be a US Person (as defined in Regulation S under the Securities Act). You have been sent the attached Prospectus on the basis that you have confirmed to UBS Investment Bank, being the sender of the attached, (i) that you and any customers that you represent are not US Persons, (ii) that the electronic mail (or e-mail) address to which it has been delivered is not located in the United States of America, its territories and possessions, any State of the United States or the District of Columbia (where "possessions" include Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and (iii) that you consent to delivery by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. Also, there are restrictions on the distribution of the attached Prospectus and/or the offer or sale of Notes in the member states of the European Economic Area. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction. The Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of UBS Investment Bank, the Syndicate Banks or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from UBS Investment Bank, if lawful.



## Swiss Prime Site AG

### CHF 250,000,000 0.825% Bonds 2017 – 2026 (the «Bonds»)

<b>Issuer's Name and Registered Office:</b>	Swiss Prime Site AG, Frohburgstrasse 1, 4601 Olten, Switzerland (the «Issuer»)
<b>Interest Rate:</b>	0.825% p.a., payable annually in arrears on 11 May, the first coupon is payable on 11 May 2018
<b>Issue Price:</b>	The Syndicate Banks mentioned below have purchased the Bonds at 100.00% of their nominal amounts (before commission).
<b>Placement Price:</b>	The Placement Price of the Bonds will be fixed in accordance with supply and demand.
<b>Issue Date:</b>	11 May 2017
<b>Maturity Date:</b>	11 May 2026, redemption at par
<b>Further Issues:</b>	The Issuer reserves the right to reopen this issue according to the Terms of the Bonds.
<b>Denominations:</b>	CHF 5,000 nominal and multiples thereof
<b>Form of the Bonds:</b>	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.
<b>Covenants:</b>	Pari Passu, Negative Pledge, Cross Default, Change of Control, each in accordance with the Terms of the Bonds.
<b>Listing:</b>	The Bonds have been provisionally admitted to trading on the SIX Swiss Exchange with effect from 9 May 2017 until 7 May 2026 and application will be made for the Bonds to be listed in accordance with the Standard for bonds on the SIX Swiss Exchange.
<b>Governing Law and Jurisdiction:</b>	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.
<b>Selling Restrictions:</b>	In particular U.S.A., U.S. persons, European Economic Area, United Kingdom
<b>Security Number / ISIN / Common Code:</b>	36.067.729 / CH0360677295 / 159953424

UBS Investment Bank

Basler Kantonalbank

Credit Suisse

Zürcher Kantonalbank

## SELLING RESTRICTIONS

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### 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 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, the Syndicate Banks undertake to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase or in or from which they offer, sell or deliver the Bonds or have in their possession or distribute any offering material in respect of the Bonds, in all cases at their own expense.

### United States of America

The Bonds are issued in bearer form and 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 (the "United States" or "US") or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Issuer and the Syndicate Banks have offered or sold the Bonds, and will offer and sell the Bonds (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Payment Date (the "Distribution Compliance Period"), only in accordance with Rule 903 of Regulation S under the Securities Act ("Regulation S"). Terms used in this paragraph have the meanings given to them by Regulation S.

Accordingly, neither the Issuer, the Syndicate Banks and their affiliates nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds, and they have complied and will comply with the offering restrictions requirement of Regulation S. Said Syndicate Banks have agreed that, at or prior to confirmation of sale of the Bonds, they will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds from them during the Restricted Period, a notice to substantially the following effect:

"The Bonds covered hereby have not been 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 U.S. persons (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Payment Date (the "Distribution Compliance Period") except in either case in accordance with Regulation S under the Securities Act ("Regulation S"). Terms used above have the meanings given to them by Regulation S."

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (as defined hereafter) (each a "Relevant Member State"), each Syndicate Bank represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Bonds to the public in that Relevant Member State other than:

- (a) to a legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (b) 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 relevant bank or banks nominated by the company for any such offer; or
- (c) any circumstances falling within Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression "offer of Bonds to the public" in relation to any Bonds in any 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, 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 Notes in, from or otherwise involving the United Kingdom.

## FORWARD-LOOKING STATEMENTS

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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 (or «Group» means the Issuer and its consolidated subsidiaries) 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**

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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 UBS AG, Prospectus Library, P.O. Box, CH-8098 Zurich, Switzerland, or can be ordered by telephone (+41-44-239 47 03), fax (+41-44-239 69 14) or by e-mail [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com).

### **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

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### Authorisation

Pursuant to the resolutions of the Board of Directors of the Issuer dated 11 April 2017 and the bond purchase and paying agency agreement dated 9 May 2017 between the Issuer and UBS AG, Basler Kantonalbank, Credit Suisse AG and Zürcher Kantonalbank (together with UBS AG the «Syndicate Banks»), the Issuer has decided to issue 0.825% Bonds of CHF 250'000'000 to be paid on 11 May 2017 and maturing on 11 May 2026 .

### Use of Net Proceeds

The net proceeds of the Bonds, being the amount of CHF 249'050'000 (the «Net Proceeds») will be used by the Issuer for general corporate purposes.

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](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.sps.swiss](http://www.sps.swiss). 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, UBS AG 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-4601 Olten, Canton of Solothurn, Switzerland. The Articles of Association in their current version are dated as of 9 November 2016. 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*):

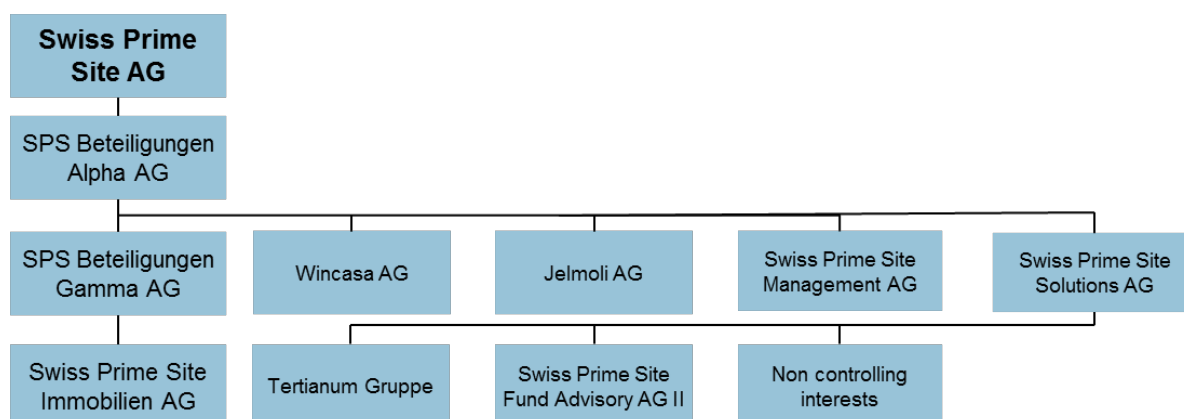
«<sup>1</sup>The purpose of the company is the direct or indirect holding of investments in companies of any sort, in particular of companies domiciled in Switzerland. The purpose of the company also includes the direct or indirect holding of investments in companies domiciled abroad. The company may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

<sup>2</sup>Furthermore, 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.

<sup>3</sup>The 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:





## Board of Directors and Executive Board as per the date of this Prospectus

### Board of Directors

Name	Position	Committee Membership
Hans Peter Wehrli	Chairman of the Board	
Mario F. Seris	Vice Chairman of the Board	Chair Nomination and Compensation Committee, Member Investment Committee
Elisabeth Bourqui	Member	Member Nomination and Compensation Committee
Christopher M. Chambers	Member	Member Audit Committee, Member Nomination and Compensation Committee
Rudolf Huber	Member	Chair Audit Committee
Markus Graf	Member	
Klaus R. Wecken	Member	Member Investment Committee

For more details on the Board of Directors and its members please see pages 9 to 16 of the Corporate Governance & Compensation Report 2016 attached hereto as Annex C. The members of the Board of Directors may be contacted at the registered office of the Issuer.

### Executive Board

Name	Position	Committee Membership
René Zahnd	Chief Executive Officer	Member Investment Committee
Markus Meier	Chief Financial Officer	
Peter Lehmann	CEO of Swiss Prime Site Immobilien AG	
Franco Savastano	CEO of Jelmoli – The House of Brands	
Oliver Hofmann	CEO of Wincasa AG	
Luca Stäger	CEO of Tertianum AG	

For more details on the Executive Board and its members please see pages 17 and 20 of the Corporate Governance & Compensation Report 2016 attached hereto as Annex C. The members of the Executive Board may be contacted at the registered office of the Issuer.

### 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 11 April 2017. 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 1,093,627,430.10 consisting of 71,478,917 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 63,841,040.10 by the issuance of a maximum of 4,172,617 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 63,841,040.10.

### 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 63,841,040.10 by the issuance of a maximum of 4,172,617 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 40,738,040.10 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 63,841,040.10.

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 11 July 2013, the Issuer issued bonds in the aggregate principal amount of CHF 115 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 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 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 million («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. and are due 10 December 2019 (Tranche A) and 2% are due 10 December 2024 (Tranche B).

On 16 June 2016, the Issuer issued convertible bonds in the aggregate principal amount of CHF 250 million (the «2016 I Bonds»). The 2016 Bonds have a coupon of 0.25% p.a. and are due 16 June 2023. The 2016 I 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 I Bonds is currently CHF 105.38 per Share.

On 3 November 2016, the Issuer issued bonds in the aggregate principal amount of CHF 250 million (the «2016 II Bonds»). The 2016 II Bonds with denominations of CHF 5,000 have a coupon of 0.50% p.a. and are due 3 November 2025.

## **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 and Swiss Prime Site Solutions, on the other hand. The Group holds a diversified and balanced portfolio of real estate properties. As of 31 December 2016, its real estate portfolio consisted of 184 properties with a total fair value of CHF 10,092.1 million. In 2016, this portfolio generated consolidated net rental income of CHF 453.0 million, of which 40% was generated from letting of office space and 33% 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 2016, 42% of its properties were located in Zurich region, 21% in the Geneva region and 14% in Northwestern Switzerland. As of the same date, the five largest external tenant groups accounted for 20.1% 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 retail operating income for 2016 was CHF 151.7 million.

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 care. In 2016 operating income was CHF 406.0 million.

For further information on recent developments, please also refer to Annexes A, B and C 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 201 of its own registered shares.

### **Dividends in the last five Years**

For each of the business years 2012 to 2016 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 2016, which would materially affect its ability to carry out its obligations under the Bonds.

# TAXATION

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## Switzerland

The following is a summary of certain tax implications under the laws of Switzerland as they may affect investors. It applies only to persons who are beneficial owners of Bonds and may not apply to certain classes of persons. The summary is of general nature only and is based upon current Swiss tax laws, applicable court decisions and the practice of the relevant Swiss tax administrations, which are subject to prospective or retroactive change. The Issuer makes no representations as to the completeness of the information nor undertakes any liability of whatsoever nature for the tax implications for investors. Potential investors are strongly advised to consult their own professional advisers in light of their particular circumstances.

### *Swiss Federal Withholding Tax*

Payments by the Issuer on Bonds which classify as interest (including payments reflecting accrued interest) will be subject to Swiss federal withholding tax (*Verrechnungssteuer*) at a rate of currently 35%.

A Bondholder who is an individual resident in Switzerland and who holds the Bond as private asset and who duly reports the gross amount of the taxable payment in his or her tax return and, a Bondholder who is a legal entity or an individual holding the Bond in a Swiss business and who includes such payment as earnings in its income statement, and, who in each case is the beneficial owner of the taxable payment, is entitled to a full refund of or a full tax credit for the Swiss withholding tax, provided certain other conditions are met.

A Bondholder who is resident outside Switzerland and who during the taxation year has not engaged in a trade or business carried on through a permanent establishment in Switzerland to which such Bond is attributable may be able to claim a full or partial refund of the Swiss withholding tax by virtue of the provisions of a double taxation treaty, if any, between Switzerland and his or her country of residence.

On 4 November 2015, the Swiss Federal Council announced that it had mandated the Swiss Federal Finance Department to appoint a group of experts to prepare a proposal for a reform of the Swiss withholding tax system. The proposal is expected to, among other things, replace the current debtor-based regime applicable to interest payments, as disclosed above, with a paying agent-based regime for Swiss withholding tax. This paying agent-based regime is expected to be similar to the one contained in the draft legislation published by the Swiss Federal Council on 17 December 2014, which was subsequently withdrawn on 24 June 2015.

### *Swiss Federal Securities Turnover Tax*

The issue and the sale of a Bond on the issuance day (primary market transaction) are not subject to Swiss federal securities turnover tax (*Umsatzabgabe*). Secondary market dealings in Bonds may be subject to the Swiss federal securities turnover tax at a rate of up to 0.30% of the purchase price of the Bonds, however, only if a securities dealer in Switzerland or Liechtenstein, as defined in the Swiss federal stamp duty act (*Bundesgesetz über die Stempelabgaben*), is a party or acts as an intermediary to the transaction and no exemption applies.

### *Income Taxation on Principal or Interest*

#### *a) Bonds Held by Non-Swiss Bondholders*

Payments of interest and repayment of principal by the Issuer to, and any gain realized on the sale or redemption of Bonds by, a holder of Bonds who is not a resident of Switzerland and who during the current taxation year has not engaged in a trade or business through a permanent establishment in Switzerland to which such Bond is attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax in respect of such Bond.

For the potential new Swiss withholding tax legislation replacing the current issuer-based withholding tax system with a paying-agent based system, see above "*Swiss Federal Withholding Tax*".

#### *b) Bonds Held as Private Assets by a Swiss Resident Bondholder*

Individuals who are resident in Switzerland and who hold Bonds as private assets are required to include all payments of interest on such Bonds in their personal income tax return for the relevant tax period and will be taxable on any net taxable income for such tax period.

*Bonds without a "predominant one-time interest payment"*: Bondholders without a predominant onetime interest payment (the yield-to-maturity predominantly derives from periodic interest payments and not from a onetime interest payment) who are individuals receive payments of interest on Bonds (either in the form of periodic interest payments or as a one-time-interest-payment such as an issue discount or a repayment premium) are required to include such payments in their personal income tax return and will be taxable on any net taxable income (including the payments of interest on the Bonds) for the relevant tax period. A capital gain, including a gain relating to accrued interest realized on the sale or redemption of Bonds by such a Swiss resident holder, is a tax-free private capital gain, and, conversely, a respective loss on the Bond is a non-tax-deductible private capital loss.

*Bonds with a "predominant one-time interest payment"*: In the case of bonds with a "predominant one-time interest payment" (the yield-to-maturity predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments), the positive difference (including any capital and foreign exchange gain) between the amount received upon sale or redemption and the issue price

(if the bonds were purchased thereafter) will be classified as a taxable interest payment, as opposed to a tax-free capital gain (differential taxation method). Losses realized on the sale of bonds with a "predominant onetime interest payment" may be offset against gains realized within the same tax period on the sale of any bonds with a "predominant one-time interest payment".

*c) Bonds Held as Swiss Business Assets and by Private Persons Classified as Professional Securities Dealers*

Individuals who hold Bonds as part of a business in Switzerland and Swiss resident corporate taxpayers and corporate taxpayers resident abroad holding Bonds as part of a permanent establishment in Switzerland, are required to recognize the payments of interest and any gain realized on the sale or redemption of such Bonds (including a gain relating to interest accrued) and any loss on such Bonds in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period. The same taxation treatment also applies to Swiss resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealings and leveraged investments in securities.

***Automatic Exchange of Information in Tax Matters***

On 19 November 2014, Switzerland signed the Multilateral Competent Authority Agreement (the «MCAA»). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the «AEOI»). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the «AEOI Act») entered into force on 1 January 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Switzerland has concluded a multilateral AEOI agreement with the EU (replacing the EU savings tax agreement) and has concluded bilateral AEOI agreements with several non-EU countries.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland will begin to collect data in respect of financial assets, including, as the case may be, Bonds, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals or certain type of entities resident in a EU member state or in a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and begin to exchange it from 2018 or 2019.

## **RESPONSIBILITY STATEMENT**

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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, 9 May 2017

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**Swiss Prime Site AG**





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 dated 9 May 2017 between the Issuer on one side and UBS AG, Basler Kantonalbank, Credit Suisse AG and Zürcher Kantonalbank on the other side. 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**) 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 (as defined below) 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 **Holder** 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 11 May 2017 (the **Payment Date**) at the rate of 0.825% per annum, payable annually on 11 May (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 11 May 2026 (the **Maturity Date**).

### *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 UBS AG (the **Principal Paying Agent**) on behalf of the Holders.

If the due date for any payment by the Issuer does not fall on a Business Day (as defined below), the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Holders will not be entitled to any additional sum in relation thereto. All payments with respect to the Bonds will be made to the Holders in Swiss Francs without collection costs. 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) Business 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, UBS AG in its capacity as Holders' representative (the **Holder's 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 (*Eigenkapital, den Aktionären der Swiss Prime Site AG zuzurechnen*) 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 UBS AG 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 [http://www.six-swiss-exchange.com/news/official\\_notices/search\\_en.html](http://www.six-swiss-exchange.com/news/official_notices/search_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) two (2) 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 UBS AG**

UBS AG 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: UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland; or any successor regulator body.

**UBS AG** means UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland (P.O. Box, CH-8098 Zurich, Switzerland).

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SWISS PRIME SITE

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# FINANCIAL REPORT

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2016

# 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.sps.swiss](http://www.sps.swiss).**

## PART 01

### STRATEGY & MANAGEMENT REPORT

- > Reports featuring strategy, business model, values-oriented corporate management, sustainability as well as opportunities and risks
- > Information about the real estate portfolio
- > Management Report with comprehensive information about business performance, earnings, financial and asset situation

## PART 02

### CORPORATE GOVERNANCE & COMPENSATION REPORT

- > Corporate Governance Report according to the guidelines of the SIX Swiss Exchange
- > Compensation Report according to the Swiss Ordinance Against Excessive Compensation in Listed Companies (Ordinance)

## PART 03

### FINANCIAL REPORT

- > Valuation Expert's Report
- > The audited consolidated financial statements of Swiss Prime Site AG comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes.
- > The audited financial statements of Swiss Prime Site AG comprise the income statement, balance sheet and notes, as well as proposed appropriation of balance sheet profit
- > EPRA key figures
- > Five-year summary of key figures
- > Property details

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# SUMMARY OF KEY FIGURES

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# SUMMARY OF KEY FIGURES

	in	31.12.2014	31.12.2015	31.12.2016	Change to prior year in %
Investment properties at fair value	CHF m	9 785.0	9 686.6	<b>10 092.1</b>	4.2
Rental income from properties	CHF m	443.1	445.9	<b>453.0</b>	1.6
Vacancy rate	%	6.6	6.7	<b>6.1</b>	-9.0
Income from sale of trading properties	CHF m	-	105.1	-	n/a
Income from real estate services <sup>1</sup>	CHF m	100.1	109.0	<b>115.6</b>	6.1
Income from retail <sup>2</sup>	CHF m	151.9	136.8	<b>133.6</b>	-2.3
Income from assisted living <sup>3</sup>	CHF m	153.3	184.2	<b>328.2</b>	78.2
Total operating income	CHF m	852.7	995.2	<b>1 049.5</b>	5.5
Revaluation of investment properties, properties under construction and development sites	CHF m	113.2	124.6	<b>60.5</b>	-51.4
Result from investments in associates	CHF m	12.9	12.1	<b>8.6</b>	-28.9
Result from investment property sales, net	CHF m	2.1	30.9	<b>24.9</b>	-19.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	CHF m	497.9	582.6	<b>503.0</b>	-13.7
Earnings before interest and taxes (EBIT)	CHF m	462.8	553.4	<b>459.8</b>	-16.9
Profit	CHF m	286.7	355.1	<b>311.2</b>	-12.4
Shareholders' equity	CHF m	4 201.8	4 956.0	<b>5 176.6</b>	4.5
Equity ratio	%	39.6	46.4	<b>46.6</b>	0.5
Return on equity (ROE)	%	7.0	7.6	<b>6.1</b>	-19.7
Return on invested capital (ROIC)	%	3.7	4.3	<b>3.7</b>	-14.0
Earnings per share (EPS)	CHF	4.72	5.30	<b>4.41</b>	-16.8
NAV before deferred taxes per share	CHF	84.77	85.83	<b>87.24</b>	1.6
NAV after deferred taxes per share	CHF	69.06	71.15	<b>72.43</b>	1.8
<b>Figures excluding revaluation effects<sup>4</sup></b>					
Earnings before interest and taxes (EBIT)	CHF m	349.6	428.9	<b>399.3</b>	-6.9
Profit	CHF m	236.0	280.8	<b>284.8</b>	1.4
Earnings per share (EPS)	CHF	3.90	4.20	<b>4.04</b>	-3.8
Return on equity (ROE)	%	5.9	6.1	<b>5.6</b>	-8.2

<sup>1</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

<sup>2</sup> transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

<sup>3</sup> 2016: acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016

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

<sup>4</sup> revaluations and deferred taxes



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# VALUATION EXPERT'S REPORT

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# 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 2016.**

## VALUATION STANDARDS AND PRINCIPLES

The fair value derived as at the balance sheet date 31 December 2016 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. In accordance with paragraph 25 of IFRS 13, fair value is therefore not adjusted for the transaction costs incurred by the purchaser at the time of sale (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 2017).

## **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 taking into account 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 2016, five properties were acquired and three properties were divested.

Swiss Prime Site Group's overall real estate portfolio therefore changed on a net basis by plus two properties and now comprises a total of 184 properties. In detail, three existing properties of various dimensions – Rue de Rive 3 in Geneva, Largo Zorzi 4 / Piazza Grande and Via delle Monache 8 in Locarno – with total fair value of CHF 59.9 million as at 31 December 2015 were divested in the reporting period. Five acquisitions (five existing properties: Grabenstrasse 17, 19 and Zugerstrasse 57, 63 in Baar, Rue des Alpes 5 in Geneva, Langensandstrasse 23 as well as Schweizerhofquai 6 in Lucerne) were carried out in the reporting period with total fair values of CHF 250.2 million as at 31 December 2016.

The former development property Flurstrasse 55/Flurpark in Zurich was added to the portfolio of existing properties for the first time as at 31 December 2016 (first valuation following completion).

The overall real estate portfolio comprises 167 existing investment properties, 10 plots of building land and 7 development sites (Viktoriastrasse 21, 21a, 21b in Berne; Route de Pré-Bois 16 in Geneva-Cointrin, Chemin de Riantbosson in Meyrin, Chemin des Aulx in Plan-les-Ouates, Zürcherstrasse 39 in Schlieren and Brandschenkestrasse 25 as well as Etzelstrasse 14 both in Zurich).

Seven 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. This future residential and hotel complex now no longer includes any condominiums, and construction will probably be concluded by 2019.
- > Route de Pré-Bois 16 in Geneva-Cointrin today comprises an existing parking facility, which is being shared with the neighbouring property. Because the building permit is legally valid, the property should be supplemented with a commercial building by 1 January 2018.
- > The Chemin de Riantbosson site in Meyrin is a commercial property including restaurant rental floor space. The new building will be concluded probably as at mid-April 2018.
- > The Chemin des Aulx development project in Plans-les-Ouates comprises office, commercial and retail floor space. Construction of the property should be carried out in several phases by 2023.
- > The property at Zürcherstrasse 39 in Schlieren had housed the former NZZ printing facility, which will be converted and concluded probably by 2019.
- > The property at Brandschenkestrasse 25 in Zurich will undergo total renovation and be utilised as a hotel starting from mid-2017.
- > The property at Etzelstrasse 14 in Zurich is a reconstruction project called «Etzelgut» located in Zurich-Wollishofen. Completion of this senior residence is planned as at 1 October 2017.

The development project for the «Flurpark» commercial property located at Flurstrasse 55 in Zurich was completed as at spring 2016 and will now be added to the portfolio of existing properties. The first tenants have taken up residence, with the re-letting process following renovation continuing to proceed.

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.

**VALUATION RESULTS AS AT 31 DECEMBER 2016**

As at 31 December 2016, the fair value of Swiss Prime Site Group's overall real estate portfolio (total 184 properties) amounted to CHF 10 092.1 million. The fair value of the portfolio therefore increased by CHF 405.5 million or 4.2% compared with the level at 31 December 2015. The details regarding the increase in value are depicted in the table below.

**CHANGES IN THE REAL ESTATE PORTFOLIO**

in CHF m

<b>Fair value as at 31.12.2015</b>	<b>9 686.6</b>
+ changes in value of existing properties	151.5
+ acquisitions of existing properties	250.2
Baar, Grabenstrasse 17, 19	31.2
Baar, Zugerstrasse 57, 63	62.1
Geneva, Rue des Alpes 5	27.0
Lucerne, Langensandstrasse 23	51.8
Lucerne, Schweizerhofquai 6	78.1
– minus divestments	– 59.9
Geneva, Rue de Rive 3	– 33.0
Locarno, Largo Zorzi 4 / Piazza Grande	– 26.0
Locarno, Via delle Monache 8	– 0.9
+ changes in value of building land	4.3
+ changes in value of projects	59.4
Berne, Viktoriastrasse 21, 21a, 21b	– 1.5
Geneva-Cointrin, Route de Pré-Bois 16	1.0
Meyrin, Chemin de Riantbosson	7.2
Plan-les-Ouates, Chemin des Aulx	7.4
Schlieren, Zürcherstrasse 39	0.1
Zurich, Brandschenkestrasse 25	34.9
Zurich, Etzelstrasse 14	10.3
<b>Fair value as at 31.12.2016</b>	<b>10 092.1</b>

The change in value in existing properties amounted to +1.6% compared with the level at 1 January 2016. Of the 162 existing properties – excluding acquisitions (5), plots of building land (10) and properties under construction (7) totalling 22 properties – 115 properties were valued higher and 47 properties were valued lower than at 1 January 2016.

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.

## **OUTLOOK FOR THE COMMERCIAL PROPERTY MARKETS**

The prevailing economic trend in Switzerland can be described as stable. Real growth in gross domestic product (GDP) is estimated to amount to roughly 1.5% for 2016. Swiss federal government experts' forecasts for 2017 and 2018 call for GDP growth rates of 1.8% and 1.9%, respectively. These growth rates are nearly in line with the average levels of the past three decades. Accordingly, the labour market paints a robust picture. The KOF Swiss Economic Institute forecasts a moderate pick-up in employment (in full-time equivalents, 2017 and 2018: 0.4%) as well as no significant change in the jobless rate.

Consumer prices, as measured by the Swiss Consumer Price Index (CPI), dipped once again in 2016, edging down by 0.3% in the 12 months up to November 2016. Because commodity prices climbed again in the second quarter of 2016, the Swiss National Bank's (SNB) provisory inflation forecast issued in December 2016 calls for a positive – albeit low – inflation rate of 0.2% for the coming year 2017. For 2018, the SNB forecasts an inflation rate of 0.5%.

Swiss government bond yields surged strongly in the fourth quarter of 2016. While the ten-year Swiss government bond was trading at a yield of –0.5% in September 2016, the yield on 23 December amounted to –0.1%. The US Federal Reserve on 14 December 2016 carried out an interest rate hike by 25 basis points and predicted additional interest rate increases in the future. By contrast, monetary policy in Continental Europe continues to remain expansionary. For instance, the European Central Bank (ECB) announced in December 2016 that it would extend its bond purchase programme until at least December 2017. Wüest Partner AG anticipates that as long as the status quo regarding inflation and Swiss franc strength remains stable, the Swiss National Bank (SNB) will hardly significantly raise the current negative benchmark interest rate prior to the ECB. Accordingly, real estate assets should remain particularly favoured by investors due to the lack of investment alternatives.

The low interest rates and resulting investment pressure are also spurring on indirect real estate investments. 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. From the outset of 2016 to end-November, the performance of these indices continued to improve somewhat at 11.8% and 5.4%, respectively.

### **Construction market**

The overall construction market continues to forge ahead, with order volumes hovering at a high level. Low interest rate levels are still significantly underpinning the construction market. The slight uptick in long-term interest rates recently and substantial vacancy rates in certain real estate segments have led to somewhat more cautious sentiment on the construction market. Wüest Partner AG's forecasts for overall investment in new construction activity call for a slight spurt in growth of 0.2% for 2016 and 1.5% for 2017. These growth rates are driven primarily by the residential property segment. Wüest Partner AG's forecast for multi-family residential housing construction points to growth of 1.2% for 2017, particularly since demographic growth continues to rise – albeit at a less pronounced pace recently. On the other hand, the downtrend in new commercial real estate construction should continue to prevail (forecast for 2017: –1.0%). The negative growth rates in construction investment volumes for commercial real estate – which were already visible in 2015 – will likely continue to persist. Commercial property volumes that have been issued building permits within a twelve-month period still point to a negative trend. The trend is attributable to the lack of building permits for major construction projects starting from an investment volume of CHF 150 million, on the one hand, as well as to the sharp decline in building permits issued for commercial property in the three major agglomerations of Zurich, Berne and Basel, on the other.

### **Overall commercial property market**

Despite the rising employment figures, the commercial property market (i.e. office and retail floor space) has faced a challenging environment for several years. Structural changes have had adverse effects on the labour markets through the progressive advances of digitalisation and automation, social and technological transformation, strong Swiss franc and global competitive situation. All these trends are exerting new, special demands on the commercial property segment. Another consequence is the fact that the demand for additional commercial floor space has grown to a lesser extent than the supply in retrospect. As a result, vacancy rates climbed in many regions, and pressure on rent prices intensified. Against this backdrop, marketing costs for property owners and expenses for rent-related incentives have increased.

Returns on real estate investments are still hovering at attractive levels compared with those of other alternative investments from investors' perspective. Accordingly, the willingness to invest has continued to resurge, leading to higher transaction prices. Net initial returns declined again in 2016. The lowest returns on commercial properties (2.2%) were realised on office and retail property transactions in prime locations in Zurich City in the third quarter of 2016. Returns here had hovered at 2.7% prior to the introduction of negative interest rates. Peak returns in Geneva amounted to 2.6% for retail property and 2.5% for office property. Interested buyers are becoming more selective and critical for properties situated in unfavourable locations with high vacancy rates or structural defects.

#### **Office property market**

Tenants continue to hold the stronger negotiating position on the office property market. Construction activity here has led to oversupply and rising vacancy rates, particularly for older properties and those situated in unfavourable locations. However, the current trends lead to the assumption that the situation on the office property market is stabilising. The prospects currently paint a somewhat brighter picture again compared with the constellation last year. The more upbeat trend is attributable to the fact that the fundamental factors favouring office property suppliers have improved moderately in recent months. On the one hand, the economic outlook appears relatively stable at present. Hence, growth in real gross domestic product and the favourable prospects for rising employment levels have paved the way for higher expectations regarding future demand for office properties. Add to that the fact that building permit volumes in the interim are no longer hovering at the high levels recorded in 2012 and 2013. The diminishing construction activity has led to a somewhat more stable trend on the office property market again. For example, supply-side figures recently dipped to 6.5%, and rent price hikes of +0.4% for advertised properties were registered between the third quarter of 2015 and the third quarter of 2016. However, these statistics are attributable primarily to qualitative improvements of the properties advertised. The advertisement duration has increased again recently, amounting to an average of 91 days in Switzerland at present.

Overall, expectations indicate that the supply overhang on the office property market cannot be reduced through the additional demand impetus. Wüest Partner AG forecasts an overall increase of 9 percentage points in the freely available supply of office property for the next three years. Furthermore, regional disparities in particular are currently having an impact on the market. While some regions are easily absorbing the excess supply, other regions are struggling with structural vacancies. Wüest Partner AG estimates that advertised rent prices for office properties will edge down slightly by 0.8% for 2017. Older properties in particular will continue to encounter marketing problems, because they often fail to comply with current demands. Smaller scale, well-developed office floor space with flexible utilisation and individual rent models is becoming increasingly popular.

#### **Retail property market**

Marketing retail properties continues to face difficulties. Although the supply of retail properties declined slightly from the second to the third quarter of 2016, the level is still hovering at a high plateau. The amount of advertised retail floor space increased by 4.8% year-on-year to roughly 525 000 square metres in the third quarter of 2016. Accordingly, retail real estate prices have continued to come under pressure in the past twelve-months as well. Market rent prices registered declines in prices of 3.1% in the third quarter of 2016 compared with the levels of the comparable previous year's quarter. In view of the changing market environment, retail property owners will continue to face more significant challenges in the future as well. Wüest Partner AG estimates that market rent prices for retail properties will drop markedly by 3.3% for 2017.

Signs are mounting that the retail property segment is on the verge of treading toward a ground-breaking era. The changing market environment presents great challenges for retailers. The growing online trade and stepped-up cross-border shopping resulting from the strong Swiss franc are compelling retailers to cut prices and leading to declines in local retail sales. Shrinking retail sales, in turn, have an adverse impact on the potential rental income for retail floor space.

In view of the social as well as technological transformation and its effects on shopping behaviour, expectations point to a structural change surrounding the retail real estate segment. Amid such an environment, Wüest Partner AG regards the following trends as probabilities: durations of rental agreements are becoming shorter. And temporary pop-up store concepts are growing. More flexible properties in particular are in demand that can adapt to the changing society. Properties with smaller-scale

floor space that are showing shorter advertisement duration than longer already at present will likely have better marketing opportunities in the future as well. Furthermore, achieving the ideal mix of tenants and taking into account varying location-related factors such as changing pedestrian flows should present advantages for retail property owners.

Sectors that are particularly under pressure at present in favour of the online trade and cross-border shopping are the stationary retail trade in fashion articles, multimedia products, toys, books and music. Scattered expansionary trends have been possible in the food retail trade as well as for providers of pharmaceutical products in combination with pharmacy chains and personal services.

Wüest Partner AG  
Zurich, 13 January 2017

Andreas Ammann  
Partner

Gino Fiorentin  
Partner



# ANNEX:

## VALUATION ASSUMPTIONS

### VALUATION ASSUMPTIONS AS AT 31 DECEMBER 2016

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 0.5%. 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 and is determined on a risk-adjusted basis. The average real discount rate, weighted by fair value, applied to investment properties (existing properties including initial valuation following completion) is 3.47% in the current valuation. Assuming an inflation rate of 0.5%,

this rate corresponds to a nominal discount rate of 3.99%. The lowest real discount rate applied to a particular property is 2.1%, while the highest is 5.2%.

The valuations are based on the rental tables of the property managers as at 1 January 2017, 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, 13 January 2017

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# CONSOLIDATED FINANCIAL STATEMENTS

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## CONSOLIDATED INCOME STATEMENT

in CHF 1 000	Notes	01.01.– 31.12.2015	01.01.– 31.12.2016
Rental income from properties	5	445 871	452 971
Income from sale of trading properties	5	105 081	–
Income from real estate services	5	109 004	115 577
Income from retail	5	136 808	133 565
Income from assisted living	5	184 152	328 198
Other operating income	5	14 294	19 158
<b>Operating income</b>		<b>995 210</b>	<b>1 049 469</b>
<b>Revaluation of investment properties, properties under construction and development sites, net</b>	<b>17</b>	<b>124 571</b>	<b>60 493</b>
<b>Result from investments in associates</b>	<b>6</b>	<b>12 118</b>	<b>8 631</b>
<b>Result from investment property sales, net</b>	<b>7</b>	<b>30 910</b>	<b>24 947</b>
Real estate costs	8	–103 312	–130 752
Cost of trading properties sold		–62 917	–
Cost of goods sold		–84 724	–100 746
Personnel costs	9	–269 244	–347 481
Other operating expenses	10	–60 023	–61 552
Depreciation, amortisation and impairment		–29 159	–43 205
<b>Operating expenses</b>		<b>–609 379</b>	<b>–683 736</b>
<b>Operating profit (EBIT)</b>		<b>553 430</b>	<b>459 804</b>
Financial expenses	11	–100 753	–85 958
Financial income	11	4 615	4 863
<b>Profit before income taxes</b>		<b>457 292</b>	<b>378 709</b>
Income tax expenses	12	–102 231	–67 504
<b>Profit</b>		<b>355 061</b>	<b>311 205</b>
Profit attributable to shareholders of Swiss Prime Site AG		355 905	312 168
Loss attributable to non-controlling interests		–844	–963
<b>Earnings per share (EPS), in CHF</b>	<b>26</b>	<b>5.30</b>	<b>4.41</b>
<b>Diluted earnings per share, in CHF</b>	<b>26</b>	<b>5.18</b>	<b>4.23</b>

The Notes form an integral part of the consolidated financial statements.

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

in CHF 1 000	Notes	01.01.– 31.12.2015	01.01.– 31.12.2016
<b>Profit</b>		<b>355 061</b>	<b>311 205</b>
Revaluation of owner-occupied properties	18	38 032	<b>23 004</b>
Deferred taxes on revaluation of owner-occupied properties	12	– 8 754	<b>– 5 291</b>
Remeasurement of net defined benefit obligations	24	– 9 356	<b>– 976</b>
Deferred taxes on remeasurement of net defined benefit obligations	12	2 125	<b>225</b>
<b>Items that will not be reclassified subsequently to profit or loss</b>		<b>22 047</b>	<b>16 962</b>
<b>Items that will be reclassified subsequently to profit or loss</b>		<b>–</b>	<b>–</b>
<b>Other comprehensive income after income taxes</b>		<b>22 047</b>	<b>16 962</b>
<b>Comprehensive income</b>		<b>377 108</b>	<b>328 167</b>
Comprehensive income attributable to shareholders of Swiss Prime Site AG		377 952	<b>329 130</b>
Comprehensive income attributable to non-controlling interests		– 844	<b>– 963</b>

The Notes form an integral part of the consolidated financial statements.

## CONSOLIDATED BALANCE SHEET

in CHF 1 000	Notes	31.12.2015	31.12.2016
<b>Assets</b>			
Cash	13	234 929	160 326
Securities		482	479
Accounts receivable	14	80 432	93 946
Other current receivables		27 138	9 328
Current income tax assets		4 634	7 793
Inventories	15	25 549	28 463
Accrued income and prepaid expenses		33 482	27 657
Assets held for sale	16	–	13 000
<b>Total current assets</b>		<b>406 646</b>	<b>340 992</b>
Pension plan assets	24	8 963	19 992
Non-current financial investments		1 261	2 750
Investments in associates		47 494	53 976
Investment properties and building land	17	8 445 335	8 829 748
Properties under construction and development sites	17	346 690	289 631
Owner-occupied properties	18	894 582	942 021
Owner-occupied properties under construction	18	–	17 700
Tangible assets	19	64 590	62 806
Goodwill	20	369 520	451 146
Intangible assets	20	80 524	75 801
Deferred tax assets	12	24 960	25 420
<b>Total non-current assets</b>		<b>10 283 919</b>	<b>10 770 991</b>
<b>Total assets</b>		<b>10 690 565</b>	<b>11 111 983</b>
<b>Liabilities and shareholders' equity</b>			
Accounts payable		13 307	15 088
Current financial liabilities	22	572 105	678 136
Other current liabilities		127 171	84 119
Advance payments		33 046	42 856
Current income tax liabilities		44 412	19 422
Accrued expenses and deferred income	21	96 708	101 034
<b>Total current liabilities</b>		<b>886 749</b>	<b>940 655</b>
Non-current financial liabilities	22	3 689 488	3 801 973
Other non-current financial liabilities	22	6 871	3 536
Deferred tax liabilities	23	1 035 945	1 072 428
Pension provision obligations	24	115 546	116 799
<b>Total non-current liabilities</b>		<b>4 847 850</b>	<b>4 994 736</b>
<b>Total liabilities</b>		<b>5 734 599</b>	<b>5 935 391</b>
Share capital	25	1 065 668	1 093 627
Capital reserves	25	1 023 578	888 078
Revaluation reserves	25	102 027	119 740
Retained earnings	25	2 764 450	3 075 867
<b>Shareholders' equity attributable to shareholders of Swiss Prime Site AG</b>		<b>4 955 723</b>	<b>5 177 312</b>
<b>Non-controlling interests</b>	<b>25</b>	<b>243</b>	<b>– 720</b>
<b>Total shareholders' equity</b>		<b>4 955 966</b>	<b>5 176 592</b>
<b>Total liabilities and shareholders' equity</b>		<b>10 690 565</b>	<b>11 111 983</b>

The Notes form an integral part of the consolidated financial statements.

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**CONSOLIDATED CASH FLOW STATEMENT**

in CHF 1 000	Notes	01.01.– 31.12.2015	01.01.– 31.12.2016
<b>Profit</b>		<b>355 061</b>	<b>311 205</b>
Depreciation, amortisation and impairment		29 159	43 205
Result from investment property sales, net	7	–30 910	–24 947
Result from investments in associates	6	–12 118	–8 631
Revaluation of investment properties, properties under construction and development sites, net	17	–124 571	–60 493
Other non-cash items affecting net income		2 314	2 972
Financial expenses	11	100 753	85 958
Financial income	11	–4 615	–4 863
Income tax expenses	12	102 231	67 504
Change in inventories		673	–2 541
Change in trading properties		46 381	–
Net change in other current assets		42 510	2 682
Net change in recognised pension plan assets/liabilities		2 270	–28 466
Net change in other non-current receivables		425	–1 487
Net change in operating current liabilities		–90 207	–42 569
Income tax payments		–30 935	–61 814
<b>Cash flow from operating activities</b>		<b>388 421</b>	<b>277 715</b>
Investments in investment properties and building land	17	–113 004	–333 537
Investments in properties under construction and development sites	17	–64 855	–52 949
Investments in owner-occupied properties	18	–2 560	–2 233
Investments in owner-occupied properties under construction	18	–12 690	–
Divestments of investment properties and building land	17	271 533	84 445
Divestments of properties under construction and development sites	17	152 031	–
Divestments of owner-occupied properties	18	2 800	–
Divestments of owner-occupied properties under construction	18	28 631	–
Acquisitions of participations and operating businesses, less acquired cash	3	–145 308	–54 980
Investments in intangible assets	20	–5 324	–3 574
Investments in tangible assets	19	–14 106	–17 965
Investments in current financial investments		–	–110 000
Redemptions of current financial investments		–	122 240
Interest payments received		768	593
Dividends received		2 489	2 434
<b>Cash flow from investing activities</b>		<b>100 405</b>	<b>–365 526</b>
Increase in financial liabilities		2 023 000	10 514 460
Redemption of financial liabilities		–2 574 919	–10 604 875
Redemption of convertible bond	22	–26 085	–40 700
Issue of bond		–	249 911
Issue of convertible bond		–	246 910
Acquisition of non-controlling interests without change of control		–1 000	–
Interest payments made		–105 126	–90 039
Distribution from capital contribution reserves	25	–235 611	–259 608
Share capital increase		91 343	–
Premium from capital increase		332 732	–
Cost of capital increase		–12 997	–
Purchase of treasury shares	25	–2 430	–2 851
<b>Cash flow from financing activities</b>		<b>–511 093</b>	<b>13 208</b>
<b>Change in cash</b>		<b>–22 267</b>	<b>–74 603</b>
Cash at beginning of period		257 196	234 929
<b>Cash at end of period</b>		<b>234 929</b>	<b>160 326</b>

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
<b>Total as at 01.01.2015</b>		<b>930 555</b>	<b>781 123</b>	<b>72 792</b>	<b>2 415 735</b>	<b>4 200 205</b>	<b>1 596</b>	<b>4 201 801</b>
Profit		–	–	–	355 905	355 905	–844	355 061
Revaluation of owner-occupied properties	18	–	–	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	24	–	–	–	–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
<b>Comprehensive income</b>		<b>–</b>	<b>–</b>	<b>29 235</b>	<b>348 715</b>	<b>377 950</b>	<b>–844</b>	<b>377 106</b>
Acquisition of shareholding with non-controlling interests		–	–	–	–	–	491	491
Acquisition of non-controlling interests without change of control		–	–	–	–	–	–1 000	–1 000
Distribution from capital contribution reserves on 21.04.2015	25	–	–235 611	–	–	–235 611	–	–235 611
Conversion of 40 607 units of the CHF 300 million convertible bond into 2 860 803 registered shares	25	43 770	155 976	–	–	199 746	–	199 746
Capital increase on 29.05.2015	25	91 343	321 991	–	–	413 334	–	413 334
Share-based compensation	25	–	2 529	–	–	2 529	–	2 529
Purchase of treasury shares	25	–	–2 430	–	–	–2 430	–	–2 430
<b>Total as at 31.12.2015</b>		<b>1 065 668</b>	<b>1 023 578</b>	<b>102 027</b>	<b>2 764 450</b>	<b>4 955 723</b>	<b>243</b>	<b>4 955 966</b>
Profit		–	–	–	312 168	312 168	–963	311 205
Revaluation of owner-occupied properties	18	–	–	23 004	–	23 004	–	23 004
Deferred taxes on revaluation of owner-occupied properties	12	–	–	–5 291	–	–5 291	–	–5 291
Remeasurement of net defined benefit obligations	24	–	–	–	–976	–976	–	–976
Deferred taxes on remeasurement of net defined benefit obligations	12	–	–	–	225	225	–	225
Other comprehensive income after income taxes		–	–	17 713	–751	16 962	–	16 962
<b>Comprehensive income</b>		<b>–</b>	<b>–</b>	<b>17 713</b>	<b>311 417</b>	<b>329 130</b>	<b>–963</b>	<b>328 167</b>
Distribution from capital contribution reserves on 19.04.2016	25	–	–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	25	27 959	119 752	–	–	147 711	–	147 711
Issue of 0.25% convertible bond, equity component	25	–	4 236	–	–	4 236	–	4 236
Share-based compensation	25	–	2 971	–	–	2 971	–	2 971
Purchase of treasury shares	25	–	–2 851	–	–	–2 851	–	–2 851
<b>Total as at 31.12.2016</b>		<b>1 093 627</b>	<b>888 078</b>	<b>119 740</b>	<b>3 075 867</b>	<b>5 177 312</b>	<b>–720</b>	<b>5 176 592</b>

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 consolidated financial statements of Swiss Prime Site AG, Frohburgstrasse 1, Olten, were prepared 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 sale) 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.

Operating profit (EBIT) corresponds to the operating result before the financial result and taxes.

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 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.

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 7 rev.	Disclosure initiative	1	01.01.2017	Financial year 2017
IAS 12 rev.	Recognition of deferred tax assets for unrealised losses	1	01.01.2017	Financial year 2017
IAS 40 rev.	Transfers of investment property	2	01.01.2018	Financial year 2018
IFRS 2 rev.	Classification and measurement of share based payments	1	01.01.2018	Financial year 2018
IFRS 9	Financial instruments	2	01.01.2018	Financial year 2018
IFRS 15	Revenue from contracts with customers	2	01.01.2018	Financial year 2018
IFRS 16	Leases	3	01.01.2019	Financial year 2019

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.

3 The effects on the consolidated financial statements are described below.

The introduction of IFRS 16 «Leases» requires lessees to recognise all leasing agreements in the balance sheet during the expected duration of the lease, unless the term of agreement amounts to 12 months or less, or the underlying asset is of low value. For Swiss Prime Site, this specifically means that additionally leased properties will be recognised as assets and the corresponding lease obligations as liabilities in the balance sheet in the future. The application of IFRS 16 «Leases» will result in a significant extension of the balance sheet estimated at roughly CHF 840.000 million. The analysis is not yet concluded with respect to the effects on the income statement. However, the result would lead at least to a shift in expenses from real estate costs (third-party rents) to depreciation, amortisation and impairment as well as to financial expenses (interest expense). In addition, improved disclosure is anticipated.

### 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 hierarchies

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 9 132.379 million [CHF 8 792.025 million], owner-occupied properties and owner-occupied properties under construction with a book value of CHF 959.721 million [CHF 894.582 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 17 «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 20 «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 23 «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 group companies are included in the financial statements within the scope of full consolidation.

The scope of consolidation comprises 34 [17] companies (including the Holding Company). An overview of the group companies is provided in Note 30 «Group companies and associates».

The consolidation is based on the audited annual financial statements of the group companies as at 31 December 2016, 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 group companies and associates are included in the consolidated financial statements from the time when control of the group companies 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.

The Real Estate segment is subject to mandatory reporting, in which the real estate and real estate services operations are aggregated. The real estate operations comprise purchase, sale, lease and development of properties. Real estate services are provided especially in the area of property management. The aggregation of these two operations in one segment subject to mandatory reporting is based on the economically comparable 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 a maximum of 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 a 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 non-collectable 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 account-able 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 17 «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 capitalised interest expenses.

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 license 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.

### 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
Goodwill and 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 an 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 an 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 a 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 33 «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**

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.

#### **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 share capital. Nominal value changes are recognised in 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 expenses, recognised in the income statement (personnel costs)
- > rereasurement 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 expenses correspond 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 expenses
- > changes in unrecognised assets less effects included in net interest expenses

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 was optional until 2016. 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 past 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**

The Board of Directors, Executive Board, group companies, pension fund foundations of the group, associated companies and their subsidiaries, Swiss Prime Investment Foundation as well as any other group-related foundations are all regarded as related parties.

All transactions with related parties are presented and itemised including the relevant amounts in Note 29 «Transactions with related parties».

### **2.39 Earnings per share (EPS)**

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

#### 3.1 BOAS Senior Care and Résidence les Sources BOAS SA

##### 3.1.1 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 Tertianum 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
<b>Assets</b>	
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
<b>Total current assets</b>	<b>27 609</b>
Tangible assets	3 998
Intangible assets	1 423
Deferred tax assets	2 936
<b>Total non-current assets</b>	<b>8 357</b>
<b>Total assets</b>	<b>35 966</b>
<b>Liabilities</b>	
Accounts payable	6 525
Current financial liabilities	3 247
Other current liabilities	3 622
Accrued expenses and deferred income	3 642
<b>Total current liabilities</b>	<b>17 036</b>
Non-current financial liabilities	1 357
Other non-current financial liabilities	396
Pension provision obligations	16 108
Long-term provisions	299
<b>Total non-current liabilities</b>	<b>18 160</b>
<b>Total liabilities</b>	<b>35 196</b>
<b>Total identifiable net assets at fair value</b>	<b>770</b>
Offset with loan	20 000
Cash settlement (purchase price)	50 807
<b>Goodwill</b>	<b>70 037</b>

## 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
<b>Total receivables</b>	<b>10 269</b>	<b>– 1 424</b>	<b>8 845</b>

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.

### 3.1.2 Résidence les Sources BOAS SA, Saxon

As at 1 July 2016, 100% of the shares in Résidence les Sources BOAS SA were acquired for CHF 5.632 million in cash. This acquisition concludes the integration of BOAS Senior Care in the Assisted Living segment. The company was rebranded in Résidence les Sources Saxon SA on 3 October 2016.

The fair values of the identifiable assets and liabilities of Résidence les Sources BOAS SA as at the acquisition date of 1 July 2016 were as follows:

in CHF 1 000	01.07.2016
<b>Assets</b>	
Cash	132
Accounts receivable	879
Other current receivables	1
Inventories	39
Accrued income and prepaid expenses	169
<b>Total current assets</b>	<b>1 220</b>
Tangible assets	1 662
Deferred tax assets	267
<b>Total non-current assets</b>	<b>1 929</b>
<b>Total assets</b>	<b>3 149</b>
<b>Liabilities</b>	
Accounts payable	3 718
Other current liabilities	276
Accrued expenses and deferred income	444
<b>Total current liabilities</b>	<b>4 438</b>
Pension provision obligations	862
<b>Total non-current liabilities</b>	<b>862</b>
<b>Total liabilities</b>	<b>5 300</b>
<b>Total identifiable net assets at fair value</b>	<b>– 2 151</b>
Cash settlement (purchase price)	5 632
<b>Goodwill</b>	<b>7 783</b>

Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. Goodwill is not deductible for tax purposes.

From the date of acquisition until 31 December 2016, BOAS Senior Care (including Résidence les Sources BOAS SA) generated a contribution to the group's results in the form of CHF 63.814 million in operating income and CHF 0.811 million in profit. For the full reporting period 2016, operating income amounted to CHF 79.576 million and profit CHF 0.474 million. If the acquisitions had taken place as at 1 January 2016, consolidated operating income and consolidated profit would have amounted to CHF 1065.231 million and CHF 310.868 million, respectively, in the financial year 2016.

The transaction costs amounted to CHF 1.867 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 amounted to CHF 52.570 million in the reporting period (reported in cash flow from investing activities).

### **3.2 immoveris, Berne**

As at 27 May 2016, 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. Immoveris properties ag was merged into Wincasa AG as at 1 July 2016.

### **3.3 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.

### **3.4 WGDM Papillon AG, Winterthur**

As at 1 July 2015, 100% of the shares in WGDM Papillon AG, 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.

### **3.5 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 Tertianum'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:

in CHF 1 000	01.10.2015
<b>Assets</b>	
Cash	6 345
Accounts receivable	10 902
Other current receivables	209
Inventories	690
Accrued income and prepaid expenses	154
<b>Total current assets</b>	<b>18 300</b>
Owner-occupied properties	17 381
Tangible assets	13 333
Intangible assets	2 130
Deferred tax assets	1 204
<b>Total non-current assets</b>	<b>34 048</b>
<b>Total assets</b>	<b>52 348</b>
<b>Liabilities</b>	
Accounts payable	1 772
Current financial liabilities	468
Other current liabilities	432
Advance payments	4 007
Accrued expenses and deferred income	4 366
<b>Total current liabilities</b>	<b>11 045</b>
Non-current financial liabilities	64 468
Other non-current financial liabilities	7 760
Net pension provision obligations	20 137
Non-controlling interests	490
<b>Total non-current liabilities</b>	<b>92 855</b>
<b>Total liabilities</b>	<b>103 900</b>
<b>Total identifiable net assets at fair value</b>	<b>- 51 552</b>
Cash settlement (purchase price)	144 483
<b>Goodwill</b>	<b>196 035</b>

#### 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
<b>Total receivables</b>	<b>11 728</b>	<b>- 617</b>	<b>11 111</b>

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 AG has tapped significant growth potential 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 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. Net money outflow amounted to CHF 145.308 million (reported in cash flow from investing activities).

### **3.6 Ensemble artisanal et commercial de Riantbosson S.A., Olten**

As at 17 December 2015, the remaining 42.6% of the shares (non-controlling interests without change of control) of Ensemble artisanal et commercial de Riantbosson S.A. (real estate company) were acquired for CHF 1.000 million in cash. The stake in the company therefore amounts to 100% from 17 December 2015.

## 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 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. – 31.12.2016

in CHF 1 000	Real Estate segment <sup>1</sup>	Retail segment	Assisted Living segment <sup>2</sup>	Total segments	Eliminations	01.01.– 31.12.2016 Total group
Rental income from properties	415 742	15 061	76 031	506 834	- 53 863	<b>452 971</b>
thereof from third parties	361 879	15 061	76 031	452 971	-	<b>452 971</b>
thereof from other segments	53 863	-	-	53 863	- 53 863	-
Income from real estate services <sup>1</sup>	115 669	-	-	115 669	- 92	<b>115 577</b>
Income from retail	-	133 705	-	133 705	- 140	<b>133 565</b>
Income from assisted living <sup>2</sup>	-	-	328 202	328 202	- 4	<b>328 198</b>
Other operating income	15 029	2 909	1 752	19 690	- 532	<b>19 158</b>
<b>Operating income</b>	<b>546 440</b>	<b>151 675</b>	<b>405 985</b>	<b>1 104 100</b>	<b>- 54 631</b>	<b>1 049 469</b>
<b>Revaluation of investment properties, properties under construction and development sites, net</b>	<b>69 556</b>	-	-	<b>69 556</b>	<b>- 9 063</b>	<b>60 493</b>
<b>Result from investments in associates</b>	<b>8 631</b>	-	-	<b>8 631</b>	-	<b>8 631</b>
<b>Result from investment property sales, net</b>	<b>24 947</b>	-	-	<b>24 947</b>	-	<b>24 947</b>
Real estate costs	- 56 150	- 33 804	- 95 031	- 184 985	54 233	<b>- 130 752</b>
Cost of goods sold	-	- 66 891	- 33 855	- 100 746	-	<b>- 100 746</b>
Personnel costs	- 92 103	- 29 982	- 225 434	- 347 519	38	<b>- 347 481</b>
Other operating expenses	- 25 976	- 11 270	- 24 666	- 61 912	360	<b>- 61 552</b>
Depreciation, amortisation and impairment	- 5 450	- 12 097	- 11 777	- 29 324	- 13 881	<b>- 43 205</b>
<b>Operating expenses</b>	<b>- 179 679</b>	<b>- 154 044</b>	<b>- 390 763</b>	<b>- 724 486</b>	<b>40 750</b>	<b>- 683 736</b>
<b>Operating profit (EBIT)</b>	<b>469 895</b>	<b>- 2 369</b>	<b>15 222</b>	<b>482 748</b>	<b>- 22 944</b>	<b>459 804</b>
Financial expenses						<b>- 85 958</b>
Financial income						<b>4 863</b>
<b>Profit before income taxes</b>						<b>378 709</b>

<sup>1</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

<sup>2</sup> acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016



SEGMENT INCOME STATEMENT 01.01. – 31.12.2015

in CHF 1 000	Real Estate segment	Retail segment <sup>1</sup>	Assisted Living segment <sup>2</sup>	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 <sup>1</sup>	-	137 005	-	137 005	-197	136 808
Income from assisted living <sup>2</sup>	-	-	184 980	184 980	-828	184 152
Other operating income	10 197	2 910	1 290	14 397	-103	14 294
<b>Operating income</b>	<b>656 772</b>	<b>156 443</b>	<b>237 580</b>	<b>1 050 795</b>	<b>-55 585</b>	<b>995 210</b>
<b>Revaluation of investment properties, properties under construction and development sites, net</b>	<b>153 586</b>	<b>-</b>	<b>-</b>	<b>153 586</b>	<b>-29 015</b>	<b>124 571</b>
<b>Result from investments in associates</b>	<b>12 118</b>	<b>-</b>	<b>-</b>	<b>12 118</b>	<b>-</b>	<b>12 118</b>
<b>Result from investment property sales, net</b>	<b>30 910</b>	<b>-</b>	<b>-</b>	<b>30 910</b>	<b>-</b>	<b>30 910</b>
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
<b>Operating expenses</b>	<b>-267 225</b>	<b>-159 340</b>	<b>-229 382</b>	<b>-655 947</b>	<b>46 568</b>	<b>-609 379</b>
<b>Operating profit (EBIT)</b>	<b>586 161</b>	<b>-2 897</b>	<b>8 198</b>	<b>591 462</b>	<b>-38 032</b>	<b>553 430</b>
Financial expenses						-100 753
Financial income						4 615
<b>Profit before income taxes</b>						<b>457 292</b>

<sup>1</sup> transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

<sup>2</sup> 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

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.

Adjustments to the regulations of the pension fund foundations resulted in negative past service costs – particularly in the Real Estate and Retail segments – and therefore lower personnel costs compared with the previous year. Further relevant information can be found in Note 24 «Pension plans».

Comparability of the eliminations of the years 2015 and 2016 of the positions depreciation, amortisation and impairment is affected by impairment and reversal of impairment (see Note 18 «Owner-occupied properties and owner-occupied properties under construction»).

## COMPOSITION OF OPERATING INCOME BY PRODUCTS AND SERVICES

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Income from rental of properties	445 871	452 971
Income from sale of trading properties	105 081	–
Income from real estate services <sup>1</sup>	109 004	115 577
Income from retail <sup>2</sup>	136 808	133 565
Income from assisted living <sup>3</sup>	184 152	328 198
Other operating income	14 294	19 158
<b>Total operating income</b>	<b>995 210</b>	<b>1 049 469</b>

<sup>1</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

<sup>2</sup> transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

<sup>3</sup> 2016: acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016

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

Operating income comprised CHF 127.354 million [CHF 229.285 million] from the sale of goods and CHF 922.115 million [CHF 765.925 million] from the provision of services.

Income from Real Estate Investment Management is included in other operating income.

## SEGMENT BALANCE SHEET AS AT 31.12.2016

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment	Total segments	Eliminations	31.12.2016 Total group
<b>Total assets</b>	<b>10 508 257</b>	<b>160 584</b>	<b>510 132</b>	<b>11 178 973</b>	<b>– 66 990</b>	<b>11 111 983</b>
<b>Total liabilities</b>	<b>5 759 850</b>	<b>61 959</b>	<b>180 572</b>	<b>6 002 381</b>	<b>– 66 990</b>	<b>5 935 391</b>
<b>Investments in non-current assets</b>	<b>397 343</b>	<b>7 901</b>	<b>95 002</b>	<b>500 246</b>	<b>–</b>	<b>500 246</b>

## 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
<b>Total assets</b>	<b>10 194 315</b>	<b>144 861</b>	<b>394 553</b>	<b>10 733 729</b>	<b>– 43 164</b>	<b>10 690 565</b>
<b>Total liabilities</b>	<b>5 593 110</b>	<b>48 231</b>	<b>136 422</b>	<b>5 777 763</b>	<b>– 43 164</b>	<b>5 734 599</b>
<b>Investments in non-current assets</b>	<b>201 455</b>	<b>7 605</b>	<b>247 601</b>	<b>456 661</b>	<b>–</b>	<b>456 661</b>

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.– 31.12.2015	01.01.– 31.12.2016
Target rental income from investment properties	449 363	427 377
Rental income from additionally leased properties <sup>3</sup>	26 673	51 787
Rent loss from vacancies	–30 165	–26 193
<b>Rental income from properties</b>	<b>445 871</b>	<b>452 971</b>
<b>Income from sale of trading properties</b>	<b>105 081</b>	<b>–</b>
<b>Income from real estate services<sup>1</sup></b>	<b>109 004</b>	<b>115 577</b>
Income from retail, gross	152 291	149 658
Rebates	–15 483	–16 093
<b>Income from retail<sup>2</sup></b>	<b>136 808</b>	<b>133 565</b>
<b>Income from assisted living<sup>3</sup></b>	<b>184 152</b>	<b>328 198</b>
<b>Other operating income</b>	<b>14 294</b>	<b>19 158</b>
<b>Total operating income</b>	<b>995 210</b>	<b>1 049 469</b>

<sup>1</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

<sup>2</sup> transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

<sup>3</sup> 2016: acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016

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

Swiss Prime Site's primary business activity is leasing investment properties. Net rental income from properties as well as land lease income totalled CHF 452.971 million [CHF 445.871 million], including CHF 18.072 million [CHF 19.730 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 2016 [1 January 2015].

Total utilised floor space as at 31 December 2016 amounted to 1 501 243 m<sup>2</sup> [1 455 126 m<sup>2</sup>]. The total was subdivided into 1 487 633 m<sup>2</sup> [1 442 220 m<sup>2</sup>] of commercial floor space and 13 610 m<sup>2</sup> [12 906 m<sup>2</sup>] of residential floor space.

Rent losses from vacancies amounted to CHF 26.193 million [CHF 30.165 million], corresponding to a vacancy rate of 6.1% [6.7%]. Rent losses from vacancies were deducted from target rental income. Detailed information can be found under «Property details» starting from page 113.

Income from the sale of trading properties in the previous year relates to the one-time 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. 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 and SENIOcare Group as well as BOAS Senior Care Group, which was acquired as at 29 February 2016. The share of rent from the accommodation prices of the residence guests was reported in target rental income from investment properties and rental income from additionally leased properties.

Other operating income of CHF 19.158 million [CHF 14.294 million] included income from Real Estate Investment 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 2016:

End of contract	31.12.2015 Future rental income in CHF 1 000	31.12.2015 Share in %	31.12.2016 Future rental income in CHF 1 000	31.12.2016 Share in %
Under 1 year <sup>1</sup>	35 500	8.5	43 890	10.2
Over 1 year	34 632	8.3	49 288	11.5
Over 2 years	51 822	12.4	39 253	9.2
Over 3 years	39 159	9.4	49 203	11.5
Over 4 years	49 717	11.9	59 436	13.9
Over 5 years	45 677	10.9	22 845	5.3
Over 6 years	17 025	4.1	22 273	5.2
Over 7 years	14 190	3.4	17 383	4.1
Over 8 years	13 334	3.2	12 472	2.9
Over 9 years	12 542	3.0	10 702	2.5
Over 10 years	104 117	24.9	102 191	23.7
<b>Total</b>	<b>417 715</b>	<b>100.0</b>	<b>428 936</b>	<b>100.0</b>

<sup>1</sup> 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 2016 [31 December 2015].

### Largest external tenants

As at the balance sheet date, the five largest external tenants accounted for 20.1% [20.9%] 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 %	31.12.2015	31.12.2016
Coop	6.6	6.2
Migros	5.0	4.8
Swisscom	3.5	3.4
Swiss Post	2.9	2.9
Inditex S.A.	2.9	2.8

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 <sup>2</sup> to 2 839 m <sup>2</sup>
Residual terms to maturity	5 to 69 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.– 31.12.2015	01.01.– 31.12.2016
Land lease income up to 1 year	826	847
Land lease income from 1 year up to 5 years	3 303	3 389
Land lease income after 5 years	7 973	7 394
<b>Total future land lease income</b>	<b>12 102</b>	<b>11 630</b>

6 RESULT FROM INVESTMENTS IN ASSOCIATES

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Proportional result from continuing operations of the period	12 118	8 631
Proportional other comprehensive income of the period	–	–
<b>Total proportional result from investments in associates</b>	<b>12 118</b>	<b>8 631</b>

7 RESULT FROM INVESTMENT PROPERTY SALES

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Gains from sales of commercial properties without significant residential space	3 083	18 047
Losses from sales of commercial properties without significant residential space	–12 658	–
Gains from mixed properties	269	6 900
Gains from sales of properties held for sale	45	–
Gains from properties under construction and development sites	40 717	–
Losses from properties under construction and development sites	–546	–
<b>Total result from investment property sales, net</b>	<b>30 910</b>	<b>24 947</b>

In 2016 three [ten] investment properties were divested. The profit of sale includes subsequent purchase price payments tied to certain conditions from transactions executed with the Swiss Prime Investment Foundation in the previous year.

## 8 REAL ESTATE COSTS

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Property expenses	–49 915	–54 558
Third-party rents	–35 542	–61 730
Expenses for third-party services	–6 573	–5 275
Expenses for real estate services	–5 126	–3 320
Land lease expenses	–6 156	–5 869
<b>Total real estate costs</b>	<b>–103 312</b>	<b>–130 752</b>

Property expenses included maintenance and repair costs of CHF 20.636 million [CHF 22.009 million], ancillary costs borne by the owner of CHF 12.328 million [CHF 9.575 million], property-related insurance costs and fees of CHF 7.554 million [CHF 7.567 million] as well as costs for cleaning, energy and water of CHF 14.040 million [CHF 10.764 million].

Expenses for third-party rents primarily resulted from additionally leased properties for services in the Assisted Living segment.

Of third-party services, CHF 0.302 million [CHF 1.764 million] was attributable to property management fees. An additional CHF 0.437 million [CHF 0.713 million] constituted costs for the revaluation of properties by Wüest Partner AG and CHF 4.536 million [CHF 4.096 million] was related to leasing expenses and other administrative costs for third-parties.

## 9 PERSONNEL COSTS

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Wages and salaries	–220 689	–315 321
Social security expenses	–18 890	–26 009
Pension plan expenses	–19 795	5 308
Other personnel expenses	–9 870	–11 459
<b>Total personnel costs</b>	<b>–269 244</b>	<b>–347 481</b>
<b>Number of employees as at 31.12.</b>	<b>4 446</b>	<b>5 621</b>
<b>Number of full-time equivalents as at 31.12.</b>	<b>3 311</b>	<b>4 558</b>

As at 31 December 2016, Swiss Prime Site employed a workforce of 5 621 [4 446] 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.

Adjustments to the regulations of the pension fund foundations resulted in negative past service costs and therefore pension plan income compared with the previous year. Further relevant information can be found in Note 24 «Pension plans».

## 10 OTHER OPERATING EXPENSES

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Expenses for tangible assets	–13 357	–17 894
Non-life insurance, fees	–1 404	–2 401
Capital taxes	–3 647	–2 694
Administrative expenses	–20 759	–17 430
Audit and consultancy costs	–9 413	–7 653
Advertising	–10 402	–11 781
Collection- and bad-debt-related losses	–1 041	–1 699
<b>Total other operating expenses</b>	<b>–60 023</b>	<b>–61 552</b>

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 Gamma AG and Tertianum Gruppe 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 communication.

Audit and consultancy expenses comprised consulting fees of CHF 6.493 million [CHF 8.246 million] and audit fees of CHF 1.160 million [CHF 1.167 million].

## 11 FINANCIAL RESULT

### FINANCIAL EXPENSES

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Interest expenses	–99 004	–87 713
Other financial expenses	–1 749	1 755
<b>Total financial expenses</b>	<b>–100 753</b>	<b>–85 958</b>

### FINANCIAL INCOME

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Interest income	816	515
Dividend income on securities and financial investments	271	285
Fair value changes of financial instruments	3 183	3 241
Other financial income	345	822
<b>Total financial income</b>	<b>4 615</b>	<b>4 863</b>

## 12 INCOME TAXES

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Current income taxes for the reporting period	– 47 166	– 31 057
Adjustments for current income taxes for other accounting periods	– 4 762	– 2 309
<b>Total current income taxes</b>	<b>– 51 928</b>	<b>– 33 366</b>
Deferred taxes resulting from revaluation and depreciation	– 83 131	– 59 300
Deferred taxes resulting from the sale of investment properties	24 236	9 197
Deferred taxes from tax rate changes and reductions from duration of ownership deductions	– 2 512	15 759
Deferred taxes resulting from losses carried forward	11 473	206
Other deferred taxes	– 369	–
<b>Total deferred taxes</b>	<b>– 50 303</b>	<b>– 34 138</b>
<b>Total income taxes</b>	<b>– 102 231</b>	<b>– 67 504</b>

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. In the reporting year, the tax rate reduction was effective in the canton of Vaud.

### 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.– 31.12.2015	01.01.– 31.12.2016
Profit before income taxes	457 292	378 709
Income taxes at average tax rate of 23%	– 105 177	– 87 103
Taxes at other rates (including property gains taxes)	4 999	22 665
Adjustment for current income taxes for other accounting periods	– 4 762	– 2 309
Effect of unrecognised losses carried forward	3 159	– 757
Taxes on intercompany revenues and expenses	2	–
Other effects	– 452	–
<b>Total income taxes</b>	<b>– 102 231</b>	<b>– 67 504</b>

### 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% [4.9% 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 59.300 million [CHF 83.131 million].

Total deferred tax expense of CHF 34.138 million [CHF 50.303 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	31.12.2015	31.12.2016
Taxable losses carried forward of group companies	79 410	79 488
<b>Possible tax effect on taxable losses carried forward at expected tax rate</b>	<b>11 473</b>	<b>13 100</b>
Losses carried forward which can in all probability be offset with future profits	-79 410	-73 311
Total recognised deferred tax assets at expected tax rate	-11 473	-11 679
<b>Total deferred tax assets not recognised at expected tax rate</b>	<b>-</b>	<b>1 421</b>
Recognised deferred tax assets on losses carried forward	11 473	11 679
Other deferred tax assets	13 487	13 741
<b>Total deferred tax assets</b>	<b>24 960</b>	<b>25 420</b>

**EXPIRING TAXABLE LOSSES CARRIED FORWARD**

Taxable losses carried forward of group companies for which no deferred tax assets were recognised expire as follows:

in CHF 1 000	31.12.2015	31.12.2016
After 1 year	-	-
After 2 years	-	-
After 3 years	-	35
After 4 years	-	3
After 5 years	-	75
After 6 years	-	1 944
After 7 or more years	-	4 120
<b>Total expiring taxable losses carried forward</b>	<b>-</b>	<b>6 177</b>

**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 2 590.190 million [CHF 2 425.200 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 10.360 million [CHF 9.700 million].

## DEFERRED TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME

in CHF 1000	01.01.– 31.12.2015	01.01.– 31.12.2016
Deferred taxes on revaluation of owner-occupied properties	-8 754	-5 291
Deferred taxes on remeasurement of net defined benefit obligations	2 125	225
<b>Total deferred taxes recognised in other comprehensive income</b>	<b>-6 629</b>	<b>-5 066</b>

## 13 CASH

in CHF 1000	31.12.2015	31.12.2016
Cash on hand	2 444	2 694
Sight deposits	232 485	157 632
<b>Total cash</b>	<b>234 929</b>	<b>160 326</b>

The Sight deposits originate primarily from property management and comprise exclusively bank accounts. The investments were made in line with market conditions.

## 14 ACCOUNTS RECEIVABLE

in CHF 1000	31.12.2015	31.12.2016
Accounts receivable, gross	83 814	98 377
Impairments	-3 382	-4 431
<b>Total accounts receivable</b>	<b>80 432</b>	<b>93 946</b>

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.

## DEVELOPMENT OF IMPAIRMENT

in CHF 1000	31.12.2015	31.12.2016
<b>Impairment at beginning of period</b>	<b>3 866</b>	<b>3 382</b>
Increase of impairment based on individual valuation	1 635	2 372
Release of impairment based on individual valuation	-2 119	-1 323
<b>Total impairment at end of period</b>	<b>3 382</b>	<b>4 431</b>

Impairment changes were recognised in other operating expenses.

**MATURITIES OF RECEIVABLES**

in CHF 1000	31.12.2015 Gross receivables	31.12.2015 Impairments	31.12.2016 Gross receivables	31.12.2016 Impairments
Not yet due	49 531		54 910	
Due between 0 and 30 days	7 286		10 452	
Due between 31 and 90 days	3 978		3 738	
Due between 91 and 120 days	646		1 844	
Due for more than 120 days	22 373		27 433	
<b>Total gross receivables and impairments</b>	<b>83 814</b>	<b>-3 382</b>	<b>98 377</b>	<b>-4 431</b>

The receivables overdue for more than 120 days consist primarily of rent payments deposited in a blocked account resulting from a rental agreement dispute.

**15 INVENTORIES**

in CHF 1000	31.12.2015	31.12.2016
Merchandise	23 569	26 187
Other inventories	2 218	2 642
Impairments	-238	-366
<b>Total inventories</b>	<b>25 549</b>	<b>28 463</b>

Inventories included merchandise from the Retail segment as well as the Assisted Living segment, which were recognised in the balance sheet at average cost or – if lower – at net realisable value.

**16 ASSETS HELD FOR SALE**

in CHF 1000	31.12.2015	31.12.2016
Locarno, Parking Centro	-	13 000
<b>Total assets held for sale</b>	<b>-</b>	<b>13 000</b>

The property was reclassified from the category investment properties and building land to assets held for sale, in accordance with active portfolio management.

As at 31 December 2015, no properties were reported as assets held for sale due to unfulfilled criteria.

## 17 INVESTMENT PROPERTIES

### CHANGE IN INVESTMENT PROPERTIES

in CHF 1000	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
<b>Total as at 01.01.2015</b>	<b>53 132</b>	<b>8 118 596</b>	<b>253 139</b>	<b>8 424 867</b>	<b>254 418</b>	<b>228 470</b>	<b>8 907 755</b>
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
<b>Fair value adjustment</b>	<b>463</b>	<b>143 908</b>	<b>1 184</b>	<b>145 555</b>	<b>–12 772</b>	<b>–8 212</b>	<b>124 571</b>
<b>Total as at 31.12.2015</b>	<b>66 290</b>	<b>8 139 398</b>	<b>239 647</b>	<b>8 445 335</b>	<b>–</b>	<b>346 690</b>	<b>8 792 025</b>
Purchases	–	229 404	27 901	257 305	–	–	257 305
Follow-up investments	18 795	60 117	677	79 589	–	52 949	132 538
Capitalised borrowing costs	40	285	–	325	–	704	1 029
Reclassifications	–50 301	132 330	–	82 029	13 000	–95 029	–
Net transfer of investment properties to owner-occupied properties	–	–51 085	–	–51 085	–	–	–51 085
Disposal by sale	–	–59 926	–	–59 926	–	–	–59 926
Positive fair value adjustment	1 303	162 205	3 216	166 724	–	2 732	169 456
Negative fair value adjustment	–229	–88 031	–2 288	–90 548	–	–18 415	–108 963
<b>Fair value adjustment</b>	<b>1 074</b>	<b>74 174</b>	<b>928</b>	<b>76 176</b>	<b>–</b>	<b>–15 683</b>	<b>60 493</b>
<b>Total as at 31.12.2016</b>	<b>35 898</b>	<b>8 524 697</b>	<b>269 153</b>	<b>8 829 748</b>	<b>13 000</b>	<b>289 631</b>	<b>9 132 379</b>

**FURTHER DETAILS ON INVESTMENT PROPERTIES**

in CHF 1000	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
<b>Fire insurance values<sup>1</sup></b>							
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
<b>On 31.12.2016</b>	<b>1 975</b>	<b>5 916 828</b>	<b>148 005</b>	<b>6 066 808</b>	<b>19 423</b>	<b>303 500</b>	<b>6 389 731</b>
<b>Net rental income<sup>2</sup></b>							
01.01.–31.12.2015	501	399 688	15 157	415 346	–	3 852	419 198
<b>01.01.–31.12.2016</b>	<b>327</b>	<b>387 816</b>	<b>11 009</b>	<b>399 152</b>	<b>1 451</b>	<b>581</b>	<b>401 184</b>
<b>Vacancy rate in %</b>							
01.01.–31.12.2015	1.7	6.2	4.1	6.2	–	42.7	6.7
<b>01.01.–31.12.2016</b>	<b>2.6</b>	<b>6.2</b>	<b>4.4</b>	<b>6.1</b>	<b>–</b>	<b>8.3</b>	<b>6.1</b>

<sup>1</sup> There were no building insurance values for properties under construction. For building projects, respective builders' liability insurance policies were concluded

<sup>2</sup> 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 fair values of the designated properties are all categorised as hierarchy 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 seven [five] 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 31.12.2016

	in	Building land	Commercial properties (continuation of use) <sup>1</sup>	Commercial properties (highest and best use) <sup>2</sup>	Properties/owner-occupied properties under construction/development sites
Fair value as at balance sheet date	CHF m	35.898	8 848.051	900.820	307.331
<b>Unobservable input factors</b>					
Average discount rate	%	4.25	3.49	3.32	3.73
Maximum discount rate	%	5.10	5.00	5.20	4.60
Minimum discount rate	%	3.80	2.10	2.85	3.20
Residential	CHF per m <sup>2</sup> p.a.	–	100 to 692	120 to 121	215 to 320
Offices	CHF per m <sup>2</sup> p.a.	–	60 to 920	110 to 900	200 to 425
Retail/gastro	CHF per m <sup>2</sup> p.a.	–	80 to 7 500	220 to 7 400	280 to 420
Commercial	CHF per m <sup>2</sup> p.a.	–	30 to 450	100 to 280	275
Storage	CHF per m <sup>2</sup> p.a.	–	36 to 540	50 to 650	80 to 285
Parking inside	CHF per piece and month	–	50 to 650	100 to 580	140 to 350
Parking outside	CHF per piece and month	–	25 to 320	33 to 320	50 to 120

<sup>1</sup> 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

<sup>2</sup> commercial properties for which the valuation was based on highest and best use

**APPLICABLE UNOBSERVABLE INPUT FACTORS AS AT 31.12.2015**

	in	Building land	Commercial properties (continuation of use) <sup>1</sup>	Commercial properties (highest and best use) <sup>2</sup>	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
<b>Unobservable input factors</b>					
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 <sup>2</sup> p.a.	–	97 to 565	120 to 121	215 to 300
Offices	CHF per m <sup>2</sup> p.a.	–	60 to 960	100 to 400	200 to 380
Retail/gastro	CHF per m <sup>2</sup> p.a.	–	75 to 8 000	340 to 340	245 to 380
Commercial	CHF per m <sup>2</sup> p.a.	–	30 to 450	100 to 280	–
Storage	CHF per m <sup>2</sup> 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

<sup>1</sup> 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

<sup>2</sup> 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. These 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 a 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 9 748.900 million (fair value of overall portfolio CHF 10 092.100 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
3.17%	8.0%	779 900	10 528 800
3.27%	5.2%	506 900	10 255 800
3.37%	2.5%	243 700	9 992 600
<b>3.47% (valuation as at 31.12.2016)</b>	–	–	<b>9 748 900</b>
3.57%	–2.4%	–234 000	9 514 900
3.67%	–4.7%	–458 200	9 290 700
3.77%	–7.0%	–682 400	9 066 500
3.87%	–9.1%	–887 100	8 861 800
3.97%	–11.1%	–1 082 100	8 666 800
4.07%	–13.1%	–1 277 100	8 471 800



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.

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**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%	5.6%	545 900	10 294 800
4.0%	3.7%	360 700	10 109 600
2.0%	1.9%	185 200	9 934 100
<b>0.0% (valuation as at 31.12.2016)</b>	–	–	<b>9 748 900</b>
–2.0%	–1.9%	–185 200	9 563 700
–4.0%	–3.7%	–360 700	9 388 200
–6.0%	–5.6%	–545 900	9 203 000
–8.0%	–7.5%	–731 200	9 017 700
–10.0%	–9.3%	–906 600	8 842 300

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.

Amid the current environment of negative interest rates, there is an investment crisis where real estate investments are accordingly gaining significance. Against such a backdrop 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, 21a, 21b (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 also residential. Swiss Prime Site was able to acquire the Schönburg property in 2014 and (following Swiss Post's departure) decided to preserve the structure as well as the basements and create a high-quality residential and hotel complex based on extensive variant studies. The property should house a three-star business hotel with 180 rooms at the north wing, in addition to around 140 high-quality apartments spread across the eight upper floors. Attractive townhouses as well as a Coop grocery store and fitness studio will be constructed in the newly created low-level annex building on the east side. The main building's core will be practically restructured, and four additional emergency staircases and a new façade will be installed. The entire building technology and interior will be replaced. Construction costs are estimated at roughly CHF 130 million.
Project status	The building application submitted in August 2016 was approved in February 2017. Following a parallel project optimisation process with two total contractors, Losinger Marazzi was awarded the contract in the autumn of 2016 for execution of the project including the hotel development. Implementation planning is underway under the management of the total contractor. Installation of the façades and remediation of the site could begin in the spring of 2017.
Occupancy rate <sup>1</sup>	A rental agreement has been concluded with Hamburg-based hotel operator prizeotel for a state-of-the-art business hotel, as well as a lease with Coop for a retail business comprising roughly 1 000 square metres, in addition to an UPDATE brand fitness studio. No condominiums will be offered. Leasing of the apartments will commence in 2018. Various enquiries have already been submitted via the project website.
Completion	Ready for occupancy in late summer 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 space per floor of nearly 400 square metres can be ideally allocated to up to four tenants and subdivided into minimum dimensions of 80 square metres. The floor space is therefore ideally 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 company Induni SA has been assigned the task as total contractor. Construction activity commenced in November 2016. The requisite easements with the neighbours will be authenticated through notarisation at the outset of 2017.
Occupancy rate <sup>1</sup>	There is no advance leasing; the decision-making process with SMEs is rather brief. Marketing activities commenced at end-2016.
Completion	Beginning of 2018

### Meyrin, Chemin de Riantbosson

Project description	Swiss Prime Site is sole owner of the roughly 4 400 square-metre property located in the Riantbosson industrial and commercial zone in Meyrin. The property was secured in 2014 through the acquisition of 100% of the shares of the stock company EACR by SPS. The company was merged with SPS Immobilien AG. As EACR's majority shareholder, the company HRS has attempted to develop the property. SPS also assumed the lead in the development process with the acquisition of a 100% stake in EACR, and the Company was able to subsequently submit a project that could be subject to approval, for which SPS obtained the legally validated building permit in May 2016. The project envisages retail floor space spanning roughly 3 400 square metres that is already leased in advance, situated on the first subterranean level, ground floor and first upper floor. SPS foresees flexible interior design for offices or exhibition rooms for the other upper floors (second to sixth upper floors), comprising around 3 000 square metres. The floors can be subdivided into up to three units. The second and third subterranean levels house 1 300 square metres of storage space and 118 parking places.
Project status	The company HRS was commissioned in December 2015 as total contractor for construction of the building structure. The legally validated building permit was issued in May 2016, and the construction site started up operations in July 2016. Construction is proceeding according to plan to date, so operations are expected to launch in April 2018.

<sup>1</sup> occupancy rate and sales status as at 31.12.2016

Occupancy rate <sup>1</sup>	Retail floor space on the first subterranean level, ground floor and first upper floor has been 100% leased in advance to Aldi, McDonald's and Maxi Bazar. Marketing of the office floor space commenced at the outset of this year via Internet presence and brochures.
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Completion	Mid-April 2018
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**Plan-les-Ouates, Chemin des Aulx**

Project description	Swiss Prime Site is sole owner of one of the last major plots of building land in the Zone Industrielle Plan-les-Ouates (ZIPL0), comprising land area of roughly 28 400 square metres. The development project is characterised by five above-ground building structures that are situated on a common three-storey subterranean basement. The flexible commercial buildings with a subterranean optimal logistics infrastructure for trucks are oriented toward the needs of major industrial as well as retail tenants. The upper floors are ideally suitable for high-tech, biotech, clean-tech and R&D tenants, in addition to commercial, trade or office utilisation. Total rentable floor space amounts to 93 000 square metres plus more than 900 parking places. Investment volume (excluding land) amounts to roughly CHF 330 million. The first phase should consist of the construction of three modules (A, B, C) as well as subterranean logistics together with parking facilities.
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Project status	The legally validated building permit for the project was issued in mid-2016. Meanwhile, an intensive project optimisation process has been carried out that necessitated a renewed authorisation procedure (application for modification) that is currently underway. The project optimisation process consists of reducing building volume on the subterranean levels while retaining the project parameters (i.e. number of parking places, storage space and logistics), in addition to expanding floor space on the above-ground floors through adding an upper storey with nearly the same building volume. The total contractor contract was issued to Implenia Suisse SA in October 2016. The construction start date is contingent on obtaining the legally validated permit for the application for modification, which should be issued in the course of the second quarter of 2017.
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Occupancy rate <sup>1</sup>	Specific negotiations for roughly 40% of the first phase are currently underway in full swing, with the objective of signing rental agreements even before construction begins.
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Completion	Ready for occupancy: phase one 2019 / phase two probably from 2021
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**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 fresh know-how should emerge and innovations can be achieved. The development of a site 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. Expansion opportunities for the overall site are currently under review. The results of a relevant study are expected to be released in the first quarter of 2017. The steps of the planning process derived from the study will subsequently commence.
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Project status	The first significant step in the development process was taken in November 2016, with the signing of a long-term rental agreement with Zühlke Engineering AG. The company will relocate its Swiss headquarters to the former NZZ printing facility in the course of the financial year 2019. Zühlke covers all the phases of the business innovation process and manages products as well as applications ranging from the idea, through realisation and to operations in its portfolio. The company is occupying roughly 8 500 square metres of floor space with a workforce of 500 employees. Within the scope of an interim utilisation strategy (2016/17), various floor spaces will be leased to a variety of technology start-up firms. The future event hall has already commenced operations and successfully established a position with events such as the Top 100 Swiss Start-Up Event. The project planning process is underway: the building application should be submitted around mid-year 2017. The construction start date is envisaged for 2018. Any potential theme-related interim utilisation (2016/2017) or ideas for step-by-step preparations and leasing of partial floor space are continuously flowing into the development process.
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Occupancy rate <sup>1</sup>	Some floor space as well as halls and office space have been utilised by tenants from the electronics sector in the interim. The future event space open to the public has already been dispersed and can be booked prior to installation of the new building technology in 2018. Numerous event-filled days have already been reserved for 2017. A pop-up restaurant with a total of more than 4 000 visitors was constructed on the main event floor space from 3 November to 23 December 2016. Various enquiries for additional interim utilisation of the overall site have been submitted and are currently under review.
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Completion	2019
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<sup>1</sup> occupancy rate and sales status as at 31.12.2016

<b>Zurich, Brandschenkestrasse 25 (Motel One)</b>	
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 77.5 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 late summer 2017.
Occupancy rate <sup>1</sup>	The entire building is leased to Motel One Group as at summer 2017.
Completion	Late summer 2017

<b>Zurich, Etzelstrasse 14 (Etzelgut)</b>	
Project description	Swiss Prime Site is constructing a new replacement building for Tertianum AG situated in a prime location in Zurich's urban district for a geriatric care facility, with a total of 51 geriatric care beds and an 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 its 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	Concrete has been laid for the upper floors and the building shell is concluded.
Occupancy rate <sup>1</sup>	The building will be 100% utilised directly by the Tertianum group company.
Completion	1 October 2017

<sup>1</sup> occupancy rate and sales status as at 31.12.2016

## 18 OWNER-OCCUPIED PROPERTIES AND OWNER-OCCUPIED PROPERTIES UNDER CONSTRUCTION

### CHANGE IN OWNER-OCCUPIED PROPERTIES

in CHF 1000	31.12.2015	31.12.2016
<b>Owner-occupied properties as at 01.01.</b>	<b>778 656</b>	<b>894 582</b>
Follow-up investments	2 560	5 220
Additions from acquisitions	20 181	–
Disposals	– 2 800	–
Transferred depreciation	– 12 127	– 14 117
Positive fair value adjustment	35 370	23 446
Negative fair value adjustment	– 263	– 495
Reclassifications into/from investment properties and owner-occupied properties under construction, net	73 005	33 385
<b>Owner-occupied properties as at 31.12.</b>	<b>894 582</b>	<b>942 021</b>

### TRANSFERRED DEPRECIATION AND IMPAIRMENT

in CHF 1000	31.12.2015	31.12.2016
<b>Cumulative depreciation and impairment as at 01.01.</b>	<b>–</b>	<b>–</b>
Depreciation	12 127	14 117
Impairment	189	53
Transferred depreciation and impairment	– 12 316	– 14 170
<b>Cumulative depreciation and impairment as at 31.12.</b>	<b>–</b>	<b>–</b>

UTILISATION OF OWNER-OCCUPIED PROPERTIES

	31.12.2015	31.12.2016
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/Bubenholtz	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

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 17 «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 these particular owner-occupied properties were valued according to the historical cost model, the book value would have been CHF 808.025 million [CHF 790.135 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 the range of 3.0% to 4.9% [3.1% 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 572.599 million [CHF 580.735 million]. Rental income from owner-occupied properties totalled CHF 39.490 million [CHF 40.958 million].

OWNER-OCCUPIED PROPERTIES UNDER CONSTRUCTION

in CHF 1000	31.12.2015	31.12.2016
<b>Owner-occupied properties under construction as at 01.01.</b>	<b>52 890</b>	<b>–</b>
Additions	12 690	–
Capitalised borrowing costs	693	–
Disposals	–29 178	–
Positive fair value adjustment	6 035	–
Negative fair value adjustment	–	–
Reclassifications into/from investment properties and owner-occupied properties, net	–43 130	<b>17 700</b>
<b>Owner-occupied properties under construction as at 31.12.</b>	<b>–</b>	<b>17 700</b>

## TRANSFERRED DEPRECIATION AND IMPAIRMENT

in CHF 1 000	31.12.2015	31.12.2016
<b>Cumulative depreciation and impairment as at 01.01.</b>	–	–
Reversal of impairment	–3 300	–
Impairment	–	–
Transferred depreciation and impairment	3 300	–
<b>Cumulative depreciation and impairment as at 31.12.</b>	–	–

If these particular owner-occupied properties under construction were valued according to the historical cost model, the book value would have been to CHF 17.700 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.

## 19 TANGIBLE ASSETS

in CHF 1 000	Equipment	Furniture/ tenants' improvements	31.12.2016 Total
<b>Cost as at 01.01.2016</b>	<b>12 268</b>	<b>113 749</b>	<b>126 017</b>
Additions	1 078	16 938	18 016
Additions from acquisitions	617	5 294	5 911
Disposals	–	–26 970	–26 970
<b>Cost as at 31.12.2016</b>	<b>13 963</b>	<b>109 011</b>	<b>122 974</b>
<b>Cumulative depreciation and impairment as at 01.01.2016</b>	<b>1 391</b>	<b>60 036</b>	<b>61 427</b>
Depreciation	1 176	18 131	19 307
Disposals	–	–20 566	–20 566
<b>Cumulative depreciation and impairment as at 31.12.2016</b>	<b>2 567</b>	<b>57 601</b>	<b>60 168</b>
<b>Total tangible assets as at 31.12.2016</b>	<b>11 396</b>	<b>51 410</b>	<b>62 806</b>

in CHF 1 000	Equipment	Furniture/ tenants' improvements	31.12.2015 Total
<b>Cost as at 01.01.2015</b>	<b>6 691</b>	<b>92 840</b>	<b>99 531</b>
Additions	3 485	10 630	14 115
Additions from acquisitions	2 092	11 842	13 934
Disposals	–	–1 563	–1 563
<b>Cost as at 31.12.2015</b>	<b>12 268</b>	<b>113 749</b>	<b>126 017</b>
<b>Cumulative depreciation and impairment as at 01.01.2015</b>	<b>647</b>	<b>47 408</b>	<b>48 055</b>
Depreciation	744	14 182	14 926
Disposals	–	–1 554	–1 554
<b>Cumulative depreciation and impairment as at 31.12.2015</b>	<b>1 391</b>	<b>60 036</b>	<b>61 427</b>
<b>Total tangible assets as at 31.12.2015</b>	<b>10 877</b>	<b>53 713</b>	<b>64 590</b>

## 20 GOODWILL AND INTANGIBLE ASSETS

in CHF 1000	Goodwill	Software	Customer base	Brand names	31.12.2016 Total
<b>Cost as at 01.01.2016</b>	<b>369 520</b>	<b>18 104</b>	<b>30 493</b>	<b>53 173</b>	<b>471 290</b>
Additions	–	3 581	–	–	3 581
Additions from acquisitions	81 626	–	1 423	–	83 049
<b>Cost as at 31.12.2016</b>	<b>451 146</b>	<b>21 685</b>	<b>31 916</b>	<b>53 173</b>	<b>557 920</b>
<b>Cumulative amortisation and impairment as at 01.01.2016</b>	<b>–</b>	<b>9 464</b>	<b>11 750</b>	<b>32</b>	<b>21 246</b>
Amortisation	–	4 654	3 838	1 235	9 727
<b>Cumulative amortisation and impairment as at 31.12.2016</b>	<b>–</b>	<b>14 118</b>	<b>15 588</b>	<b>1 267</b>	<b>30 973</b>
<b>Total goodwill and intangible assets as at 31.12.2016</b>	<b>451 146</b>	<b>7 567</b>	<b>16 328</b>	<b>51 906</b>	<b>526 947</b>

in CHF 1000	Goodwill	Software	Customer base	Brand names	31.12.2015 Total
<b>Cost as at 01.01.2015</b>	<b>166 311</b>	<b>12 959</b>	<b>29 630</b>	<b>51 906</b>	<b>260 806</b>
Additions	–	5 324	–	–	5 324
Additions from acquisitions	203 209	–	863	1 267	205 339
Disposals	–	–179	–	–	–179
<b>Cost as at 31.12.2015</b>	<b>369 520</b>	<b>18 104</b>	<b>30 493</b>	<b>53 173</b>	<b>471 290</b>
<b>Cumulative amortisation and impairment as at 01.01.2015</b>	<b>–</b>	<b>8 000</b>	<b>8 403</b>	<b>–</b>	<b>16 403</b>
Amortisation	–	1 643	3 347	32	5 022
Disposals	–	–179	–	–	–179
<b>Cumulative amortisation and impairment as at 31.12.2015</b>	<b>–</b>	<b>9 464</b>	<b>11 750</b>	<b>32</b>	<b>21 246</b>
<b>Total goodwill and intangible assets as at 31.12.2015</b>	<b>369 520</b>	<b>8 640</b>	<b>18 743</b>	<b>53 141</b>	<b>450 044</b>

### 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 before aggregation.

### GOODWILL

in CHF 1000	31.12.2015	31.12.2016
Real Estate segment	87 368	91 174
Retail segment	35 930	35 930
Assisted Living segment	246 222	324 042
<b>Total goodwill</b>	<b>369 520</b>	<b>451 146</b>

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 applied to cash flows of the detailed horizon of the subsequent periods for the cash-generating unit real estate services, while a relevant rate of 1.9% [2.0%] was used for the retail unit and 1.5% [1.5%] for the assisted living unit.
- > A pre-tax discount rate of 7.0% [6.7%] was applied to the cash-generating unit real estate services, while a relevant rate of 6.9% [7.4%] was used for the retail unit and 7.6% [7.0%] for the assisted living unit.

The value in use for the cash-generating unit retail was slightly higher than the relevant book value as at the balance sheet date. The Executive Board determined that an increase in the applied pre-tax discount rate of 6.9% – and/or a reduction in the estimated growth rate of 1.9% and/or failure to achieve the estimated cash flow – could result in the book value exceeding the value in use.

In the opinion of the Executive Board, no realistically expected, possible changes in the designated key assumptions for the other units could lead to a situation in which the book value of the cash-generating unit would exceed the relevant recoverable amount as at the balance sheet date. The impairment tests were carried out in the fourth quarter of 2016.

The increase in goodwill is attributable to the acquisitions of BOAS Senior Care, Résidence les Sources BOAS SA and immoveris.

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## BRAND NAMES

in CHF 1000	31.12.2015	31.12.2016
Real Estate segment	4 395	4 395
Retail segment	22 797	22 797
Assisted Living segment	25 949	24 714
<b>Total brand names</b>	<b>53 141</b>	<b>51 906</b>

The useful life of the brand names acquired in connection with the acquisition of Jelmoli Group (Jelmoli including The House of Brands, cash-generating unit retail), Wincasa AG (cash-generating unit real estate services) and Tertianum AG (cash-generating unit assisted living) were regarded as indefinite. The SENIOcare brand name (cash-generating unit assisted living) is being withdrawn from the market, thus resulting in no further economic benefit. Derecognition of this brand name resulted in a loss of CHF 1.235 million (recorded in «Depreciation, amortisation and impairment»).

Based on the impairment tests, there was no need for any impairment as at end-2016.



## 21 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	31.12.2015	31.12.2016
Renovation and project costs	52 350	43 608
Cost of goods sold	16 426	14 540
Other operating expenses	27 932	42 886
<b>Total accrued expenses and deferred income</b>	<b>96 708</b>	<b>101 034</b>

## 22 FINANCIAL LIABILITIES

in CHF 1 000	31.12.2015	31.12.2016
Mortgage-backed loans	382 000	677 200
Convertible bonds	189 589	–
Other loans	516	936
<b>Total current financial liabilities</b>	<b>572 105</b>	<b>678 136</b>
Mortgage-backed loans	2 737 525	2 353 951
Convertible bonds	–	243 241
Bonds	940 672	1 191 474
Non-current loans	11 291	13 307
<b>Total non-current financial liabilities</b>	<b>3 689 488</b>	<b>3 801 973</b>
Other non-current financial liabilities	6 871	3 536
<b>Total financial liabilities</b>	<b>4 268 464</b>	<b>4 483 645</b>

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 3 801.973 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 and.

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 44.4% [44.0%].

## BONDS

	in	CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 100 m 2024	CHF 250 m 2025
Issuing volume, nominal	CHF m	115.000	200.000	230.000	300.000	100.000	250.000
<b>Book value as at 31.12.2016</b>	<b>CHF m</b>	<b>114.847</b>	<b>199.278</b>	<b>229.493</b>	<b>298.605</b>	<b>99.338</b>	<b>249.913</b>
Book value as at 31.12.2015	CHF m	114.746	199.032	229.359	298.280	99.255	0.000
Interest rate	%	1.125	1.0	2.0	1.75	2.0	0.5
Term to maturity	years	5	5	7	7	10	9
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024	03.11.2025
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)	33 764 553 (SPS 161)
<b>Fair value as at 31.12.2016 (level 1)</b>	<b>CHF m</b>	<b>117.070</b>	<b>204.700</b>	<b>244.950</b>	<b>317.550</b>	<b>110.000</b>	<b>247.125</b>
Fair value as at 31.12.2015 (level 1)	CHF m	118.450	204.900	243.455	315.000	106.050	0.000

The 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 31.12.2016	CHF m	0.000	250.000
<b>Book value as at 31.12.2016</b>	<b>CHF m</b>	<b>0.000</b>	<b>243.241</b>
Book value as at 31.12.2015	CHF m	189.589	0.000
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)
<b>Fair value as at 31.12.2016 (level 1)</b>	<b>CHF m</b>	<b>0.000</b>	<b>248.250</b>
Fair value as at 31.12.2015 (level 1)	CHF m	192.806	0.000

In 2016, conversions took place with a volume amounting to nominal CHF 149.650 million [CHF 203.035 million], resulting 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 an addition to capital reserves of CHF 119.752 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. The remaining amount of the CHF 300 million convertible bond of CHF 26.085 million was redeemed in the previous year 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.

More information regarding financial liabilities can be found in Note 33 «Financial instruments and financial risk management».

**CONVERSION PRICE AND NUMBER OF POSSIBLE SHARES GIVEN 100% CONVERSION**

	31.12.2015 Conversion price in CHF	31.12.2015 Number of possible shares	31.12.2016 Conversion price in CHF	31.12.2016 Number of possible shares
<b>Convertible bonds</b>				
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
<b>Total number of possible shares</b>		<b>2 324 460</b>		<b>2 372 367</b>

**23 DEFERRED TAX LIABILITIES**

in CHF 1 000	31.12.2015	31.12.2016
<b>Deferred tax liabilities as at 01.01.</b>	<b>963 412</b>	<b>1 035 945</b>
Increase through revaluation and depreciation, net, recognised in income statement	83 131	53 747
Increase through revaluation, net, recognised in other comprehensive income	8 764	5 553
Decrease through property disposals	-24 236	-9 197
Provisions and other liabilities	2 362	2 139
Tax rate changes and reductions from duration of ownership deductions	2 512	-15 759
<b>Deferred tax liabilities as at 31.12.</b>	<b>1 035 945</b>	<b>1 072 428</b>

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 as a result of property sales and changes in tax rates.

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 3% higher. Given a reduction of the holding period to ten years, deferred tax liabilities would have been around 5% higher.

Information about the status and changes in revaluations can be found in Note 17 «Investment properties» and Note 18 «Owner-occupied properties and owner-occupied properties under construction». Note 12 «Income taxes» explains the calculation of the deferred taxes.

**24 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, Survivor's 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, two [four] pension schemes in fully insured collective foundations and eight [three] pension schemes in (partially) 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, Survivor's 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 amounted to 1.25% [1.50% to 1.75%]. 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 4.85% to 6.80% [4.88% 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 survivor's 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	31.12.2015	31.12.2016
Discount rate	%	1.0	0.6
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	41.6	42.8
Assumption to longevity of retirees with age of 65	years	21.5	22.3
Weighted average duration of defined benefit obligations	years	15.0	15.6

#### Reconciliation of defined benefit obligations and plan assets

#### DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
<b>Present value of defined benefit obligations as at 01.01.</b>	<b>648 250</b>	<b>749 662</b>
Interest expense on defined benefit obligations	8 021	7 882
Current service cost (employer)	24 072	30 620
Contributions by plan participants	12 579	16 690
Benefits paid	-23 602	-16 221
Past service cost	-5 580	-37 504
Effect of business combinations and disposals <sup>1</sup>	71 289	56 909
Administration cost (excluding cost for managing plan assets)	333	403
Actuarial gain (-)/loss (+) on benefit obligations	14 300	26 557
<b>Total present value of defined benefit obligations as at 31.12.</b>	<b>749 662</b>	<b>834 998</b>

<sup>1</sup> 2016: acquisition of immoveris ag and immoveris properties ag as at 27.05.2016. Acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016

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

The present value of defined benefit obligations for active insured persons amounted to CHF 516.366 million [CHF 445.354 million] and for retirees to CHF 318.632 million [CHF 304.308 million].

#### PLAN ASSETS

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
<b>Fair value of plan assets as at 01.01.</b>	<b>588 481</b>	<b>651 983</b>
Interest income on plan assets	7 223	6 798
Contributions by the employer	17 523	23 681
Contributions by plan participants	12 579	16 690
Benefits paid	-23 602	-16 221
Effect of business combinations and disposals <sup>1</sup>	50 423	38 672
Return on plan assets excluding interest income	-644	19 139
<b>Total fair value of plan assets as at 31.12.</b>	<b>651 983</b>	<b>740 742</b>

<sup>1</sup> 2016: acquisition of immoveris ag and immoveris properties ag as at 27.05.2016. Acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016

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

Swiss Prime Site is expected to contribute CHF 23.818 million [CHF 19.580 million] to the defined benefit plans in the financial year 2017.

## NET DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	31.12.2015	31.12.2016
Present value of defined benefit obligations	749 662	834 998
Fair value of plan assets	-651 983	-740 742
<b>Underfund as at 31.12.</b>	<b>97 679</b>	<b>94 256</b>
Adjustment due to asset ceiling	8 904	2 551
<b>Net defined benefit obligations</b>	<b>106 583</b>	<b>96 807</b>

Net defined benefit obligations of CHF 96.807 million [CHF 106.583 million] were split into CHF 19.992 million [CHF 8.963 million] in assets and CHF 116.799 million [CHF 115.546 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	31.12.2015	31.12.2016
<b>Asset ceiling as at 01.01.</b>	<b>-14 320</b>	<b>-8 904</b>
Interest expense on effect of asset ceiling	-172	-89
Change in effect of asset ceiling excluding interest expense	5 588	6 442
<b>Total asset ceiling as at 31.12.</b>	<b>-8 904</b>	<b>-2 551</b>

## DEFINED BENEFIT COST

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Current service cost (employer)	-24 072	-30 620
Past service cost	5 580	37 504
Interest expense on defined benefit obligations	-8 021	-7 882
Interest income on plan assets	7 223	6 798
Interest expense on effect of asset ceiling	-172	-89
Administration cost (excluding cost for managing plan assets)	-333	-403
<b>Defined benefit cost (-)/income (+)</b>	<b>-19 795</b>	<b>5 308</b>

### Changes to the pension plan

In the reporting year, the SPS and Jelmoli pension fund as well as SPS and Jelmoli welfare foundation enacted a step-by-step decrease of the conversion rates in addition to a reduction of the injured spouse's pension. These changes to the pension plans resulted in negative past service costs.

In the previous year, the conversion rates were reduced in the SPS and Jelmoli pension fund as well as 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 Perla-vita 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.– 31.12.2015	01.01.– 31.12.2016
Actuarial gain (+)/loss(–) on defined benefit obligations	– 14 300	– 26 557
Return on plan assets excluding interest income	– 644	19 139
Change in effect of asset ceiling excluding interest expense	5 588	6 442
<b>Remeasurement of net defined benefit obligations recognised in other comprehensive income</b>	<b>– 9 356</b>	<b>– 976</b>

**ACTUARIAL GAIN/LOSS ON DEFINED BENEFIT OBLIGATIONS**

in CHF 1 000	31.12.2015	31.12.2016
Actuarial gain (+)/loss (–) arising from changes in financial assumptions	– 9 722	– 37 326
Actuarial gain (+)/loss (–) arising from experience adjustments	– 4 578	4 978
Actuarial gain (+)/loss (–) arising from changes in demographic assumptions	–	5 791
<b>Total actuarial gain (+)/loss (–) on defined benefit obligations</b>	<b>– 14 300</b>	<b>– 26 557</b>

**RECONCILIATION OF NET DEFINED BENEFIT OBLIGATIONS**

in CHF 1 000	31.12.2015	31.12.2016
<b>Net defined benefit obligations as at 01.01.</b>	<b>74 089</b>	<b>106 583</b>
Defined benefit cost (+)/income (–) recognised in the consolidated income statement	19 795	– 5 308
Remeasurement of net defined benefit obligations recognised in other comprehensive income (OCI)	9 356	976
Contributions by the employer	– 17 523	– 23 681
Effect of business combinations and disposals <sup>1</sup>	20 866	18 237
<b>Total net defined benefit obligations as at 31.12.</b>	<b>106 583</b>	<b>96 807</b>

<sup>1</sup> 2016: acquisition of immoveris ag and immoveris properties ag as at 27.05.2016. Acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016

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

**PLAN ASSET CLASSES**

Asset classes, in CHF 1 000	31.12.2015	31.12.2016
Cash and cash equivalents with quoted market price	13 830	18 932
Cash and cash equivalents without quoted market price	10 679	10 161
Equity instruments with quoted market price	208 149	234 093
Debt instruments (e.g. bonds) with quoted market price	162 639	173 388
Real estate with quoted market price	129 327	165 320
Real estate without quoted market price	56 884	44 588
Investment funds with quoted market price	299	273
Others with quoted market price	62 181	88 730
Others without quoted market price	7 995	5 257
<b>Total plan assets at fair value</b>	<b>651 983</b>	<b>740 742</b>

**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	31.12.2015	31.12.2016
<b>Value of defined benefit obligations as at 31.12.</b>	<b>749 662</b>	<b>834 998</b>
Defined benefit obligations as at 31.12. with discount rate –0.25%	778 869	868 505
Defined benefit obligations as at 31.12. with discount rate +0.25%	722 425	803 812
Defined benefit obligations as at 31.12. with life expectancy +1 year	775 366	864 077
Defined benefit obligations as at 31.12. with life expectancy –1 year	723 510	805 539
Defined benefit obligations as at 31.12. with pension increase +0.25%	770 409	858 396
Service cost (employer) of next year with discount rate +0.25%	23 102	29 105

## 25 SHAREHOLDERS' EQUITY

### SHARE CAPITAL

	Number of registered shares issued	Nominal value in CHF	Share capital in CHF 1 000
<b>Share capital as at 01.01.2015</b>	<b>60 820 602</b>	<b>15.30</b>	<b>930 555</b>
Conversions from January 2015	2 860 803	15.30	43 770
Capital increase on 29.05.2015	5 970 129	15.30	91 343
<b>Share capital as at 31.12.2015</b>	<b>69 651 534</b>	<b>15.30</b>	<b>1 065 668</b>
Conversions from March to June 2016	1 827 383	15.30	27 959
<b>Share capital as at 31.12.2016</b>	<b>71 478 917</b>	<b>15.30</b>	<b>1 093 627</b>

The 1 336 [2 780] treasury shares held at 31 December 2016 were not entitled to dividends. At the balance sheet date, the dividend-entitled share capital of CHF 1 093.607 million [CHF 1 065.626 million] therefore comprised 71 477 581 [69 648 754] registered shares.

### AUTHORISED CAPITAL

	Number of registered shares	Nominal value in CHF	in CHF 1 000
<b>Authorised capital as at 01.01.2015</b>	<b>6 000 000</b>	<b>15.30</b>	<b>91 800</b>
Capital increase on 29.05.2015	–5 970 129	15.30	–91 343
<b>Authorised capital as at 31.12.2015</b>	<b>29 871</b>	<b>15.30</b>	<b>457</b>
Approval of increase by Annual General Meeting of 12.04.2016 <sup>1</sup>	5 970 129	15.30	91 343
Appropriation of conditional capital due to conversions	–1 827 383	15.30	–27 959
<b>Authorised capital as at 31.12.2016<sup>2</sup></b>	<b>4 172 617</b>	<b>15.30</b>	<b>63 841</b>

<sup>1</sup> according to the resolution by the Annual General Meeting of 12 April 2016, share capital from authorised and conditional capital can be increased by a total maximum of CHF 91.800 million or 6 000 000 registered shares

<sup>2</sup> due to the issue of a convertible bond, 2 372 367 shares (CHF 36.297 million) from conditional capital have been reserved for potential conversions. According to article 3a of the Articles of Association, the amount of appropriable authorised capital is therefore only CHF 27.544 million as at 31 December 2016, corresponding to 1 800 250 shares

The Board of Directors is authorised to increase the share capital to the extent mentioned above at any time until 12 April 2018.



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**CONDITIONAL CAPITAL**

	Number of registered shares	Nominal value in CHF	in CHF 1 000
<b>Conditional capital as at 01.01.2015</b>	<b>7 003 713</b>	<b>15.30</b>	<b>107 157</b>
Conversions from January 2015	- 2 860 803	15.30	- 43 770
<b>Conditional capital as at 31.12.2015</b>	<b>4 142 910</b>	<b>15.30</b>	<b>63 387</b>
Approval of increase by Annual General Meeting of 12.04.2016 <sup>1</sup>	1 857 090	15.30	28 413
Conversions from March to June 2016	- 1 827 383	15.30	- 27 959
<b>Conditional capital as at 31.12.2016<sup>2</sup></b>	<b>4 172 617</b>	<b>15.30</b>	<b>63 841</b>

<sup>1</sup> according to the resolution by the Annual General Meeting of 12 April 2016, share capital from authorised and conditional capital can be increased by a total maximum of CHF 91.800 million respectively 6 000 000 registered shares

<sup>2</sup> of which for options and/or conversion rights CHF 40.738 million respectively 2 662 617 shares [CHF 40.284 million respectively 2 632 910 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]

According to articles 3a and 3b, para. 1, of the Company's overall effective Articles of Association, share capital (authorised and conditional capital) may be increased by a maximum of CHF 63.841 million, taking into account any conversions in the reporting year.

The precise wording regarding conditional capital can be found in the Company's Articles of Association.

In 2016, convertible bonds with a volume amounting to nominal CHF 149.650 million [CHF 203.035 million] were converted to shareholders' equity. Further relevant information can be found in Notes 26 «Key figures per share» and 22 «Financial liabilities».

.....  
**CAPITAL RESERVES**

	in CHF 1 000
<b>Capital reserves as at 01.01.2015</b>	<b>781 123</b>
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
<b>Capital reserves as at 31.12.2015</b>	<b>1 023 578</b>
Distribution from capital contribution reserves on 19.04.2016	- 259 608
Conversions of 29 930 units of the CHF 190.35 million convertible bond into 1 827 383 registered shares	119 752
Issue of 0.25% convertible bond, equity component	4 236
Share-based compensation, 35 444 shares	2 971
Purchase of treasury shares, 34 000 shares	- 2 851
<b>Capital reserves as at 31.12.2016</b>	<b>888 078</b>

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

<b>Revaluation reserves as at 01.01.2015</b>	<b>72 792</b>
Revaluation of owner-occupied properties	38 032
Sale of owner-occupied properties	- 43
Deferred taxes on revaluation of owner-occupied properties	- 8 754
<b>Revaluation reserves as at 31.12.2015</b>	<b>102 027</b>
Revaluation of owner-occupied properties	23 004
Deferred taxes on revaluation of owner-occupied properties	- 5 291
<b>Revaluation reserves as at 31.12.2016</b>	<b>119 740</b>

Revaluation reserves are not available to the Company shareholders.

## RETAINED EARNINGS

in CHF 1 000

<b>Retained earnings as at 01.01.2015</b>	<b>2 415 735</b>
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
<b>Retained earnings as at 31.12.2015</b>	<b>2 764 450</b>
Profit	312 168
Remeasurement of net defined benefit obligations	- 976
Deferred taxes on remeasurement of net defined benefit obligations	225
<b>Retained earnings as at 31.12.2016</b>	<b>3 075 867</b>

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

<b>Non-controlling interests as at 01.01.2015</b>	<b>1 596</b>
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
<b>Non-controlling interests as at 31.12.2015</b>	<b>243</b>
Comprehensive income, attributable to non-controlling interests	- 963
<b>Non-controlling interests as at 31.12.2016</b>	<b>- 720</b>

<b>Shareholders' equity as at 31.12.2016, in CHF 1 000</b>	<b>5 176 592</b>
Shareholders' equity as at 31.12.2015, in CHF 1 000	4 955 966

### Distributions

The Annual General Meeting of 12 April 2016 [14 April 2015] passed the following resolution:  
a distribution from capital contribution reserves of CHF 3.70 [CHF 3.70] per share.

The share capital on which the distribution was based consisted of 70 164 320 [63 678 684] shares. The distribution from capital contribution reserves amounting to CHF 259.608 million [CHF 235.611 million] was carried out on 19 April 2016 [21 April 2015].

## 26 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.– 31.12.2015	01.01.– 31.12.2016
Shares issued as at 01.01.	60 820 602	69 651 534
Weighted number of shares issued on conversions	2 814 537	1 131 794
Weighted number of shares on capital increase on 29.05.2015	3 499 159	–
Average number of treasury shares (360 days)	–6 506	–2 098
<b>Total weighted average number of shares 01.01.–31.12. (360 days)</b>	<b>67 127 792</b>	<b>70 781 230</b>
Weighted number of shares issued on conversions	–2 814 537	–1 131 794
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
<b>Basis for calculation of diluted earnings per share</b>	<b>69 498 518</b>	<b>73 849 186</b>

### BASIS FOR CALCULATION OF DILUTED EARNINGS PER SHARE

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Profit attributable to shareholders of Swiss Prime Site AG	355 905	312 168
Interests on convertible bonds, amortisation of proportional costs and tax effects	4 370	86
<b>Relevant profit for calculation of diluted earnings per share</b>	<b>360 275</b>	<b>312 254</b>

### EARNINGS AND NET ASSET VALUE (NAV) PER SHARE

in CHF	01.01.– 31.12.2015	01.01.– 31.12.2016
Earnings per share (EPS)	5.30	4.41
Diluted earnings per share	5.18	4.23
Shareholders' equity per share (NAV) before deferred taxes <sup>1</sup>	85.83	87.24
Shareholders' equity per share (NAV) after deferred taxes <sup>1</sup>	71.15	72.43

<sup>1</sup> non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV

## 27 FUTURE OBLIGATIONS AND CONTINGENT LIABILITIES

in CHF 1 000	31.12.2015	31.12.2016
2016	41 570	–
2017	16 592	131 333
2018	–	99 983
2019	–	55 932
<b>Total future obligations based on total contractor agreements</b>	<b>58 162</b>	<b>287 248</b>

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	31.12.2016 Outstanding payments in CHF 1 000
Basel, Freie Strasse 68/Motel One	2017	3 835	350
Berne, Viktoriastrasse 21, 21a, 21b/Schönburg	2019	–	100 833
Geneva Airport, Route de Pré-Bois	2018	–	7 696
Meyrin, Chemin de Riantbosson/Avenue de Mategnin	2018	–	23 327
Plans-les-Ouates, Chemin des Aulx	2019	–	133 800
Zurich, Brandschenkestrasse 25/Motel One	2017	43 517	13 792
Zurich, Etzelstrasse 14	2017	10 810	7 450
<b>Total outstanding payments/future obligations</b>		<b>58 162</b>	<b>287 248</b>

### 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	31.12.2015	31.12.2016
Lease expenses up to 1 year	53 262	71 926
Lease expenses from 1 year up to 5 years	235 117	297 658
Lease expenses over 5 years	769 652	871 487
<b>Total future lease expenses</b>	<b>1 058 031</b>	<b>1 241 071</b>

In the reporting period, CHF 67.599 million [CHF 41.698 million] in real estate costs including land lease expenses as well as CHF 0.773 million [CHF 0.835 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 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 group companies 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.

The Swiss Parliament revised on 30 September 2016 the provisions in the Federal Law on withholding tax regarding the reporting procedures. The new provisions were subsequently enacted into effect by the Swiss Federal Council as at 15 February 2017. The new provisions are also applicable to issues that materialised prior to the revisions of 30 September 2016 going into effect, unless the interest on arrears claim elapsed or had already been determined prior to 1 January 2011. Based on the new legal provisions, any obligation on the part of Swiss Prime Site for payment of interest on arrears and the relevant contingent liability no longer exist. There were no contingent liabilities as at the balance sheet date, neither securities nor guarantees.

## 28 PLEDGED ASSETS

in CHF 1 000	31.12.2015	31.12.2016
Fair value of affected investment properties	7 907 295	7 817 048
Fair value of affected owner-occupied properties	702 728	768 673
Nominal value of pledged mortgage notes	4 718 030	4 566 686
Current claim (nominal)	3 118 850	3 031 000

## 29 TRANSACTIONS WITH RELATED PARTIES

The Board of Directors, Executive Board, group companies, pension fund foundations of the group, associated companies and their subsidiaries, Swiss Prime Investment Foundation as well as any other group-related foundations, are all regarded as related parties.

### 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 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 and the Executive Board was determined using the closing price as at the end of the previous year of CHF 78.50 [CHF 73.00], less 10% discount to CHF 70.65 [CHF 65.70]. 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	01.01.– 31.12.2015	01.01.– 31.12.2016
Fixed compensation in cash, gross	4 459	4 199
Variable compensation in cash, gross	1 214	1 082
Share-based variable compensation <sup>1</sup>	1 385	1 409
Other compensation components	172	59
pension fund contributions	473	591
Other social security contributions	503	474
<b>Total compensation to the Board of Directors and Executive Board</b>	<b>8 206</b>	<b>7 814</b>
Expense allowance	120	157

<sup>1</sup> the shares are subject to blocking for four years (Board of Directors) respectively three years (Executive Board)

#### 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 Jel-moli welfare foundation of CHF 0.430 million [CHF 1.033 million]. The foundation Fondation Espace was granted an interest-bearing loan of CHF 1.490 million. CHF 0.915 million was allocated for the provision of real estate services as well as other services for related pension fund foundations.

Income from Real Estate Investment Management with the Swiss Prime Investment Foundation (which was founded in 2015) amounted to CHF 13.199 million [CHF 7.942 million]. Income from other real estate services amounted to CHF 1.417 million in the reporting year. The Swiss Prime Investment Foundation booked rent costs amounting to CHF 2.823 million for properties utilised by Swiss Prime Site Group.

Swiss Prime Site Group sold a real estate package to the Swiss Prime Investment Foundation in the previous 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.

In the previous reporting period 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.

### 30 GROUP COMPANIES AND ASSOCIATES

Swiss Prime Site AG holds the following investments in group companies and associates:

#### FULLY CONSOLIDATED INVESTMENTS IN GROUP COMPANIES (DIRECT OR INDIRECT)

Field of activity	31.12.2015		31.12.2016		
	Capital in CHF 1 000	Shareholding in %	Capital in CHF 1 000	Shareholding in %	
Clos Bercher SA, Bercher <sup>5</sup>	Assisted living	–	–	100	100.0
Ensemble artisanal et commercial de Riantbosson S.A., Olten <sup>1</sup>	Real estate	1 000	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz <sup>5</sup>	Assisted living	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux <sup>5</sup>	Assisted living	–	–	100	100.0
immoveris ag, Berne <sup>2</sup>	Real estate services	–	–	200	100.0
Jelmoli AG, Zurich	Retail	6 600	100.0	6 600	100.0
La Fontaine SA, Court <sup>5</sup>	Assisted living	–	–	100	100.0
La Résidence des Marronniers SA, Martigny <sup>5</sup>	Assisted living	–	–	100	100.0
Le Manoir AG, Gampelen <sup>5</sup>	Assisted living	–	–	100	100.0
Leora S.à.r.l., Villeneuve <sup>5</sup>	Assisted living	–	–	140	100.0
Les Tourelles S.à.r.l., Martigny <sup>5</sup>	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 <sup>5</sup>	Assisted living	–	–	150	100.0
Résidence Bel-Horizon Sàrl, Ecublens <sup>5</sup>	Assisted living	–	–	20	100.0
Résidence de la Jardinerie SA, Delémont <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence du Bourg SA, Aigle <sup>5</sup>	Assisted living	–	–	50	100.0
Résidence Joli Automne SA, Ecublens <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence le Pacific SA, Etoy <sup>5</sup>	Assisted living	–	–	150	100.0
Résidence l'Eaudine SA, Montreux <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence les Sources Saxon SA, Saxon <sup>7</sup>	Assisted living	–	–	100	100.0
SENIOfcare AG, Wattwil <sup>9</sup>	Assisted living	2 400	100.0	2 400	100.0
SPS Beteiligungen Alpha AG, Olten <sup>8</sup>	Investments	650 000	100.0	450 000	100.0
SPS Beteiligungen Beta AG, Olten <sup>8</sup>	Investments	450 000	100.0	n/a	n/a
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 Gruppe AG, Zurich <sup>9</sup>	Investments	–	–	50 000	100.0
Tertianum Management AG, Zurich <sup>4</sup>	Services	–	–	500	100.0
Tertianum Romandie Management SA, Crissier <sup>5</sup>	Services	–	–	100	100.0
Vitadomo AG, Zurich	Assisted living	100	100.0	100	100.0
WGDM Papillon AG, Winterthur <sup>6</sup>	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 <sup>3</sup>	Assisted living	1 000	51.0	1 000	51.0

<sup>1</sup> increase in shareholding interest to 100% as at 17.12.2015; merged with SPS Immobilien AG as at 01.01.2016

<sup>2</sup> acquisition as at 27.05.2016

<sup>3</sup> acquisition as at 01.10.2015

<sup>4</sup> founded as at 18.03.2016

<sup>5</sup> acquisition as at 29.02.2016

<sup>6</sup> acquisition as at 01.07.2015, merged with Perlavita AG as at 01.01.2016

<sup>7</sup> acquisition as at 01.07.2016

<sup>8</sup> SPS Beteiligungen Alpha AG merged with SPS Beteiligungen Beta AG as at 01.07.2016, rebranded in SPS Beteiligungen Alpha AG

<sup>9</sup> founded as at 20.12.2016

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## INVESTMENTS IN ASSOCIATES VALUED ACCORDING TO THE EQUITY METHOD

		31.12.2015	Shareholding	31.12.2016	Shareholding
	Field of activity	Capital in CHF 1 000	in %	Capital in CHF 1 000	in %
Parkgest Holding SA, Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

## 31 MAJOR SHAREHOLDERS

	31.12.2015	31.12.2016
Major shareholders (shareholding interest > 3%)	Shareholding interest in %	Shareholding interest in %
BlackRock Inc., New York	>3.0	>3.0
State Street Corporation, Boston	4.0	3.7
Credit Suisse Funds AG, Zurich	3.5	3.2

## 32 RISK MANAGEMENT

### Principles

Swiss Prime Site places significant emphasis on its approach toward opportunities as well as risks and 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 33)
- > 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.

**33 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

in CHF 1000	Fair value level 1	Fair value level 2	Fair value level 3	Total levels	31.12.2016 Book value
<b>Total sight deposits</b>					<b>157 632</b>
Accounts receivable					93 946
Other receivables					9 328
Non-current financial investments		1 798	133	1 931	2 750
<b>Total receivables and non-current financial investments</b>					<b>106 024</b>
<b>Total financial assets, not recognised at fair value</b>					<b>263 656</b>
Securities	479			479	479
<b>Total financial assets held for trading</b>					<b>479</b>
<b>Total financial assets at fair value</b>					<b>479</b>
Accounts payable					15 088
Current financial liabilities					678 136
Other current liabilities					84 119
Other non-current financial liabilities					13 307
Mortgage-backed loans			2 462 410	2 462 410	2 353 951
Convertible bonds	248 250			248 250	243 241
Bonds	1 241 395			1 241 395	1 191 474
<b>Total financial liabilities at amortised cost</b>					<b>4 579 316</b>
<b>Total financial liabilities, not recognised at fair value</b>					<b>4 579 316</b>
Derivatives with negative fair value		3 536		3 536	3 536
<b>Total financial liabilities held for trading</b>					<b>3 536</b>
<b>Total financial liabilities at fair value</b>					<b>3 536</b>

in CHF 1000	Fair value level 1	Fair value level 2	Fair value level 3	Total levels	31.12.2015 Book value
<b>Total sight deposits</b>					<b>232 485</b>
Accounts receivable					80 432
Current accounts receivable					574
Other receivables					26 564
Non-current financial investments		254	134	388	1 261
<b>Total receivables and non-current financial investments</b>					<b>108 831</b>
<b>Total financial assets, not recognised at fair value</b>					<b>341 316</b>
Securities	482			482	482
<b>Total financial assets held for trading</b>					<b>482</b>
<b>Total financial assets at fair value</b>					<b>482</b>
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
<b>Total financial liabilities at amortised cost</b>					<b>4 402 072</b>
<b>Total financial liabilities, not recognised at fair value</b>					<b>4 402 072</b>
Derivatives with negative fair value		6 871		6 871	6 871
<b>Total financial liabilities held for trading</b>					<b>6 871</b>
<b>Total financial liabilities at fair value</b>					<b>6 871</b>

No fair value information is 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 include two [two] fixed-rate loans amounting to CHF 0.385 million [CHF 0.385 million] with a residual term of up to seven [eight] years and an interest rate of 0% to 6%, as well as one variable-rate loan amounting to CHF 1.490 million [CHF 0 million].

The following table shows the valuation techniques used to determine the fair values 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 aimed at a balanced maturity profile of the financial liabilities

**SELECTED GROUP KEY FIGURES**

in %	31.12.2015	31.12.2016
Loan-to-value ratio for the property portfolio (LTV) <sup>1</sup>	44.0	44.4
Non-current financial liabilities relative to property portfolio <sup>1</sup>	38.1	37.7
Current financial liabilities relative to overall financial liabilities	13.4	15.1
Current assets relative to current liabilities	45.9	36.3
Equity ratio	46.4	46.6
Borrowed capital ratio	53.6	53.4
Return on equity (ROE)	7.6	6.1
Return on invested capital (ROIC)	4.3	3.7

<sup>1</sup> 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, unsecured 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 1000	31.12.2016 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	15 088	15 088	–	15 088	–	–	–	–	–	–	–	–
Current financial liabilities	678 136	685 291	5 114	347 665	2 041	330 471	–	–	–	–	–	–
Other current liabilities	84 119	84 119	–	84 119	–	–	–	–	–	–	–	–
Non-current financial liabilities	3 801 973	4 116 886	32 708	–	32 465	–	63 378	280 422	124 893	2 130 017	51 335	1 401 668
<b>Total non-derivative financial liabilities</b>	<b>4 579 316</b>	<b>4 901 384</b>	<b>37 822</b>	<b>446 872</b>	<b>34 506</b>	<b>330 471</b>	<b>63 378</b>	<b>280 422</b>	<b>124 893</b>	<b>2 130 017</b>	<b>51 335</b>	<b>1 401 668</b>
Derivatives with negative fair value	3 536	3 309	–	522	–	490	–	730	–	1 567	–	–
<b>Total derivative financial liabilities</b>	<b>3 536</b>	<b>3 309</b>	<b>–</b>	<b>522</b>	<b>–</b>	<b>490</b>	<b>–</b>	<b>730</b>	<b>–</b>	<b>1 567</b>	<b>–</b>	<b>–</b>
<b>Total financial liabilities</b>	<b>4 582 852</b>	<b>4 904 693</b>	<b>37 822</b>	<b>447 394</b>	<b>34 506</b>	<b>330 961</b>	<b>63 378</b>	<b>281 152</b>	<b>124 893</b>	<b>2 131 584</b>	<b>51 335</b>	<b>1 401 668</b>

in CHF 1000	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
<b>Total non-derivative financial liabilities</b>	<b>4 402 071</b>	<b>4 773 088</b>	<b>43 853</b>	<b>480 007</b>	<b>39 563</b>	<b>233 337</b>	<b>69 035</b>	<b>513 777</b>	<b>153 495</b>	<b>1 504 433</b>	<b>60 656</b>	<b>1 674 932</b>
Derivatives with negative fair value	6 871	6 871	–	1 812	–	1 832	–	934	–	2 071	–	222
<b>Total derivative financial liabilities</b>	<b>6 871</b>	<b>6 871</b>	<b>–</b>	<b>1 812</b>	<b>–</b>	<b>1 832</b>	<b>–</b>	<b>934</b>	<b>–</b>	<b>2 071</b>	<b>–</b>	<b>222</b>
<b>Total financial liabilities</b>	<b>4 408 942</b>	<b>4 779 959</b>	<b>43 853</b>	<b>481 819</b>	<b>39 563</b>	<b>235 169</b>	<b>69 035</b>	<b>514 711</b>	<b>153 495</b>	<b>1 506 504</b>	<b>60 656</b>	<b>1 675 154</b>

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.5 [4.4] 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 1000	31.12.2015	31.12.2016
Sight deposits	232 485	157 632
Securities	482	479
Accounts receivable	80 432	93 946
Current accounts receivable	574	–
Other receivables	26 564	9 328
Non-current financial investments	1 261	2 750
<b>Maximum credit risk</b>	<b>341 798</b>	<b>264 135</b>

**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	31.12.2015	31.12.2016
<b>Fixed interest-bearing financial instruments</b>		
Financial assets	1 261	1 260
Financial liabilities	4 266 164	4 490 243
<b>Surplus of fixed interest-bearing financial liabilities</b>	<b>4 264 903</b>	<b>4 488 983</b>
<b>Variable interest-bearing financial instruments</b>		
Financial assets	232 485	159 122
<b>Surplus of variable interest-bearing financial assets</b>	<b>232 485</b>	<b>159 122</b>

Interest risks are 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 22 «Financial liabilities».

## CURRENT AND NON-CURRENT FINANCIAL LIABILITIES CATEGORISED BY INTEREST RATE

in CHF 1 000	31.12.2015 Total nominal value	31.12.2016 Total nominal value
Financial liabilities up to 1.00%	91 800	875 800
Financial liabilities up to 1.50%	695 850	666 000
Financial liabilities up to 2.00%	1 106 950	876 600
Financial liabilities up to 2.50%	1 249 400	1 194 400
Financial liabilities up to 3.00%	729 630	673 092
Financial liabilities up to 3.50%	100 000	–
Financial liabilities up to 4.00%	257 200	192 282
Financial liabilities up to 4.50%	34 000	10 813
Financial liabilities up to 5.00%	1 334	1 256
<b>Total financial liabilities</b>	<b>4 266 164</b>	<b>4 490 243</b>

The weighted average interest rate for all interest-bearing financial liabilities amounted to 1.8% [2.1%]. The loans were 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 affect 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%.

in CHF 1 000	2015	2016
Change of interest result with increase of interest rate by 0.50%	752	287
Change of interest result with decrease of interest rate by 0.50%	-752	-287

#### 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. No hedge accounting in the context of IAS 39 «Financial instruments: recognition and measurement» is 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 stock exchange price as at the balance sheet date.

#### 34 EVENTS AFTER THE BALANCE SHEET DATE

The consolidated financial statements were approved for publication by the Board of Directors on 24 February 2017 and are subject to the approval of the Annual General Meeting of Swiss Prime Site AG of 11 April 2017.

There were no other events occurring between 31 December 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 31 December 2016, or which would need to be disclosed at this point.



# Statutory Auditor's Report

To the General Meeting of Swiss Prime Site AG, Olten

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Swiss Prime Site AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 16 to 83) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended 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 and Swiss law.

### Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Key Audit Matters



**Valuation of the real estate portfolio**



**Completeness and accuracy of deferred tax liabilities**



**Goodwill impairment testing**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





**Valuation of the real estate portfolio**

**Key Audit Matter**

Investment, development and commercial properties form a substantial part of the balance sheet and showed the following fair values as at 31 December 2016 (in TCHF):

- Investment properties and building land	8,829,748
- Properties under construction and development sites	289,631
- Owner-occupied properties	942,021
- Owner-occupied properties under construction	17,700

The Group's total real estate portfolio is valued at fair value as at the balance sheet date.

The valuation is based on the external valuation expert's report. The fair value estimates performed every six months using the discounted cash flow model are significantly influenced by assumptions and estimates made by the Executive Board and the external valuation expert with regard to the expected future cash flows and the discount rate used for each property depending on its individual rewards and risks.

**Our response**

In the course of our audit, we assessed the external valuation expert's competence and independence. We met with the external valuation expert regarding the valuation of the real estate portfolio, and discussed the valuation methodology and selected input factors applied in the valuation. We used our own real estate valuation specialists to support our audit procedures.

For a sample identified based on quantitative and qualitative factors, we performed, amongst others, the following audit procedures:

- evaluating the methodical accuracy of the model used to determine the fair value;
- challenging the most important input factors applied in the valuation (such as discount rate, market rents, vacancy rates, overhead / maintenance and renovation expenses) by comparing them with past figures, benchmarks, publicly available data and our own market assessments.

We also considered the appropriateness of disclosures in the consolidated financial statements regarding the sensitivity of the real estate portfolio's fair value to changes in discount rates.

For further information on the valuation of the real estate portfolio refer to the following:

- Note 2 "Summary of significant accounting principles"
- Note 17 "Investment properties"
- Note 18 "Owner-occupied properties and owner-occupied properties under construction"



## Completeness and accuracy of deferred tax liabilities

### Key Audit Matter

As at 31 December 2016, deferred tax liabilities amounted to TCHF 1,072,428.

Deferred taxes arise due to temporary differences between the values in the tax accounts and the consolidated balance sheet. The calculation of deferred taxes takes into account the expected point in time when, and the manner in which, the assets and liabilities are expected to be realized or settled. The applied tax rates correspond to those that are enacted or substantively enacted at the respective locations at the balance sheet date. Deferred taxes primarily result from valuation differences between the fair values of investment, development and commercial properties and their values for tax purposes.

In the calculation of the deferred tax liabilities, assumptions and estimates must be made with regards to the fiscally relevant investment costs and the fair values of the properties as well as the tax rates applicable at the time the tax differences are realized. If properties are held for long periods, the fiscally relevant investment costs may be determined using an alternative measure instead of the actual investment costs, depending on the respective cantonal rules (e.g. fair value 20 years ago for Zurich properties). Moreover, in cantons with a separate property gains tax (one-tier system), the residual holding period of the properties has to be estimated, whereby SPS assumes a minimum ownership period of 20 years for properties not held for sale.

For further information on the calculation of deferred tax liabilities refer to the following:

- Note 2 “Summary of significant accounting principles”
- Note 23 “Deferred tax liabilities”

### Our response

In the course of our audit, we critically assessed the calculation of deferred taxes on investment, development and commercial properties with the support of our tax specialists.

Based on the overall portfolio, we performed, amongst others, the following audit procedures:

- evaluating the calculation method used to determine deferred tax liabilities;
- critically assessing the assumed tax rates applicable to each canton at the time the tax differences are realized.

For a sample identified based on quantitative and qualitative factors, we performed, amongst others, the following audit procedures:

- reconciling the fair value with the valuation documentation and the fiscally relevant investment costs with the fixed asset accounting or the client’s detailed records;
- testing the mathematical accuracy of the deferred tax calculation.



**Goodwill impairment testing**

**Key Audit Matter**

As at 31 December 2016, goodwill amounting to TCHF 451,146 was allocated to the three cash generating units (CGUs) “real estate services”, “retail” and “assisted living”.

The impairment tests performed at least once a year are significantly influenced by the Executive Board’s assumptions and estimates with regards to the expected future cash flows (business plans), the applied discount rates and the projected growth rates.

**Our response**

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment tests, the appropriateness of the assumptions, and the methodology used by the Executive Board to prepare the cash flow forecasts. We used our own valuation specialists to support our procedures.

For the three CGUs we performed, amongst others, the following audit procedures:

- assessing the reasonableness of the forecasts by back-testing historical forecasts to actual results;
- comparing business plan data with the latest forecasts by the Executive Board and the Board approved business plans;
- challenging the robustness of the key assumptions used to determine the recoverable amount, including the identification of the CGUs, the cash flow forecasts, the discount rates and the projected growth rates by comparing them with publicly available data and using our understanding of the commercial prospects of the corresponding CGUs;
- conducting sensitivity analysis, taking into account the historical forecasting accuracy of the Group;
- recalculating the difference between the carrying amount and the recoverable amount to assess the headroom.

We also considered the appropriateness of disclosures in the consolidated financial statements in relation to sensitivities regarding the calculation of the recoverability of goodwill.

For further information on goodwill refer to the following:

- Note 2 “Summary of significant accounting principles”
- Note 20 “Goodwill and intangible assets”



### **Other Information in the Annual Report**

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibility of the Board of Directors for the Consolidated Financial Statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS, Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our



conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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, 24 February 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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**FINANCIAL  
STATEMENTS  
OF SWISS  
PRIME SITE AG**

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## INCOME STATEMENT

in CHF 1000	Notes	01.01.– 31.12.2015	01.01.– 31.12.2016
Dividend income	2.1	173 000	23 200
Other financial income	2.2	72 778	64 511
Other operating income		2	7
<b>Total operating income</b>		<b>245 780</b>	<b>87 718</b>
Financial expenses	2.3	–97 751	–81 341
Personnel costs		–1 725	–1 749
Other operating expenses	2.4	–6 131	–4 560
<b>Total operating expenses</b>		<b>–105 607</b>	<b>–87 650</b>
<b>Result before taxes</b>		<b>140 173</b>	<b>68</b>
Direct taxes		–	–
<b>Profit</b>	<b>4</b>	<b>140 173</b>	<b>68</b>



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**BALANCE SHEET**

in CHF 1000	Notes	31.12.2015	31.12.2016
<b>Assets</b>			
Cash		24 856	1 842
Securities with market price		213	216
Other current receivables	2.5	173 291	23 316
Accrued income and prepaid expenses		1 616	1 648
<b>Total current assets</b>		<b>199 976</b>	<b>27 022</b>
Financial investments	2.6	2 496 075	2 955 691
Investments in subsidiaries	2.7	4 029 072	4 029 071
Accrued income and prepaid expenses		3 439	5 039
<b>Total non-current assets</b>		<b>6 528 586</b>	<b>6 989 801</b>
<b>Total assets</b>		<b>6 728 562</b>	<b>7 016 823</b>
<b>Liabilities and shareholders' equity</b>			
Current interest-bearing liabilities	2.8	522 350	677 200
Other current liabilities	2.9	7 846	6 217
Accrued expenses and deferred income		448	434
<b>Total current liabilities</b>		<b>530 644</b>	<b>683 851</b>
Non-current interest-bearing liabilities	2.10	3 473 350	3 722 800
Other non-current liabilities		6 399	3 338
<b>Total non-current liabilities</b>		<b>3 479 749</b>	<b>3 726 138</b>
<b>Total liabilities</b>		<b>4 010 393</b>	<b>4 409 989</b>
Share capital		1 065 668	1 093 627
Statutory reserves			
Statutory reserves from capital contributions		1 009 132	869 673
Legal retained earnings			
Reserves for treasury shares		3	–
Other legal retained earnings		147 375	147 378
Voluntary retained earnings			
Balance sheet profit	4	335 171	335 239
Other voluntary retained earnings		161 025	161 025
Treasury shares	2.11	–205	–108
<b>Total shareholders' equity</b>		<b>2 718 169</b>	<b>2 606 834</b>
<b>Total liabilities and shareholders' equity</b>		<b>6 728 562</b>	<b>7 016 823</b>

## **1 ACCOUNTING PRINCIPLES AND VALUATION**

### **1.1 General**

The financial statements of Swiss Prime Site AG, Frohburgstrasse 1, Olten, were prepared in accordance with the provisions of Swiss Accounting Law (Section 32 of the Swiss Code of Obligations (CO)). The significant valuation principles applied, but not stipulated by law, are described in the following section.

### **1.2 Securities**

Securities held on a short-term basis are valued at stock-exchange prices at 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. Discounts on bonds and convertible bonds as well as issuing costs are recorded in accrued income and prepaid expenses and amortised over the term to maturity of the bond or convertible bond.

### **1.4 Treasury shares**

Treasury shares are recognised at cost as a minus position in shareholders' equity at the time of acquisition. Given future re-divestment of the shares, the profit or loss is recognised in the income statement and recorded as financial income or expense, respectively.

### **1.5 Share-based compensation**

If treasury shares are used for share-based compensation to the Board of Directors and employees, the value of the allocated shares is recognised as personnel costs. Any difference versus book value is posted to the financial result.

### **1.6 Dispensation of cash flow statement and additional information in the Notes**

Since 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 to interest-bearing liabilities and audit fees as well as the presentation of a cash flow statement, in accordance with the relevant legal requirements.

## **2 INFORMATION RELATING TO BALANCE SHEET AND INCOME STATEMENT POSITIONS**

### **2.1 Dividend income**

Dividend income includes the dividends of SPS Beteiligungen Alpha AG of CHF 23.200 million [CHF 173.000 million] for the financial year 2016. The dividends were recorded 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 concluded.

## 2.2 Other financial income

in CHF 1000	01.01.– 31.12.2015	01.01.– 31.12.2016
Interests on loans from group companies	70 059	61 393
Valuation of financial instruments	2 696	3 059
Other financial income	23	59
<b>Total</b>	<b>72 778</b>	<b>64 511</b>

## 2.3 Financial expenses

in CHF 1000	01.01.– 31.12.2015	01.01.– 31.12.2016
Interests on loans	–76 927	–64 948
Interest expenses on bonds and convertible bonds	–18 621	–14 550
Amortisation of cost of bonds and convertible bonds	–1 697	–1 431
Other financial expenses	–506	–412
<b>Total</b>	<b>–97 751</b>	<b>–81 341</b>

## 2.4 Other operating expenses

in CHF 1000	01.01.– 31.12.2015	01.01.– 31.12.2016
Administration costs	–3 833	–2 750
Capital taxes	–250	–223
Other operating expenses	–2 048	–1 587
<b>Total</b>	<b>–6 131</b>	<b>–4 560</b>

## 2.5 Other current receivables

in CHF 1000	31.12.2015	31.12.2016
Other current receivables from third parties	273	94
Other current receivables from group companies	173 018	23 222
<b>Total</b>	<b>173 291</b>	<b>23 316</b>

## 2.6 Financial investments

in CHF 1000	31.12.2015	31.12.2016
Loans to group companies	2 496 075	2 955 691
<b>Total</b>	<b>2 496 075</b>	<b>2 955 691</b>

## 2.7 Investments

### DIRECT INVESTMENTS

	31.12.2015 Capital in CHF 1 000	31.12.2015 Shareholding interest in %	31.12.2016 Capital in CHF 1 000	31.12.2016 Shareholding interest in %
SPS Beteiligungen Alpha AG, Olten <sup>1</sup>	650 000	100.0	450 000	100.0

<sup>1</sup> merged with SPS Beteiligungen Beta AG as at 01.07.2016, rebranded in SPS Beteiligungen Alpha AG

## INDIRECT INVESTMENTS

	31.12.2015 Capital in CHF 1 000	31.12.2015 Shareholding interest in %	31.12.2016 Capital in CHF 1 000	31.12.2016 Shareholding interest in %
Clos Bercher SA, Bercher <sup>5</sup>	–	–	100	100.0
Ensemble artisanal et commercial de Riantbosson S.A., Olten <sup>1</sup>	1 000	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz <sup>5</sup>	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux <sup>5</sup>	–	–	100	100.0
immoveris ag, Berne <sup>2</sup>	–	–	200	100.0
Jelmoli AG, Zurich	6 600	100.0	6 600	100.0
La Fontaine SA, Court <sup>5</sup>	–	–	100	100.0
La Résidence des Marronniers SA, Martigny <sup>5</sup>	–	–	100	100.0
Le Manoir AG, Gampelen <sup>5</sup>	–	–	100	100.0
Leora S.à.r.l., Villeneuve <sup>5</sup>	–	–	140	100.0
Les Tourelles S.à.r.l., Martigny <sup>5</sup>	–	–	20	100.0
Parkgest Holding SA, 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
Quality Inside SA, Crissier <sup>5</sup>	–	–	150	100.0
Résidence Bel-Horizon Sàrl, Ecublens <sup>5</sup>	–	–	20	100.0
Résidence de la Jardinerie SA, Delémont <sup>5</sup>	–	–	100	100.0
Résidence du Bourg SA, Aigle <sup>5</sup>	–	–	50	100.0
Résidence Joli Automne SA, Ecublens <sup>5</sup>	–	–	100	100.0
Résidence le Pacific SA, Etoy <sup>5</sup>	–	–	150	100.0
Résidence l'Eaudine SA, Montreux <sup>5</sup>	–	–	100	100.0
Résidence les Sources Saxon SA, Saxon <sup>7</sup>	–	–	100	100.0
SENIOcare AG, Wattwil <sup>3</sup>	2 400	100.0	2 400	100.0
SPS Beteiligungen Beta AG, Olten <sup>4</sup>	450 000	100.0	n/a	n/a
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
Tertianum Gruppe AG, Zurich <sup>9</sup>	–	–	50 000	100.0
Tertianum Management AG, Zurich <sup>4</sup>	–	–	500	100.0
Tertianum Romandie Management SA, Crissier <sup>5</sup>	–	–	100	100.0
Vitadomo AG, Zurich	100	100.0	100	100.0
WGDM Papillon AG, Winterthur <sup>6</sup>	100	100.0	n/a	n/a
Wincasa AG, Winterthur	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden <sup>3</sup>	1 000	51.0	1 000	51.0

<sup>1</sup> increase in shareholding interest to 100% as at 17.12.2015; merged with SPS Immobilien AG as at 01.01.2016

<sup>2</sup> acquisition as at 27.05.2016

<sup>3</sup> acquisition as at 01.10.2015

<sup>4</sup> founded as at 18.03.2016

<sup>5</sup> acquisition as at 29.02.2016

<sup>6</sup> acquisition as at 01.07.2015, merged with Perlavita AG as at 01.01.2016

<sup>7</sup> acquisition as at 01.07.2016

<sup>8</sup> SPS Beteiligungen Alpha AG merged with SPS Beteiligungen Beta AG as at 01.07.2016, rebranded in SPS Beteiligungen Alpha AG

<sup>9</sup> founded as at 20.12.2016

## 2.8 Current interest-bearing liabilities

in CHF 1000	31.12.2015	31.12.2016
Convertible bonds	190 350	–
Other current interest-bearing liabilities	332 000	677 200
<b>Total</b>	<b>522 350</b>	<b>677 200</b>

## 2.9 Other current liabilities

in CHF 1000	31.12.2015	31.12.2016
Other current liabilities to group companies	221	–
Other current liabilities to shareholders	134	153
Other current liabilities to third parties	7 491	6 064
<b>Total</b>	<b>7 846</b>	<b>6 217</b>

## 2.10 Non-current interest-bearing liabilities

in CHF 1000	31.12.2015	31.12.2016
Convertible bonds	–	250 000
Bonds	945 000	1 195 000
Other non-current interest-bearing liabilities	2 528 350	2 277 800
<b>Total</b>	<b>3 473 350</b>	<b>3 722 800</b>

### Maturity structure of non-current interest-bearing liabilities

in CHF 1000	31.12.2015	31.12.2016
Up to five years	1 831 850	2 330 800
Over five years	1 641 500	1 392 000
<b>Total</b>	<b>3 473 350</b>	<b>3 722 800</b>

Further information regarding bonds and convertible bonds can be found in Notes 3.2 «Convertible bonds» and 3.3 «Bonds».

## 2.11 Treasury shares

As at the balance sheet date, Swiss Prime Site AG held 1336 [2741] treasury shares. Swiss Prime Site Group AG additionally held 0 [39] 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	2015 Number of treasury shares	Volume-weighted average share price in CHF	2016 Number of treasury shares
Holdings of treasury shares on 01.01.	–	2 682	–	2 741
Purchases at the volume-weighted average share price	74.95	9 600	81.05	9 000
Share-based compensation	74.95	–9 541	81.23	–9 889
Sales at the volume-weighted average share price <sup>1</sup>	–	–	84.61	–516
Holdings of treasury shares on 31.12.	–	2 741	–	1 336

<sup>1</sup> sales to group companies for share-based compensation

### 3 ADDITIONAL INFORMATION

#### 3.1 Full-time employees

Swiss Prime Site AG has no employees.

#### 3.2 Convertible bonds

	in	CHF 190.35 m 2016	CHF 250 m 2023
Issuing volume, nominal	CHF m	190.350	250.000
<b>Book value as at 31.12.2016</b>	<b>CHF m</b>	<b>0.000</b>	<b>250.000</b>
Book value as at 31.12.2015	CHF m	190.350	0.000
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)

#### 3.3 Bonds

	in	CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 100 m 2024	CHF 250 m 2025
Issuing volume, nominal	CHF m	115.000	200.000	230.000	300.000	100.000	250.000
<b>Book value as at 31.12.2016</b>	<b>CHF m</b>	<b>115.000</b>	<b>200.000</b>	<b>230.000</b>	<b>300.000</b>	<b>100.000</b>	<b>250.000</b>
Book value as at 31.12.2015	CHF m	115.000	200.000	230.000	300.000	100.000	0.000
Interest rate	%	1.125	1.0	2.0	1.75	2.0	0.5
Term to maturity	years	5	5	7	7	10	9
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024	03.11.2025
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)	33 764 553 (SPS161)

### 3.4 Shareholding rights for Board of Directors and Executive Board

Number of shares	31.12.2015	31.12.2016
<b>Board of Directors</b>		
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	33 657	<b>36 133</b>
Dr. Thomas Wetzel, Vice-Chairman of the BoD <sup>1</sup>	2 652	n/a
Mario F. Seris, Vice-Chairman of the BoD	8 818	<b>9 738</b>
Dr. Elisabeth Bourqui, member of the BoD <sup>2</sup>	n/a	<b>849</b>
Christopher M. Chambers, member of the BoD	45 528	<b>46 801</b>
Markus Graf, member of the BoD <sup>2</sup>	n/a	<b>27 860</b>
Dr. Bernhard Hammer, member of the BoD	9 746	<b>11 019</b>
Dr. Rudolf Huber, member of the BoD	22 756	<b>24 100</b>
Klaus R. Wecken, member of the BoD	900 000	<b>715 000</b>
<b>Executive Board</b>		
Markus Graf, member of the Executive Board (CEO) <sup>3</sup>	31 683	n/a
René Zahnd, member of the Executive Board (CEO) <sup>4</sup>	–	–
Markus Meier, member of the Executive Board (CFO)	2 519	<b>4 327</b>
Peter Lehmann, member of the Executive Board (CIO)	13 001	<b>10 500</b>
Oliver Hofmann, member of the Executive Board and CEO of Wincasa AG	–	<b>300</b>
Franco Savastano, member of the Executive Board and CEO of Jelvoli - The House of Brands	–	–
Dr. Luca Stäger, member of the Executive Board and CEO of Tertianum AG	770	<b>1 484</b>
<b>Total share ownership</b>	<b>1 071 130</b>	<b>888 111</b>

<sup>1</sup> until 12.04.2016

<sup>2</sup> since 12.04.2016

<sup>3</sup> until 31.12.2015

<sup>4</sup> since 01.01.2016

### 3.5 Major shareholders

Major shareholders (shareholding interest > 3%)	31.12.2015 Shareholding interest in %	31.12.2016 Shareholding interest in %
BlackRock Inc., New York	>3.0	<b>&gt;3.0</b>
State Street Corporation, Boston	4.0	<b>3.7</b>
Credit Suisse Funds AG, Zurich	3.5	<b>3.2</b>

### 3.6 Significant events after the balance sheet date

There were no significant events occurring after the balance sheet date that would have an impact 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 to appropriate the balance sheet profit for the financial year ended 31 December 2016 of CHF 335.239 million as follows:

in CHF 1 000	31.12.2015	31.12.2016
Retained earnings brought forward	194 998	<b>335 171</b>
Profit	140 173	<b>68</b>
<b>Total balance sheet profit</b>	<b>335 171</b>	<b>335 239</b>
Dividend payment	–	–
<b>Balance brought forward to new account</b>	<b>335 171</b>	<b>335 239</b>

The Board of Directors proposes to the Annual General Meeting of 11 April 2017 a withholding tax-exempt distribution of CHF 3.70 per share from capital contribution reserves. Based on the total number of 71 478 917 shares issued as at 24 February 2017, this distribution is equivalent to a reduction in capital contribution reserves of CHF 264.472 million.







# Statutory Auditor's Report

To the General Meeting of Swiss Prime Site AG, Olten

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Swiss Prime Site AG, which comprise the balance sheet as at 31 December 2016, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 92 to 100) for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

### Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the 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, 24 February 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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# EPRA KEY FIGURES

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**EPRA KEY FIGURES**  
**(EUROPEAN PUBLIC REAL ESTATE ASSOCIATION)**

**EPRA EARNINGS AND EPRA EARNINGS PER SHARE**

in CHF 1000	01.01.– 31.12.2015	01.01.– 31.12.2016
<b>Earnings per consolidated income statement</b>	<b>355 061</b>	<b>311 205</b>
Excluding:		
Revaluations of investment properties	– 124 571	– 60 493
Result from investment property sales	– 30 910	– 24 947
Result on sales of trading properties, gross	– 42 164	–
Tax on profits on disposals, gross	19 936	5 178
Negative goodwill/goodwill impairment	n/a	n/a
Changes in fair value of financial instruments	– 3 183	– 3 765
Transaction costs on acquisitions of group companies and associated companies	2 324	1 867
Deferred taxes in respect of EPRA adjustments	21 688	10 003
Adjustments in respect of associated companies	n/a	n/a
Adjustments in respect of non-controlling interests	n/a	n/a
<b>EPRA earnings</b>	<b>198 181</b>	<b>239 048</b>
Average number of outstanding shares	67 127 792	70 781 230
<b>EPRA earnings per share in CHF</b>	<b>2.95</b>	<b>3.38</b>

**EPRA NET ASSET VALUE (NAV)**

in CHF 1000	31.12.2015	31.12.2016
<b>NAV as per consolidated balance sheet</b>	<b>4 955 723</b>	<b>5 177 312</b>
Dilution effects from exercise of options, convertibles and other equity instruments	189 589	243 241
Diluted NAV, after the exercise of options, convertibles and other equity instruments	5 145 312	5 420 553
Including:		
Revaluation of investment properties <sup>1</sup>	n/a	n/a
Revaluation of properties under construction <sup>1</sup>	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
Excluding:		
Fair value of derivative financial instruments	6 871	3 536
Deferred taxes	1 010 985	1 047 008
Goodwill as a result of deferred taxes	n/a	n/a
Adjustments in respect of associated companies	n/a	n/a
<b>EPRA NAV</b>	<b>6 163 168</b>	<b>6 471 097</b>
Number of outstanding shares (diluted)	71 973 214	73 849 948
<b>EPRA NAV per share in CHF</b>	<b>85.63</b>	<b>87.62</b>

<sup>1</sup> if IAS 40 cost option is used

### EPRA TRIPLE NET ASSET VALUE (NNAV)

in CHF 1000	31.12.2015	31.12.2016
EPRA NAV	6 163 168	6 471 097
Excluding:		
Fair value of derivative financial instruments	-6 871	-3 536
Revaluation of financial debts	-226 966	-158 497
Deferred taxes	-995 097	-1 035 913
<b>EPRA NNAV</b>	<b>4 934 234</b>	<b>5 273 151</b>
Number of outstanding shares (diluted)	71 973 214	73 849 948
<b>EPRA NNAV per share in CHF</b>	<b>68.56</b>	<b>71.40</b>

### EPRA NET YIELD ON RENTAL INCOME (NIY)

in CHF 1000	31.12.2015	31.12.2016
Investment properties – wholly owned	9 686 607	10 092 100
Investment properties – share of joint ventures/funds	n/a	n/a
Less properties under construction and development sites, building land and trading properties	-412 980	-343 229
<b>Value of completed property portfolio</b>	<b>9 273 627</b>	<b>9 748 871</b>
Allowance for estimated purchasers' costs	n/a	n/a
<b>Gross up value of completed property portfolio</b>	<b>A 9 273 627</b>	<b>9 748 871</b>
Annualised rental income	417 129	428 055
Property outgoing	-58 265	-61 059
<b>Annualised net rental income</b>	<b>B 358 864</b>	<b>366 996</b>
Add: notional rent expiration of rent-free periods or other lease incentives	3 733	7 940
<b>Topped-up net annualised rental income</b>	<b>C 362 597</b>	<b>374 936</b>
<b>EPRA NIY</b>	<b>B/A 3.9%</b>	<b>3.8%</b>
<b>EPRA topped-up NIY</b>	<b>C/A 3.9%</b>	<b>3.8%</b>

### EPRA VACANCY RATE

in CHF 1000	31.12.2015	31.12.2016
Estimated rental value of vacant space	26 644	24 285
Estimated rental value of the whole portfolio	444 218	454 617
<b>EPRA vacancy rate</b>	<b>6.0%</b>	<b>5.3%</b>





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# **FIVE-YEAR SUMMARY OF KEY FIGURES**

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## FIVE-YEAR SUMMARY OF KEY FIGURES

	in	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016
<b>Group key figures</b>						
Investment properties at fair value <sup>1</sup>	CHF m	8 600.3	9 339.5	9 785.0	9 686.6	<b>10 092.1</b>
Rental income from properties	CHF m	408.8	420.1	443.1	445.9	<b>453.0</b>
Vacancy rate	%	5.0	6.4	6.6	6.7	<b>6.1</b>
Income from sale of trading properties	CHF m	–	–	–	105.1	–
Income from real estate services <sup>2</sup>	CHF m	14.1	98.6	100.1	109.0	<b>115.6</b>
Income from retail <sup>3</sup>	CHF m	159.0	156.2	151.9	136.8	<b>133.6</b>
Income from assisted living <sup>4</sup>	CHF m	–	85.7	153.3	184.2	<b>328.2</b>
Operating profit (EBIT)	CHF m	514.4	539.2	462.8	553.4	<b>459.8</b>
EBITDA	CHF m	531.5	565.9	497.9	582.6	<b>503.0</b>
Profit	CHF m	311.3	343.9	286.7	355.1	<b>311.2</b>
<b>Key figures Real Estate segment<sup>2</sup></b>						
Rental income from third parties	CHF m	391.0	376.7	377.4	378.0	<b>361.8</b>
Rental income from group companies	CHF m	36.4	47.5	53.9	54.0	<b>53.9</b>
Net yield on properties	%	4.5	4.2	4.1	3.9	<b>3.7</b>
Vacancy rate	%	4.8	6.1	6.4	6.5	<b>5.9</b>
Income from sale of trading properties	CHF m	–	–	–	105.1	–
Income from real estate services	CHF m	14.1	98.7	100.5	109.5	<b>115.7</b>
Operating profit (EBIT)	CHF m	525.8	561.3	491.9	586.2	<b>469.9</b>
<b>Key figures Retail segment<sup>3</sup></b>						
Income from retail	CHF m	159.1	156.4	152.1	137.0	<b>133.7</b>
Rental income	CHF m	17.8	18.0	18.6	16.5	<b>15.1</b>
Operating profit (EBIT)	CHF m	– 1.1	– 6.5	0.9	– 2.9	<b>– 2.4</b>
<b>Key figures Assisted Living segment<sup>4</sup></b>						
Income from assisted living	CHF m	–	85.7	153.6	185.0	<b>328.2</b>
Rental income from owner-occupied properties	CHF m	–	11.4	23.6	24.6	<b>24.2</b>
Rental income from leased properties	CHF m	–	14.0	23.5	26.7	<b>51.8</b>
Operating profit (EBIT)	CHF m	–	5.0	9.0	8.2	<b>15.2</b>
<b>Group key financial figures</b>						
Shareholders' equity	CHF m	3 913.9	4 107.3	4 201.8	4 956.0	<b>5 176.6</b>
Equity ratio	%	42.4	39.1	39.6	46.4	<b>46.6</b>
Borrowed capital	CHF m	5 323.1	6 404.8	6 400.3	5 734.6	<b>5 935.4</b>
Borrowed capital ratio	%	57.6	60.9	60.4	53.6	<b>53.4</b>
Total shareholders' equity and borrowed capital	CHF m	9 237.0	10 512.2	10 602.1	10 690.6	<b>11 112.0</b>

<sup>1</sup> includes all properties, irrespective of their recognition in the balance sheet

<sup>2</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

<sup>3</sup> transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

<sup>4</sup> 2016: acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016

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

## FIVE-YEAR SUMMARY OF KEY FIGURES

	in	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016
Interest-bearing financial liabilities	CHF m	4 144.7	5 066.7	4 963.7	4 261.6	<b>4 480.1</b>
Interest-bearing financial liabilities in % of balance sheet total	%	44.9	48.2	46.8	39.9	<b>40.3</b>
Loan-to-value ratio of property portfolio (LTV)	%	48.0	54.1	50.7	44.0	<b>44.4</b>
Weighted average interest rate on financial liabilities	%	2.6	2.2	2.2	2.1	<b>1.8</b>
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.5	4.0	4.7	4.4	<b>4.5</b>
Return on equity (ROE)	%	8.9	9.1	7.0	7.6	<b>6.1</b>
Return on invested capital (ROIC)	%	4.8	4.6	3.7	4.3	<b>3.7</b>
Cash flow from operating activities	CHF m	213.9	- 74.0	729.7	388.4	<b>277.7</b>
Cash flow from investing activities	CHF m	-137.8	-349.7	-280.4	100.4	<b>-365.5</b>
Cash flow from financing activities	CHF m	-0.9	425.6	-395.8	-511.1	<b>13.2</b>
<b>Key financial figures excluding revaluation effects<sup>1</sup></b>						
Operating profit (EBIT)	CHF m	327.1	352.5	349.6	428.9	<b>399.3</b>
Profit	CHF m	198.2	222.8	236.0	280.8	<b>284.8</b>
Return on equity (ROE)	%	5.9	6.1	5.9	6.1	<b>5.6</b>
Return on invested capital (ROIC)	%	3.5	3.4	3.2	3.6	<b>3.4</b>
<b>Key figures per share</b>						
Share price at end of period	CHF	76.35	69.05	73.00	78.50	<b>83.35</b>
Share price, highest	CHF	82.95	78.45	76.00	87.80	<b>90.65</b>
Share price, lowest	CHF	69.30	66.35	68.95	70.65	<b>74.95</b>
Earnings per share (EPS)	CHF	5.67	5.70	4.72	5.30	<b>4.41</b>
Earnings per share (EPS) excluding revaluation effects <sup>1</sup>	CHF	3.61	3.69	3.90	4.20	<b>4.04</b>
NAV before deferred taxes <sup>2</sup>	CHF	78.62	82.65	84.77	85.83	<b>87.24</b>
NAV after deferred taxes <sup>2</sup>	CHF	65.22	67.91	69.06	71.15	<b>72.43</b>
Distribution from capital contribution reserves <sup>3</sup>	CHF	3.60	3.60	3.70	3.70	<b>3.70</b>
Cash yield on closing price of the previous year <sup>3</sup>	%	4.7	5.2	5.1	4.7	<b>4.4</b>

<sup>1</sup> revaluations and deferred taxes<sup>2</sup> non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV<sup>3</sup> 31.12.2016, according to proposal to Annual General Meeting

## FIVE-YEAR SUMMARY OF KEY FIGURES

	in	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016
<b>Key figures per share</b>						
Share performance (TR) p.a. in the last 12 months	%	14.9	-5.1	10.9	13.7	<b>10.9</b>
Share performance (TR) p.a. in the last 3 years	%	15.7	5.0	6.5	6.2	<b>12.0</b>
Share performance (TR) p.a. in the last 5 years	%	12.0	12.4	10.3	7.8	<b>8.8</b>
Premium	%	17.1	1.7	5.7	10.3	<b>15.1</b>
<b>Market capitalisation</b>						
	<b>CHF m</b>	<b>4 581.9</b>	<b>4 177.7</b>	<b>4 439.9</b>	<b>5 467.6</b>	<b>5 957.8</b>
<b>Employees</b>						
Number of employees	people	1 462	3 105	3 097	4 446	<b>5 621</b>
Full-time equivalents	FTE	1 239	2 321	2 370	3 311	<b>4 558</b>
<b>Share statistics</b>						
Shares issued	number	60 011 611	60 503 081	60 820 602	69 651 534	<b>71 478 917</b>
Average treasury shares held	number	-4 369	-5 847	-6 458	-6 506	<b>-2 098</b>
Average outstanding shares	number	54 873 552	60 368 821	60 512 651	67 127 792	<b>70 781 230</b>
Treasury shares held	number	-4 828	-18 916	-2 682	-2 780	<b>-1 336</b>
Outstanding shares	number	60 006 783	60 484 165	60 817 920	69 648 754	<b>71 477 581</b>

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# PROPERTY DETAILS

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**PROPERTY DETAILS AS AT 31.12.2016**
**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 <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
<b>COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE</b>														
Aarau, Bahnhofstrasse 23	15 680	702	–	sole ownership	1946	1986	685	2 069	60.8	12.3	–	–	26.9	–
Amriswil, Weinfelderstrasse 74	7 050	470	1.6	sole ownership	2004		3 672	3 083	41.7	0.7	41.6	–	5.2	10.8
Baar, Grabenstrasse 17, 19	31 170	176	–	sole ownership bought 01.11.2016	2015		2 084	3 686	–	95.8	–	–	4.2	–
Baar, Zugerstrasse 57, 63	62 130	1 509	–	sole ownership bought 15.05.2016	2009		6 029	9 000	–	89.8	–	–	6.7	3.5
Baden, Bahnhofstrasse 2	10 060	405	–	sole ownership	1927	1975	212	979	93.4	–	–	–	6.6	–
Baden, Weite Gasse 34, 36	9 237	439	–	sole ownership	1953	1975	366	1 565	37.7	40.4	–	–	10.8	11.1
Basel, Aeschenvorstadt 2–4	47 110	2 061	1.2	sole ownership	1960	2005	1 362	6 250	17.2	63.3	–	–	19.0	0.5
Basel, Barfüsserplatz 3	39 520	1 711	–	sole ownership	1874	1993	751	3 864	46.8	33.2	–	–	19.9	0.1
Basel, Centralbahnplatz 9/10	21 620	842	–	sole ownership	1870/2005	2005	403	1 442	8.5	38.1	20.9	–	11.7	20.8
Basel, Elisabethenstrasse 15	28 950	1 351	3.8	sole ownership	1933	1993	953	4 265	20.8	72.5	–	–	6.7	–
Basel, Freie Strasse 26/ Falknerstrasse 3	39 670	1 442	7.8	sole ownership	1854	1980	471	2 870	43.6	50.3	–	–	6.1	–
Basel, Freie Strasse 36	43 940	1 690	–	sole ownership	1894	2003	517	2 429	59.3	13.6	–	–	11.5	15.6
Basel, Freie Strasse 68	68 400	2 233	29.7	sole ownership	1930	2015/2016	1 461	7 504	11.8	10.8	59.2	–	17.6	0.6
Basel, Henric Petri-Strasse 9/ Elisabethenstrasse 19	31 330	1 496	0.7	sole ownership	1949	1985	2 387	6 696	4.3	72.6	–	–	21.1	2.0
Basel, Hochbergerstrasse 40/ parking	4 843	603	54.2	sole ownership land lease	1976		4 209	–	–	–	–	–	–	–
Basel, Hochbergerstrasse 60/ building 805	4 061	302	–	sole ownership	1958	2006	5 420	4 782	–	23.4	–	–	10.5	66.1
Basel, Hochbergerstrasse 60/ building 860	2 404	155	41.5	sole ownership	1990		980	897	–	82.2	–	–	14.0	3.8
Basel, Hochbergerstrasse 60/ Stücker Business Park 60A-E	111 970	6 059	33.0	sole ownership	2008		8 343	37 440	–	86.4	–	–	4.9	8.7
Basel, Hochbergerstrasse 62	9 497	424	–	sole ownership	2005		2 680	–	–	–	–	–	–	–
Basel, Hochbergerstrasse 70/ Stücker shopping centre	206 780	13 116	15.1	sole ownership	2009		46 416	54 338	60.3	8.0	18.0	–	12.1	1.6
Basel, Messeplatz 12/Meseturm	207 980	9 339	–	sole ownership partial land lease	2003		2 137	24 093	0.7	54.2	41.7	–	3.2	0.2
Basel, Peter Merian-Strasse 80	52 690	2 616	1.9	freehold property	1999		19 214	9 110	–	85.3	–	–	14.7	–
Basel, Rebgasse 20	39 130	2 585	2.2	sole ownership	1973	1998	3 713	9 231	47.2	11.1	13.7	–	26.2	1.8
Belp, Aemmenmattstrasse 43	15 180	1 594	47.0	sole ownership	1991		5 863	9 353	–	74.8	5.3	–	17.8	2.1
Berlingen, Seestrasse 110	1 490	154	31.7	sole ownership	1992		1 293	1 882	–	100.0	–	–	–	–
Berlingen, Seestrasse 83, 88, 101, 154	37 350	1 970	–	sole ownership	1948–1998		10 321	8 650	–	–	–	100.0	–	–
Berne, Bahnhofplatz 9	15 260	581	–	sole ownership	1930	1985	275	1 616	67.5	–	–	–	32.5	–
Berne, Genfergasse 14	112 050	4 277	–	sole ownership	1905	1998	4 602	15 801	4.1	85.0	–	–	0.7	10.2
Berne, Laupenstrasse 6	12 220	587	–	sole ownership	1911	1998	503	2 067	41.4	49.9	–	–	0.3	8.4

## PROPERTY DETAILS AS AT 31.12.2016

## 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 <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
<b>COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE</b>														
Berne, Mingerstrasse 12–18/ PostFinance Arena	114 830	6 577	–	sole ownership land lease	1969/ 2009	2009	29 098	46 348	0.2	17.8	–	–	0.1	81.9
Berne, Schwarztorstrasse 48	52 340	2 797	–	sole ownership	1981	2011	1 959	8 148	–	75.7	–	–	23.0	1.3
Berne, Wankdorfallée 4/ EspacePost	167 520	8 150	–	sole ownership land lease	2014		5 244	33 650	–	94.2	–	–	4.9	0.9
Berne, Weltpoststrasse 5	72 720	5 591	14.6	sole ownership land lease	1975/ 1985	2013	19 374	25 836	–	67.2	4.5	–	20.9	7.4
Biel, Solothurnstrasse 122	8 423	510	0.2	sole ownership land lease	1961	1993	3 885	3 320	74.9	2.7	–	–	15.3	7.1
Brugg, Hauptstrasse 2	15 480	1 049	8.3	sole ownership	1958	2000	3 364	4 211	60.5	4.1	3.5	–	30.4	1.5
Buchs, St. Gallerstrasse 5	6 477	422	3.1	sole ownership	1995		2 192	1 784	13.2	60.1	–	–	18.3	8.4
Burgdorf, Emmentalstrasse 14	7 635	553	53.5	sole ownership	1972	1998	1 845	2 061	46.2	43.5	–	–	8.6	1.7
Burgdorf, Industrie Buchmatt	13 810	778	–	sole ownership partial land lease	1973		15 141	11 966	2.9	5.4	–	–	89.4	2.3
Carouge, Avenue Cardinal- Mermillod 36–44	155 250	8 904	2.0	sole ownership	1956	2002	14 372	35 080	23.7	56.8	3.5	–	14.8	1.2
Cham, Dorfplatz 2	5 070	248	1.7	sole ownership	1992		523	1 067	11.4	61.5	–	–	27.1	–
Conthey, Route Cantonale 2	6 454	376	–	sole ownership	1989		3 057	2 480	71.6	4.6	–	–	19.8	4.0
Conthey, Route Cantonale 4	17 530	1 248	10.7	sole ownership land lease	2009		7 444	4 979	86.1	–	3.0	–	6.1	4.8
Conthey, Route Cantonale 11	28 120	1 708	2.3	sole ownership land lease	2002		10 537	7 326	79.9	1.3	0.7	–	14.3	3.8
Dietikon, Bahnhofplatz 11/ Neumattstrasse 24	10 180	506	1.0	sole ownership	1989		1 004	1 783	19.5	56.1	–	–	24.4	–
Dietikon, Kirchstrasse 20	12 530	590	0.2	sole ownership	1988		1 087	1 894	23.5	65.0	–	–	11.5	–
Dietikon, Zentralstrasse 12	7 213	486	0.1	sole ownership	1965		1 215	3 266	40.9	6.2	–	–	46.4	6.5
Dübendorf, Bahnhofstrasse 1	6 220	441	–	sole ownership land lease	1988		1 308	1 671	17.7	59.3	–	–	23.0	–
Eyholz, Kantonsstrasse 79	2 889	283	–	sole ownership land lease	1991		2 719	1 321	92.2	5.7	–	–	–	2.1
Frauenfeld, St. Gallerstrasse 30–30c	35 760	1 710	–	sole ownership	1991		8 842	9 528	–	–	–	100.0	–	–
Frauenfeld, Zürcherstrasse 305	7 553	618	42.2	sole ownership	1982	2006	3 866	4 293	54.5	18.4	–	–	20.9	6.2
Frick, Hauptstrasse 132/ Fricktal Centre A3	22 400	1 145	–	sole ownership	2007		13 365	4 984	64.6	–	3.2	–	15.6	16.6
Geneva, Centre Rhône-Fusterie	109 440	3 071	–	freehold property	1990		2 530	11 186	76.2	0.3	–	–	23.5	–
Geneva, Place du Molard 2–4	263 240	7 997	1.8	sole ownership	1690	2002	1 718	7 198	37.4	56.2	–	–	3.7	2.7
Geneva, Route de Meyrin 49	67 170	3 729	7.1	sole ownership	1987		9 890	10 148	–	85.5	–	–	13.0	1.5
Geneva, Rue Céard 14/ Croix-d'Or 11	29 940	1 258	–	sole ownership	1974/ 1985	1981	285	1 677	66.0	–	–	–	34.0	–
Geneva, Rue de Rive 3	–	762	–	sold 16.08.2016										
Geneva, Rue du Rhône 48–50	524 540	18 026	2.8	sole ownership	1921	2002	5 166	33 420	44.3	33.3	7.2	–	9.1	6.1

**PROPERTY DETAILS AS AT 31.12.2016**
**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 <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
<b>COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE</b>														
<b>Gossau</b> , Wilerstrasse 82	20 050	1 116	0.1	sole ownership	2007		13 064	4 689	78.1	2.1	–	–	10.7	9.1
<b>Grand-Lancy</b> , Route des Jeunes 10/ CCL La Praille	261 430	15 938	0.3	sole ownership land lease	2002		20 597	36 093	52.0	0.9	28.5	–	16.5	2.1
<b>Grand-Lancy</b> , Route des Jeunes 12	52 670	3 152	0.8	sole ownership land lease	2003		5 344	12 762	3.3	38.0	43.0	–	13.6	2.1
<b>Heimberg</b> , Gurnigelstrasse 38	8 837	603	–	sole ownership land lease	2000		7 484	1 543	83.6	2.8	–	–	7.0	6.6
<b>Horgen</b> , Zugerstrasse 22, 24	11 630	628	–	sole ownership	1990		868	2 408	11.0	75.5	–	–	13.5	–
<b>La Chaux-de-Fonds</b> , Boulevard des Eplatures 44	6 688	432	–	sole ownership	1972		3 021	2 506	94.7	1.7	–	–	3.0	0.6
<b>Lachen</b> , Seidenstrasse 2	6 553	347	–	sole ownership	1993		708	1 532	13.9	67.6	–	–	18.5	–
<b>Lausanne</b> , Rue de Sébeillon 9/ Sébeillon Centre	12 710	952	–	sole ownership	1930	2001	2 923	10 123	8.4	56.4	–	–	24.7	10.5
<b>Lausanne</b> , Rue du Pont 5	142 630	6 656	0.2	sole ownership	1910	2004	3 884	20 802	50.5	23.3	9.2	–	10.1	6.9
<b>Locarno</b> , Largo Zorzi 4/ Piazza Grande	–	1 165		sold 01.11.2016										
<b>Locarno</b> , Parking Centro	13 000	1 450	–	sole ownership land lease	1990	2001	4 013	50	–	–	–	–	100.0	–
<b>Locarno</b> , Via delle Monache 8	–	57		sold 01.11.2016										
<b>Lutry</b> , Route de l'Ancienne Ciblerie 2	28 980	1 701	2.6	freehold property	2006		13 150	3 232	72.4	2.8	4.6	–	14.8	5.4
<b>Lucerne</b> , Kreuzbuchstrasse 33/35	21 830	1 881	–	sole ownership land lease	2010		14 402	10 533	–	–	–	100.0	–	–
<b>Lucerne</b> , Langensandstrasse 23/ Schönbühl	51 760	1 670	3.2	sole ownership bought 25.05.2016	1969	2007	20 150	9 432	70.0	9.3	1.9	–	17.7	1.1
<b>Lucerne</b> , Pilatusstrasse 4/Flora	65 220	2 536	–	freehold property	1979	2008	4 376	9 892	69.4	12.2	–	–	9.6	8.8
<b>Lucerne</b> , Schwanenplatz 3	16 100	609	–	sole ownership	1958	2004	250	1 512	10.8	62.6	–	–	18.7	7.9
<b>Lucerne</b> , Schweizerhofquai 6/ Gotthardgebäude	78 090	–	–	sole ownership bought 31.12.2016	1875	2002	2 479	6 796	7.3	92.7	–	–	–	–
<b>Lucerne</b> , Weggisgasse 20, 22	18 640	662	–	sole ownership	1982		228	1 285	76.8	–	–	–	23.2	–
<b>Meilen</b> , Seestrasse 545	6 946	510	–	sole ownership land lease	2008		1 645	2 458	–	–	–	100.0	–	–
<b>Meyrin</b> , Route de Meyrin 210	2 383	248	–	sole ownership partial land lease	1979	1999	3 860	1 117	65.6	4.4	–	–	15.7	14.3
<b>Neuchâtel</b> , Avenue J.-J. Rousseau 7	7 017	513	12.3	sole ownership	1991	1992	1 020	3 127	–	70.0	–	–	22.5	7.5
<b>Neuchâtel</b> , Rue de l'Écluse 19/parking	633	24	–	sole ownership	1960	1997	715	–	–	–	–	–	–	–
<b>Neuchâtel</b> , Rue du Temple-Neuf 11	5 122	266	7.9	sole ownership	1953	1993	262	1 153	18.4	57.5	–	–	13.9	10.2
<b>Neuchâtel</b> , Rue du Temple-Neuf 14	42 230	2 214	9.7	sole ownership	1902/ 2014		1 928	6 896	45.4	24.6	–	–	11.0	19.0



## PROPERTY DETAILS AS AT 31.12.2016

## 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 <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
<b>COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE</b>														
<b>Niederwangen b. Bern,</b> Riedmoosstrasse 10	41 120	2 330	0.2	sole ownership	1985	2006	12 709	12 925	33.2	13.1	–	–	45.7	8.0
<b>Oberbüren,</b> Buchental 2	13 110	759	–	sole ownership	1980	2007	6 401	6 486	34.3	1.8	–	–	62.4	1.5
<b>Oberbüren,</b> Buchental 3	3 345	336	12.6	sole ownership	1964		4 651	2 342	20.7	32.5	–	–	31.6	15.2
<b>Oberbüren,</b> Buchental 3a	3 263	236	–	sole ownership	1964		3 613	2 464	–	–	–	–	100.0	–
<b>Oberbüren,</b> Buchental 4	26 700	1 475	–	sole ownership	1990		4 963	9 547	38.5	20.3	–	–	41.2	–
<b>Oberbüren,</b> Buchental 5	955	65	–	sole ownership	1920		3 456	1 648	–	12.1	–	–	–	87.9
<b>Oberwil,</b> Mühlemattstrasse 23	2 950	305	–	freehold property land lease	1986		6 200	1 651	75.9	4.2	–	–	16.3	3.6
<b>Oftringen,</b> Spitalweidstrasse 1/ shopping centre a1	81 650	5 497	7.8	sole ownership	2006		42 031	19 968	78.9	3.2	1.4	–	13.8	2.7
<b>Olten,</b> Bahnhofquai 18	28 370	1 592	0.7	sole ownership	1996		2 553	5 134	–	93.6	–	–	6.4	–
<b>Olten,</b> Bahnhofquai 20	40 350	2 045	–	sole ownership	1999		1 916	7 366	–	85.4	–	–	14.6	–
<b>Olten,</b> Frohburgstrasse 1	6 811	110	9.8	sole ownership	1899	2009	379	1 196	–	78.3	–	–	21.7	–
<b>Olten,</b> Frohburgstrasse 15	11 960	601	0.8	sole ownership	1961	1998	596	1 882	–	88.0	–	–	12.0	–
<b>Olten,</b> Solothurnerstrasse 201	6 771	333	–	sole ownership	2006		5 156	1 592	62.3	–	–	–	31.5	6.2
<b>Olten,</b> Solothurnerstrasse 231–235/Usego	23 160	1 952	48.1	sole ownership	1907	2011	12 922	11 713	11.5	56.4	–	–	10.1	22.0
<b>Opfikon,</b> Müllackerstrasse 2, 4/ Bubenholz	45 370	1 250	–	sole ownership	2015		6 169	10 802	–	–	–	100.0	–	–
<b>Ostermundigen,</b> Mitteldorfstrasse 16	34 310	1 596	–	sole ownership	2009		7 503	10 925	–	–	–	100.0	–	–
<b>Otelfingen,</b> Industriestrasse 19/21	102 520	7 401	17.0	sole ownership	1965	2000	101 933	80 317	–	16.6	–	–	78.2	5.2
<b>Otelfingen,</b> Industriestrasse 31	21 560	1 461	13.9	sole ownership	1986	1993	12 135	11 560	–	34.6	0.4	–	57.3	7.7
<b>Payerne,</b> Route de Bussy 2	24 480	1 210	–	sole ownership	2006		12 400	6 018	84.0	4.4	–	–	7.1	4.5
<b>Petit-Lancy,</b> Route de Chancy 59	123 750	7 023	26.4	sole ownership	1990		13 052	22 143	1.9	66.5	6.5	–	21.6	3.5
<b>Pfäffikon SZ,</b> Huobstrasse 5	62 370	2 800	–	sole ownership	2004		7 005	11 660	–	–	–	100.0	–	–
<b>Rapperswil-Jona,</b> Rathausstrasse 8	19 120	941	0.2	sole ownership	1992	2008	1 648	3 143	23.6	50.6	–	–	25.6	0.2
<b>Romanel,</b> Chemin du Marais 8	20 320	1 214	–	sole ownership	1973	1995	7 264	6 791	88.3	0.2	–	–	10.4	1.1
<b>Schwyz,</b> Oberer Steisteg 18, 20	8 808	559	0.4	sole ownership	1988	2004	1 039	2 669	8.7	58.3	–	–	33.0	–
<b>Solothurn,</b> Amthausplatz 1	13 220	859	0.7	sole ownership	1955	1988	1 614	3 352	17.8	57.9	–	–	24.3	–
<b>Spreitenbach,</b> Industriestrasse/ Tivoli	10 980	522	–	freehold property	1974	2010	25 780	980	87.2	–	–	–	12.8	–
<b>Spreitenbach,</b> Müslistrasse 44	4 351	222	–	sole ownership	2002		2 856	517	–	7.0	30.2	–	4.1	58.7
<b>Spreitenbach,</b> Pfadackerstrasse 6/Limmatpark	74 960	6 560	14.3	sole ownership	1972	2003	10 318	27 371	56.7	28.1	–	–	14.5	0.7
<b>St. Gallen,</b> Spisergasse 12	11 470	489	–	sole ownership	1900	1998	208	1 070	82.7	–	–	–	–	17.3
<b>St. Gallen,</b> Zürcherstrasse 462–464/Shopping Arena	306 040	16 444	1.1	sole ownership parking 73/100 co-ownership	2008		33 106	39 636	58.0	9.5	11.6	–	19.5	1.4

**PROPERTY DETAILS AS AT 31.12.2016**
**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 <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
<b>COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE</b>														
<b>Stadel b. Niederglatt</b> , Buechenstrasse 80 <sup>1</sup>	16 000	–	–	financial lease	2008		3 947	2 674	–	–	–	100.0	–	–
<b>Sursee</b> , Moosgasse 20	11 390	652	1.3	sole ownership	1998		4 171	2 410	77.2	–	6.8	–	16.0	–
<b>Thalwil</b> , Gotthardstrasse 40	5 922	278	–	sole ownership	1958	2004	541	986	9.1	57.8	13.2	–	19.9	–
<b>Thun</b> , Bälliz 67	17 420	807	–	sole ownership	1953	2001	875	3 173	32.4	51.2	2.0	–	10.7	3.7
<b>Thun</b> , Göttibachweg 2–2e, 4, 6, 8	41 280	2 222	–	sole ownership land lease	2003		14 520	11 556	–	–	–	100.0	–	–
<b>Uster</b> , Poststrasse 10	8 173	372	–	sole ownership	1972	2012	701	1 431	17.1	61.3	–	–	21.6	–
<b>Uster</b> , Poststrasse 14/20	12 230	733	0.8	sole ownership	1854	2000	2 449	3 195	63.3	11.7	3.8	–	19.5	1.7
<b>Vernier</b> , Chemin de l'Etang 72/ Patio Plaza	95 520	4 987	25.7	sole ownership	2007		10 170	13 682	–	82.2	–	–	17.1	0.7
<b>Vevey</b> , Rue de la Clergère 1	12 230	709	3.6	sole ownership	1927	1994	717	3 085	15.5	72.5	–	–	12.0	–
<b>Wabern</b> , Nesslerenweg 30	18 370	1 007	–	sole ownership	1990		4 397	6 288	–	–	–	100.0	–	–
<b>Wattwil</b> , Ebnerstrasse 45 <sup>1</sup>	1 152	–	–	freehold property	1986		539	335	–	100.0	–	–	–	–
<b>Wil</b> , Obere Bahnhofstrasse 40	18 320	865	–	sole ownership	1958	2008	1 105	2 878	80.4	8.6	–	–	7.2	3.8
<b>Winterthur</b> , Theaterstrasse 17	60 290	3 208	73.7	sole ownership	1999		7 535	14 532	–	74.8	1.3	–	5.8	18.1
<b>Winterthur</b> , Untertor 24	9 978	311	–	sole ownership	1960	2006	290	1 364	69.9	–	–	–	30.1	–
<b>Worblaufen</b> , Alte Tiefenastrasse 6	80 930	4 727	–	49/100 co-ownership	1999		21 596	18 213	–	87.4	–	–	12.0	0.6
<b>Zollikon</b> , Bergstrasse 17, 19	11 700	645	15.5	sole ownership	1989	2004	1 768	2 126	26.1	44.1	–	–	29.8	–
<b>Zollikon</b> , Forchstrasse 452–456	17 030	734	–	sole ownership	1984/ 1998		2 626	2 251	–	68.4	–	–	31.6	–
<b>Zuchwil</b> , Dorfackerstrasse 45/ Birchi Centre	29 400	2 434	31.9	sole ownership land lease	1997		9 563	13 274	76.0	1.6	–	–	13.3	9.1
<b>Zug</b> , Zählerweg 4, 6/ Dammstrasse 19/ Landis+Gyr-Strasse 3/Opus 1	131 310	5 854	0.1	sole ownership	2002		7 400	15 802	–	90.3	–	–	9.7	–
<b>Zug</b> , Zählerweg 8, 10/ Dammstrasse 21, 23/Opus 2	165 780	7 360	–	sole ownership	2003		8 981	19 903	–	91.1	–	–	8.9	–
<b>Zurich</b> , Affolternstrasse 52/ MFO building	13 260	577	–	sole ownership	1889	2012	1 367	2 776	–	53.1	25.8	–	21.1	–
<b>Zurich</b> , Affolternstrasse 54, 56/ Cityport	178 670	8 898	7.7	sole ownership	2001		9 830	23 486	–	91.9	–	–	7.8	0.3
<b>Zurich</b> , Albisriederstrasse 203	64 740	2 401	16.5	sole ownership	1942– 2003		22 745	12 724	–	64.3	20.7	–	10.9	4.1
<b>Zurich</b> , Bahnhofstrasse 42	122 520	1 764	–	sole ownership	1968	1990	482	2 003	42.7	44.6	–	–	12.7	–
<b>Zurich</b> , Bahnhofstrasse 69	54 790	1 584	16.5	sole ownership	1898	2007	230	1 114	10.9	77.6	–	–	11.1	0.4
<b>Zurich</b> , Bahnhofstrasse 106	50 860	1 204	–	sole ownership	1958		200	1 196	11.8	53.1	–	–	32.1	3.0
<b>Zurich</b> , Carl-Spitteler-Strasse 68/70	96 800	4 048	–	sole ownership	1993		11 732	19 343	–	–	–	100.0	–	–

<sup>1</sup> Property included in Assisted Living segment

## PROPERTY DETAILS AS AT 31.12.2016

## 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 <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
<b>COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE</b>														
Zurich, Flurstrasse 55/ Medienpark <sup>2</sup>	145 330	2 577	90.6	sole ownership	1979	2013– 2015	8 270	24 244	1.7	73.9	2.2	–	22.0	0.2
Zurich, Flurstrasse 89	7 697	470	–0.1	sole ownership	1949	2003	2 330	3 331	–	12.0	–	–	11.3	76.7
Zurich, Fraumünsterstrasse 16	142 500	5 075	13.2	sole ownership	1901	1990	2 475	7 927	16.6	73.0	–	–	10.4	–
Zurich, Hagenholzstrasse 60/ SkyKey	298 130	11 149	–	sole ownership	2014		9 573	41 253	0.3	85.7	9.8	–	4.2	–
Zurich, Hardstrasse 201/ Prime Tower	597 680	20 632	–	sole ownership	2011		10 416	48 142	0.7	87.3	5.5	–	6.4	0.1
Zurich, Hardstrasse 219/ Eventblock Maag	15 500	1 049	7.4	sole ownership	1929– 1978		8 002	6 958	–	21.6	–	–	16.3	62.1
Zurich, Josefstrasse 53, 59	83 290	3 960	2.0	sole ownership	1962/ 1972	2001	2 931	12 114	8.9	75.0	1.4	–	14.7	–
Zurich, Jupiterstrasse 15/ Böcklinstrasse 19	23 450	932	–	sole ownership	1900/ 1995	1996	1 630	1 829	–	–	–	100.0	–	–
Zurich, Kappenbühlweg 9, 11/ Holbrigstrasse 10/ Regensdorferstrasse 18a	68 450	2 991	–	sole ownership	1991		9 557	14 790	–	–	–	100.0	–	–
Zurich, Maagplatz 1/Platform	176 040	6 973	–	sole ownership	2011		5 942	20 319	–	91.1	–	–	4.8	4.1
Zurich, Manessestrasse 85	53 370	2 471	39.4	sole ownership	1985	2012	3 284	8 278	4.5	66.7	–	–	25.8	3.0
Zurich, Ohmstrasse 11, 11a	35 490	2 215	–	sole ownership	1927	2007	1 970	6 138	53.7	23.0	2.2	–	16.2	4.9
Zurich, Restelbergstrasse 108	9 760	351	–	sole ownership	1936	1997	1 469	672	–	–	–	100.0	–	–
Zurich, Schaffhauserstrasse 339	8 657	463	7.8	sole ownership	1957	1997	307	1 726	12.7	69.3	–	–	18.0	–
Zurich, Seidengasse 1/ Jelmoli – The House of Brands	814 270	28 983	–	sole ownership	1898	2010	6 514	36 771	64.6	3.7	13.3	–	12.8	5.6
Zurich, Siewerdtrasse 8	20 530	1 206	–	sole ownership	1981		1 114	3 688	–	91.1	–	–	8.9	–
Zurich, Sihlcity	195 580	10 842	1.3	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	39 350	1 908	–	sole ownership	1885	2007	1 155	2 855	3.9	68.8	13.7	–	6.5	7.1
Zurich, Stadelhoferstrasse 18	28 290	1 097	–	sole ownership	1983	2004	1 046	1 914	19.5	49.0	11.9	–	19.0	0.6
Zurich, Stadelhoferstrasse 22	36 170	1 600	0.8	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	100 630	3 920	0.2	sole ownership	1957	1999	1 534	6 205	10.9	64.9	2.1	–	19.1	3.0
Zurich, Steinmühleplatz/ Jelmoli parking	40 820	3 280	0.5	sole ownership with concession	1972	2009	1 970	84	86.9	13.1	–	–	–	–
Zurich, Talacker 21, 23	77 870	2 980	–	sole ownership	1965	2008	1 720	4 904	9.6	64.2	–	–	26.2	–
<b>Total I</b>	<b>9 479 718</b>	<b>429 444</b>	<b>6.0</b>				<b>1 031 171</b>	<b>1473 039</b>	<b>21.9</b>	<b>41.3</b>	<b>5.4</b>	<b>8.3</b>	<b>16.7</b>	<b>6.4</b>

<sup>2</sup> Reclassified from properties under construction to investment properties after total refurbishment

**PROPERTY DETAILS AS AT 31.12.2016**

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m <sup>2</sup>
<b>COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE</b>							
<b>Geneva</b> , Route de Malagnou 6/ Rue Michel-Chauvet 7	15 890	785	16.3	sole ownership	1960/ 1969	1989	1 321
<b>Geneva</b> , Rue de la Croix-d'Or 7/ Rue Neuve-du-Molard 4-6	61 550	2 328	14.6	sole ownership	1974/ 1985	1994	591
<b>Geneva</b> , Rue des Alpes 5	27 030	223	0.7	sole ownership bought 01.10.2016	1860		515
<b>St. Gallen</b> , Spisergasse 12	5 623	222	-	sole ownership	1423	1984	165
<b>Thônex</b> , Rue de Genève 104-108	93 010	4 756	0.1	sole ownership	2008		9 224
<b>Zurich</b> , Nansenstrasse 5/7	48 510	2 488	1.2	sole ownership	1985		1 740
<b>Zurich</b> , Querstrasse 6	4 250	170	4.2	sole ownership	1927	1990	280
<b>Zurich</b> , Schulstrasse 34, 36	13 290	549	-	sole ownership	1915	1995	697
<b>Total II</b>	<b>269 153</b>	<b>11 521</b>	<b>4.4</b>				<b>14 533</b>

**OVERVIEW OF TYPE OF USE**

Total m <sup>2</sup> 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
2 682	10.8	45.2	-	-	0.6	43.4
617	31.6	17.7	-	-	24.1	26.6
11 662	56.1	0.4	3.5	-	8.2	31.8
5 871	39.1	27.1	-	-	6.1	27.7
563	13.3	-	-	-	-	86.7
1 721	-	36.1	-	-	7.8	56.1
<b>28 204</b>	<b>38.0</b>	<b>18.4</b>	<b>2.1</b>	<b>-</b>	<b>6.4</b>	<b>35.1</b>

**BUILDING LAND**

<b>Basel</b> , Hochbergerstrasse 60/ parking	3 300	227	3.8	sole ownership			5 440
<b>Berne</b> , Weltpoststrasse 1-3/ Weltpostpark	7 312	-	-	sole ownership land lease			11 700
<b>Dietikon</b> , Bodacher	-	17	-	sole ownership			13 615
<b>Dietikon</b> , Bodacher/Im Maienweg	2 044	-	-	sole ownership			4 249
<b>Dietikon</b> , Bodacher/Ziegelägerten	1 840	6	-	sole ownership			3 825
<b>Geneva Airport</b> , Route de Pré-Bois	12 350	4	-	sole ownership			9 118
<b>Niederwangen b. Bern</b> , Riedmoosstrasse 10	3 617	-	-	sole ownership			5 895
<b>Oberbüren</b> , Buchental/parking	742	29	-	sole ownership			1 825
<b>Spreitenbach</b> , Joosacker 7	-	53	-	sole ownership			16 405
<b>Wangen b. Olten</b> , Rickenbacherfeld	4 693	-	-	sole ownership			11 197
<b>Total III</b>	<b>35 898</b>	<b>336</b>	<b>2.6</b>				<b>83 269</b>

-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

## PROPERTY DETAILS AS AT 31.12.2016

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m <sup>2</sup>
<b>PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT SITES</b>							
Berne, Viktoriastrasse 21, 21a, 21b	55 050	19	–	sole ownership	1970		14 036
Geneva Airport, Route de Pré-Bois 10/ underground car park <sup>3</sup>	8 241	55	96.6	sole ownership land lease	2003		2 156
Meyrin, Chemin de Riantbosson, Avenue de Mategnin <sup>3</sup>	16 200	–	–	sole ownership			4 414
Plan-les-Ouates, Chemin des Aulx <sup>3</sup>	25 860	77	–	sole ownership			28 429
Schlieren, Zürcherstrasse 39	34 980	393	–	sole ownership	1992/2003		26 684
Zurich, Brandschenkestrasse 25	149 300	90	–	sole ownership	1910	2015–2017	3 902
Zurich, Etzelstrasse 14 <sup>4</sup>	17 700	–	–	sole ownership	1967		1 809
<b>Total IV</b>	<b>307 331</b>	<b>634</b>	<b>8.3</b>				<b>81 430</b>

## OVERVIEW OF TYPE OF USE

Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–

<b>Overall total</b>	<b>10 092 100</b>	<b>441 935</b>				<b>1 210 403</b>
Rent losses from vacancies		–26 193				
<b>Consolidated subtotal segment, excluding leased properties</b>		<b>415 742</b>	<b>5.9</b>			
Intercompany eliminations		–53 863				
Rental income from third parties, Retail segment		15 061				
Rental income from third parties from own properties, Assisted Living segment		24 244				
<b>Consolidated subtotal, excluding leased properties</b>		<b>401 184</b>	<b>6.1</b>			
Rental income from leased properties, Assisted Living segment		51 787				
<b>Consolidated overall total, including leased properties</b>		<b>452 971</b>				

<b>1 501 243</b>	<b>22.2</b>	<b>40.9</b>	<b>5.3</b>	<b>8.1</b>	<b>16.5</b>	<b>7.0</b>
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<sup>3</sup> Reclassified from building land to properties under construction due to new construction

<sup>4</sup> Reclassified from investment properties to properties under construction due to total refurbishment



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SWISS PRIME SITE

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# STRATEGY & MANAGEMENT REPORT

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2016

# GROUP KEY FIGURES

Key financial figures	in	2012	2013	2014	2015	2016	Change to prior year in %
Rental income from properties	CHF m	408.8	420.1	443.1	445.9	<b>453.0</b>	1.6
Income from sale of trading properties	CHF m	–	–	–	105.1	–	–100.0
Income from real estate services <sup>1</sup>	CHF m	14.1	98.6	100.1	109.0	<b>115.6</b>	6.1
Income from retail <sup>2</sup>	CHF m	159.0	156.2	151.9	136.8	<b>133.6</b>	–2.3
Income from assisted living <sup>3</sup>	CHF m	–	85.7	153.3	184.2	<b>328.2</b>	78.2
Total operating income	CHF m	584.6	764.7	852.7	995.2	<b>1 049.5</b>	5.5
Revaluation of investment properties, properties under construction and development sites	CHF m	187.3	186.7	113.2	124.6	<b>60.5</b>	–51.4
EBITDA	CHF m	531.5	565.9	497.9	582.6	<b>503.0</b>	–13.7
Operating profit (EBIT)	CHF m	514.4	539.2	462.8	553.4	<b>459.8</b>	–16.9
Profit	CHF m	311.3	343.9	286.7	355.1	<b>311.2</b>	–12.4
Cash flow from operating activities	CHF m	213.9	–74.0	729.7	388.4	<b>277.7</b>	–28.5
Shareholders' equity	CHF m	3 913.9	4 107.3	4 201.8	4 956.0	<b>5 176.6</b>	4.5
Equity ratio	%	42.4	39.1	39.6	46.4	<b>46.6</b>	0.5
Borrowed capital	CHF m	5 323.1	6 404.8	6 400.3	5 734.6	<b>5 935.4</b>	3.5
Return on equity (ROE)	%	8.9	9.1	7.0	7.6	<b>6.1</b>	–19.7
Return on invested capital (ROIC)	%	4.8	4.6	3.7	4.3	<b>3.7</b>	–14.0

## Financial figures excluding revaluation effects<sup>4</sup>

EBITDA	CHF m	344.3	379.2	384.7	458.0	<b>442.5</b>	–3.4
Operating profit (EBIT)	CHF m	327.1	352.5	349.6	428.9	<b>399.3</b>	–6.9
Profit	CHF m	198.2	222.8	236.0	280.8	<b>284.8</b>	1.4
Return on equity (ROE)	%	5.9	6.1	5.9	6.1	<b>5.6</b>	–8.2
Return on invested capital (ROIC)	%	3.5	3.4	3.2	3.6	<b>3.4</b>	–5.6

## Real estate portfolio

Fair value of real estate portfolio	CHF m	8 600.3	9 339.5	9 785.0	9 686.6	<b>10 092.1</b>	4.2
of which projects/development properties	CHF m	210.5	518.4	327.1	346.7	<b>307.3</b>	–11.4
Number of properties	number	188	193	190	182	<b>184</b>	1.1
Rental floor space	m <sup>2</sup>	1 492 442	1 525 493	1 620 131	1 455 126	<b>1 501 243</b>	3.2
Vacancy rate	%	5.0	6.4	6.6	6.7	<b>6.1</b>	–9.0
Average discount rate	%	4.16	4.01	3.88	3.66	<b>3.47</b>	–5.2

## Key figures per share

Share price as at balance sheet date	CHF	76.35	69.05	73.00	78.50	<b>83.35</b>	6.2
Shares issued	number	60 011 611	60 503 081	60 820 602	69 651 534	<b>71 478 917</b>	2.6
Earnings per share (EPS)	CHF	5.67	5.70	4.72	5.30	<b>4.41</b>	–16.8
Market capitalisation	CHF m	4 581.9	4 177.7	4 439.9	5 467.6	<b>5 957.8</b>	9.0
Distribution per share	CHF	3.60	3.60	3.70	3.70	<b>3.70<sup>5</sup></b>	–
Cash yield	%	4.7	5.2	5.1	4.7	<b>4.4<sup>5</sup></b>	–6.4
Performance (total return) p.a.	%	14.9	–5.1	10.9	13.7	<b>10.9</b>	–20.4

## Employees

Number of employees as at balance sheet date	persons	1 462	3 105	3 097	4 446	<b>5 621</b>	26.4
Full-time equivalents as at balance sheet date	FTE	1 239	2 321	2 370	3 311	<b>4 558</b>	37.7

<sup>1</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

<sup>2</sup> transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

<sup>3</sup> acquisition of Résidence les Sources BOAS SA as at 01.07.2016, BOAS Senior Care as at 29.02.2016 and SENIOcare Group as at 01.10.2015

<sup>4</sup> revaluations and deferred taxes

<sup>5</sup> according to proposal to Annual General Meeting of 11.04.2017

# SWISS PRIME SITE AT A GLANCE

## THE GROUP

### VISION

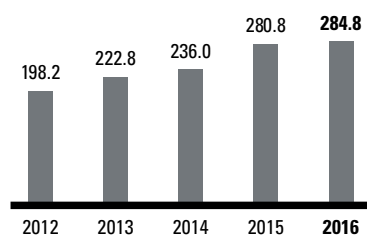
As the leading real estate company in Switzerland, we create more value and develop sustainable habitats – innovatively and passionately.

### MISSION

- > We set standards for real estate investments and investments in real estate-related business fields, with which we create sustainable added value for our stakeholder groups.
- > We invest in and actively manage first-class properties, real estate projects, property sites, products and services.
- > We are the partner of choice for any stakeholder groups in our business fields.
- > We are committed to sustainability and assume responsibility for our actions, our environment and our society.

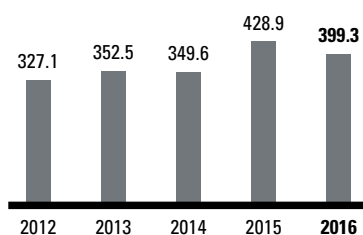
### PROFIT BEFORE REVALUATION EFFECTS in CHF m

# 284.8

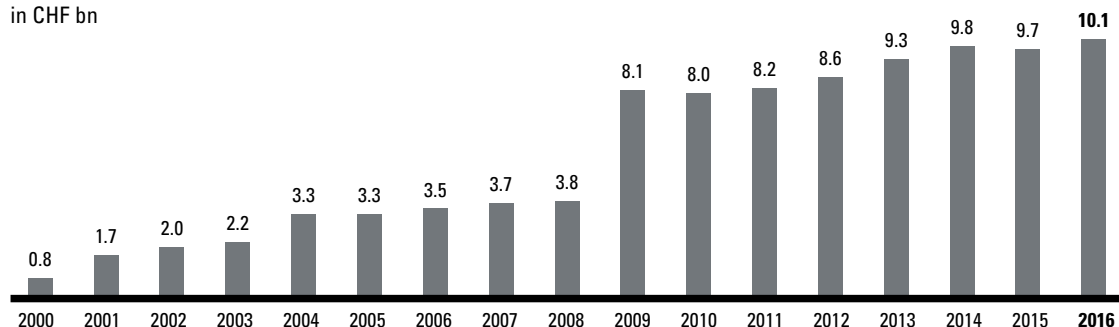


### OPERATING PROFIT (EBIT) BEFORE REVALUATIONS in CHF m

# 399.3



### FAIR VALUE OF THE REAL ESTATE PORTFOLIO in CHF bn



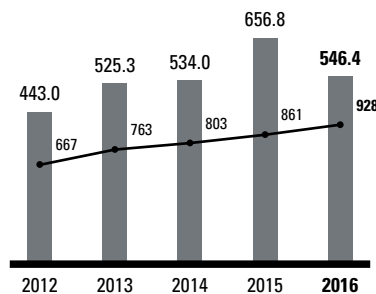
## THE BUSINESS FIELDS

### 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 real estate investment focus is directed at high-quality properties situated in prime locations, primarily with commercially utilised floor space as well as development projects.

### OPERATING INCOME<sup>1</sup>

in CHF m | Number of employees



<sup>1</sup> acquisition of Wincasa AG as at 25.10.2012  
2015 includes CHF 105 million in income from one-time sale of condominiums at Maag Site

### KEY FIGURES

in CHF m

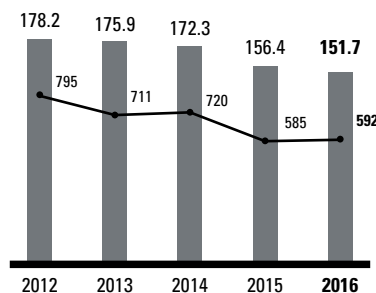
	2015	2016
Operating income	656.8	546.4
Investments	201.5	397.3
Operating profit (EBIT)	586.2	469.9
Number of employees	861	928

### 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 23 800 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<sup>1</sup>

in CHF m | Number of employees



<sup>1</sup> transfer of Clouds Gastro AG restaurant operating business to Candrian Catering AG as at 01.07.2015 (self-managed)

### KEY FIGURES

in CHF m

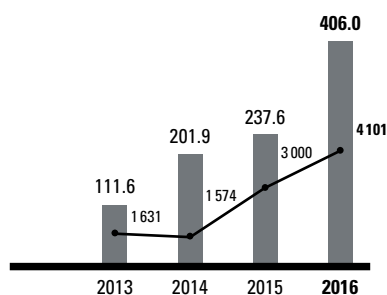
	2015	2016
Operating income	156.4	151.7
Investments	7.6	7.9
Operating profit (EBIT)	-2.9	-2.4
Number of employees	585	592

### 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 INCOME<sup>1</sup>

in CHF m | Number of employees



<sup>1</sup> acquisition of Tertianum AG as at 12.07.2013, SENIOcare Group as at 01.10.2015 and BOAS Senior Care as at 29.02.2016

### KEY FIGURES

in CHF m

	2015	2016
Operating income	237.6	406.0
Investments	247.6	95.0
Operating profit (EBIT)	8.2	15.2
Number of employees	3 000	4 101

## ANNUAL REPORT

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20  
16

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**In this year's Strategy and Management Report, Swiss Prime Site directs focus on the Wincasa group company. The Wincasa Booklet is featured starting on page 20, with extensive information about the group company.**

# 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.sps.swiss](http://www.sps.swiss).



## STRATEGY & MANAGEMENT REPORT

- > Reports featuring strategy, business model, values-oriented corporate management, sustainability as well as opportunities and risks
- > Information about the real estate portfolio
- > Management Report with comprehensive information about business performance, earnings, financial and asset situation



## CORPORATE GOVERNANCE & COMPENSATION REPORT

- > Corporate Governance Report according to the guidelines of the SIX Swiss Exchange
- > Compensation Report according to the Swiss Ordinance Against Excessive Compensation in Listed Companies (Ordinance)



## FINANCIAL REPORT

- > Valuation Expert's Report
- > The audited consolidated financial statements of Swiss Prime Site AG comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes.
- > The audited financial statements of Swiss Prime Site AG comprise the income statement, balance sheet and notes, as well as proposed appropriation of balance sheet profit
- > EPRA key figures
- > Five-year summary of key figures
- > Property details

### NOTES FOR READERS

previous year's figures are enclosed in brackets.





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# THE GROUP

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## MILESTONES

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16

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**Swiss Prime Site achieved significant milestones in 2016, thus laying a solid foundation for future earnings-based growth.**

QUARTER  
**01**



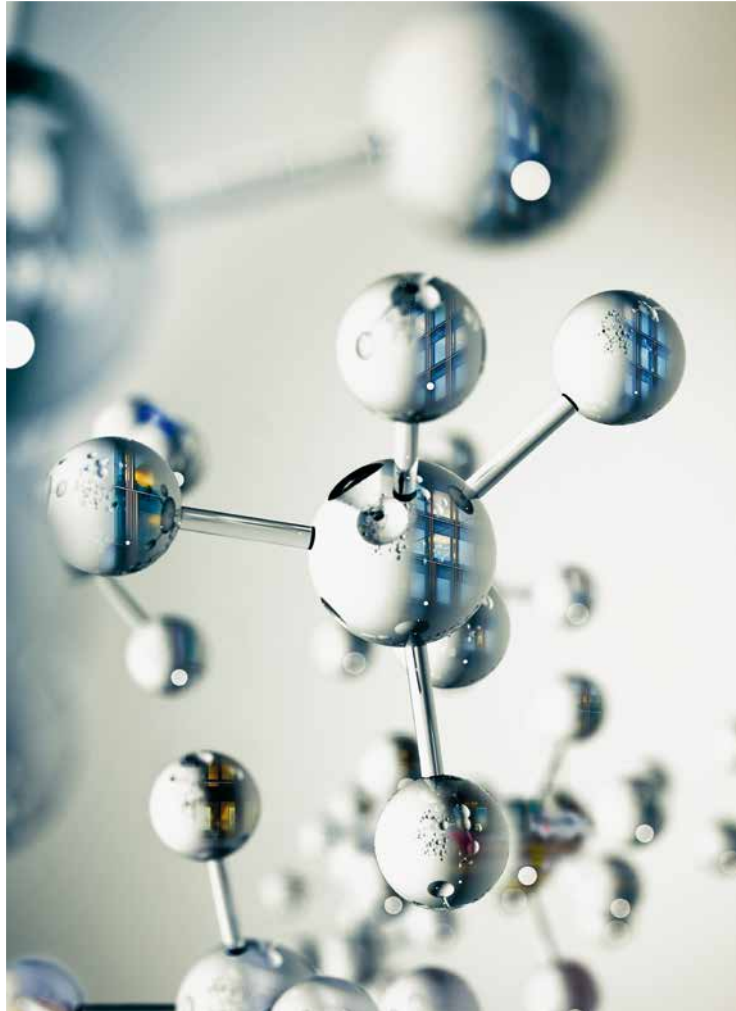
Swiss Prime Site establishes  
group-wide corporate DNA

Jelmoli – The House of Brands  
starts online shop

**TERTIANUM**



Conclusion of acquisition of BOAS Senior Care – the leading  
provider of assisted living services in Western Switzerland  
Systematic continuation of Tertianum growth strategy



QUARTER  
**02**



Acquisition of Berne-based immoveris to strengthen Wincasa's market position in Central and Western Switzerland

immoveris®



Launch of convertible bond with volume of CHF 250.0 million



Elisabeth Bourqui and Markus Graf elected as new members of the Board of Directors of Swiss Prime Site AG



Jelmoli – The House of Brands opens doors to Switzerland's largest shoe department



QUARTER  
**03**



Opening of Switzerland's first budget design hotel from Motel One in Basel's city centre through successful conversion of an office property

Business operations

**+4**



Tertianum Group opens doors to four additional business operations



Swiss Prime Investment Foundation reaches total assets of more than CHF 1.0 billion in first financial year

CHF bn

**>1.0**



QUARTER  
**04**

Vacancy rate reduced to 6.1%  
(group level)

Acquisition of the rich-in-tradition  
«Gotthardgebäude» in Lucerne



Swiss Prime Site to open new  
location at Zurich Airport starting  
from 2019

Launch of straight bond with  
volume of CHF 250.0 million



Project presentation for  
conversion of Schönburg in  
Berne, with completion by  
end-2019



Conclusion of long-term rental  
agreement with anchor tenant  
for NZZ Site in Schlieren







CHF bn

# 10.1

**Real estate portfolio surpasses the  
CHF 10.0 billion threshold for the first time  
in the Company's history**

# FOREWORD

Dear Shareholders,

Swiss Prime Site increased operating income by 5.5% to CHF 1 049.5 million in the financial year 2016, thus achieving a further boost in earnings – as forecast. The fair value of the real estate portfolio traversed the CHF 10.0 billion threshold for the first time in the Company's history and was sustainably reinforced with highly profitable acquisitions. The real estate-related business fields exhibited robust earnings-related growth, contributing to the successful reporting year with roughly 56.8% of total operating income at the group level.

## **FORGING AHEAD WITH AND STRENGTHENING THE INNOVATIVE BUSINESS MODEL**

Swiss Prime Site promisingly positioned itself in the past financial year for realising future growth through setting a course aimed at acquisitions, organisation and strategy. In addition to staging a solid performance in the core real estate business, the Company also achieved key milestones in the real estate-related business fields.

## **REAL ESTATE PORTFOLIO FORMS THE FOUNDATION FOR RELIABLE EARNINGS**

Rental income from properties edged up by 1.6% to CHF 453.0 million as at 31 December 2016. This boost in earnings was attributable, among other factors, to a significant reduction in the vacancy rate, from 6.7% to 6.1% at the group level, amid an increasingly challenging market environment.

The real estate portfolio's net return amounted to 3.7% [3.9%]. The measures aimed at focusing on modernisation and redevelopments initiated already in previous years began to bear fruit in 2016, with the successful conversion and opening of Motel One in Basel/Freie Strasse 68. Motel One in Zurich/Brand-schenkestrasse 25 will open its doors in 2017. Additional properties in the existing real estate portfolio have been designated for future conversions, such as the NZZ Site in Schlieren, which is already placed on the market with a new anchor tenant. Swiss Prime Site has realised another property conversion achievement with the Schönburg/Berne project and its expected completion by the end of 2019.

The Company executed property acquisitions valued at CHF 257.3 million and carried out divestments of CHF 75.2 million in 2016. Profit from the divestment of properties amounted to a total of CHF 24.9 million, which exceeded the estimated fair value of the real estate by an average of 25.0%. With net investments of CHF 182.1 million in the transactions market, the new shareholders' equity of CHF 147.7 million from the converted bond was reinvested at a profit.

## **NEW BUILDINGS AND CONSTRUCTION PROJECTS PROCEEDING ACCORDING TO PLAN**

Swiss Prime Site's attractive project pipeline is focused on the significant economic centers of Switzerland. The project pipeline's total volume amounted to roughly CHF 2.0 billion at year-end, of which around CHF 1.5 billion and CHF 0.5 billion was attributed to short- and medium-term as well as long-term, respectively, development projects. The Assisted Living business field in particular enjoyed an acceleration in demand thanks to the demographic trend, which Swiss Prime Site addressed with corresponding development projects.

## **BUSINESS FIELDS EXHIBIT ROBUST GROWTH**

Swiss Prime Site's business fields continued to successfully develop further in 2016. The Wincasa and Tertianum group companies reported strong surges in their operating income versus the levels of 2015, respectively. The acquisitions of SENIOcare (2015) and BOAS Senior Care (2016) contributed to

Tertianum's improvement in earnings. The Jelmoli group company – which operates in the retail trade sector – achieved a solid operating income in line with the previous year's mark, despite the very challenging environment in the retail sector and missing sales on retail floor space that was, in some cases, unavailable due to investments. These business fields contributed a remarkable 33.7% in 2016. In addition, group-wide synergy potential was persistently and systematically exploited.

## **LOOKING TO THE FUTURE WITH SUSTAINABLE CORPORATE MANAGEMENT**

Swiss Prime Site reported on the group's commitment to sustainability for the first time in the Annual Report 2015. The group is taking one step further on the sustainability path in this Annual Report 2016 and reporting along the lines of the Global Reporting Initiative (GRI) standards for the first time. Swiss Prime Site's vast array of endeavours and activities in this field will be recorded in a comprehensive sustainability report in the future.

## **PROVEN STRATEGY PREVAILS**

Swiss Prime Site's strategy, with investment focal point aimed at high-quality properties situated in prime locations as well as active portfolio management, proved to be a success story in the reporting year anew. The investments carried out in recent years in the Assisted Living and Retail real estate-related business fields in addition to real estate services have broadened as well as optimised the earnings base.

## **COMPOSITION OF THE BOARD OF DIRECTORS**

Elisabeth Bourqui and Markus Graf were elected as new members of the Board of Directors of Swiss Prime Site AG at the Annual General Meeting of 2016. With the nomination of the two new Board members, the Board of Directors initiated the envisaged upgrade of the body for the coming years.

## **DIVIDEND POLICY**

In line with the solid operating results and continuity of an attractive dividend policy, the Board of Directors is proposing to the Annual General Meeting an unchanged distribution of CHF 3.70 per share – once again in the form of repayment from capital contribution reserves. The distribution corresponds to an attractive cash yield of 4.4%, based on the closing share price of CHF 83.35 at year-end.

We would like to thank all the employees, members of the Executive Board and Board of Directors for their services rendered, the shareholders for the trust they have placed in us and the tenants as well as clients for their valued partnership.



**HANS PETER WEHRLI**  
Chairman of the Board of Directors



**RENÉ ZAHND**  
Chief Executive Officer

# BOARD OF DIRECTORS AND EXECUTIVE BOARD

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## BOARD OF DIRECTORS

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**HANS PETER WEHRLI**

Prof. Dr. oec. publ.

Member since 29.04.2002

**Chairman**



**MARIO F. SERIS**

lic. phil. I

Member since 27.04.2005

**Vice-Chairman, Chairman of the Nomination and Compensation Committee, Member of the Investment Committee**



**ELISABETH BOURQUI**

Dr. sc. math. ETH Zurich;

Dipl. Math. ETH Zurich

Member since 12.04.2016

**Member of the Nomination and Compensation Committee**



**CHRISTOPHER  
M. CHAMBERS**

Member since 22.10.2009

**Member of the Audit Committee  
Member of the Nomination and Compensation Committee**



**MARKUS GRAF**

Member since 12.04.2016



**BERNHARD HAMMER**

Dr. iur., Attorney at Law and Notary

Member since 29.04.2002

**Chairman of the Investment Committee  
Member of the Audit Committee**



**RUDOLF HUBER**

Dr. oec. publ.

Member since 29.04.2002

**Chairman of the Audit Committee**



**KLAUS R. WECKEN**

Member since 22.10.2009

**Member of the Investment Committee**

..... **EXECUTIVE BOARD** .....



**RENÉ ZAHND**

Member since 01.11.2015  
**Chief Executive Officer**  
**of Swiss Prime Site AG**  
**Member of the Investment Committee**



**MARKUS MEIER**

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



**PETER LEHMANN**

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



**OLIVER HOFMANN**

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



**FRANCO SAVASTANO**

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

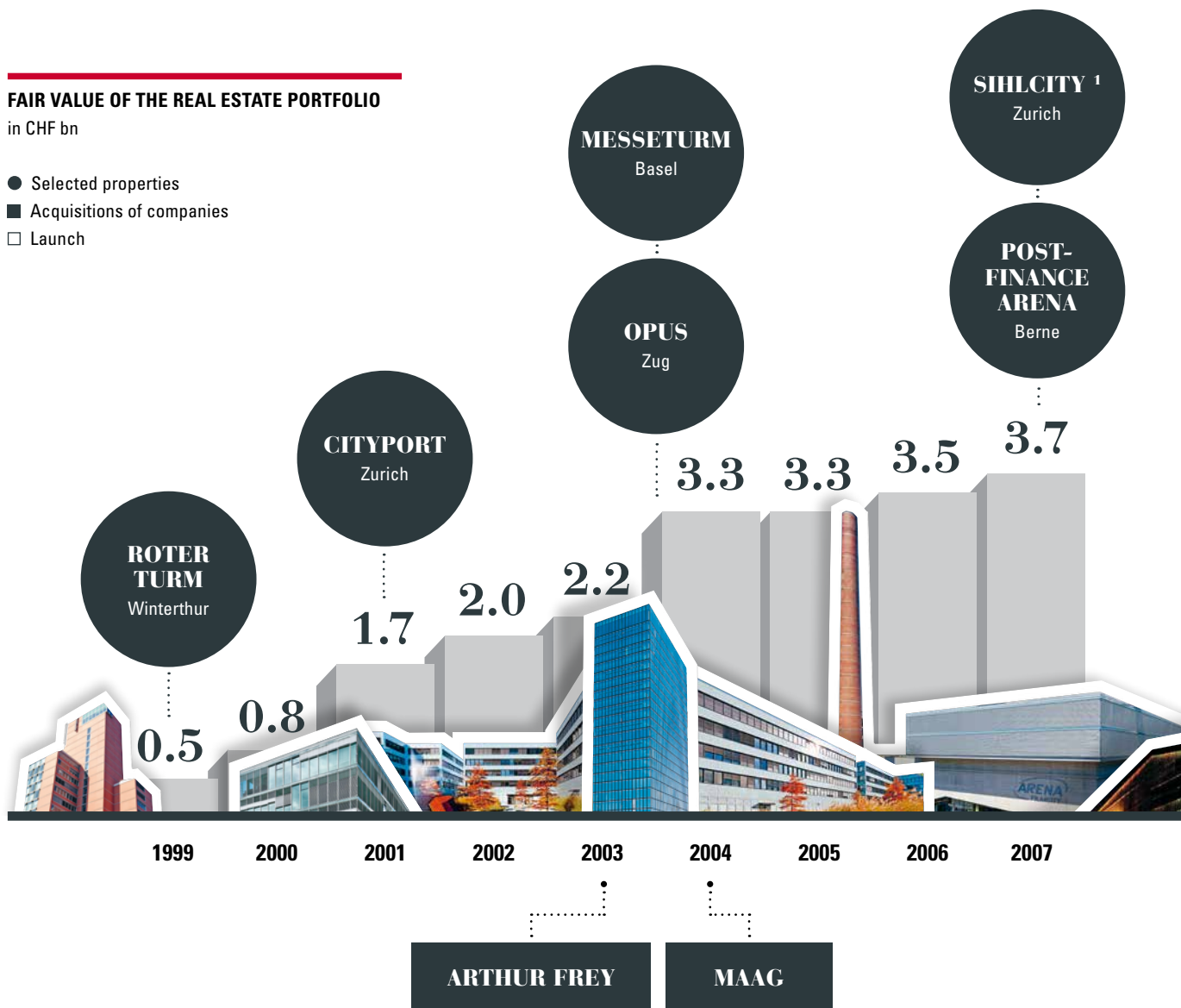


**LUCA STÄGER**  
Dr. oec.

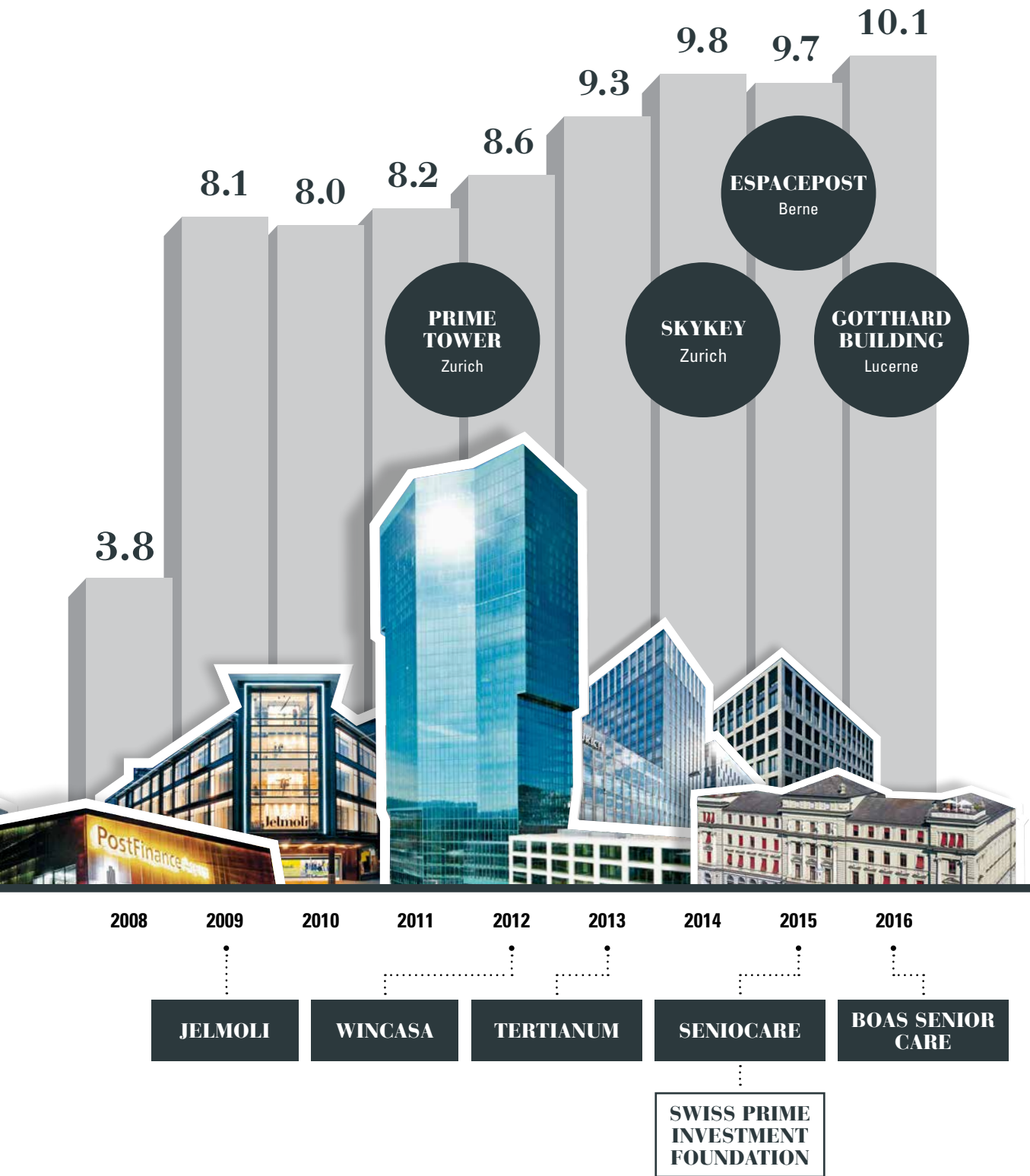
Member since 01.01.2014  
**Chief Executive Officer**  
**of Tertianum AG**

# SUCCESS STORY

Since the Company's listing on the Swiss stock exchange in 2000, Swiss Prime Site has successfully forged ahead with achieving growth at the group level with strategic acquisitions in the core business as well as in the real estate-related business fields.



<sup>1</sup> Swiss Prime Site share 24.2%



# STRATEGY

**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 acquisitions follow strict investment criteria. Investments in real estate-related business fields round out the strategic focus.**



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## **FOCUSING ON REAL ESTATE COMPETENCIES**

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

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## **OUTSOURCING OF SUPPORTING REAL ESTATE ACTIVITIES**

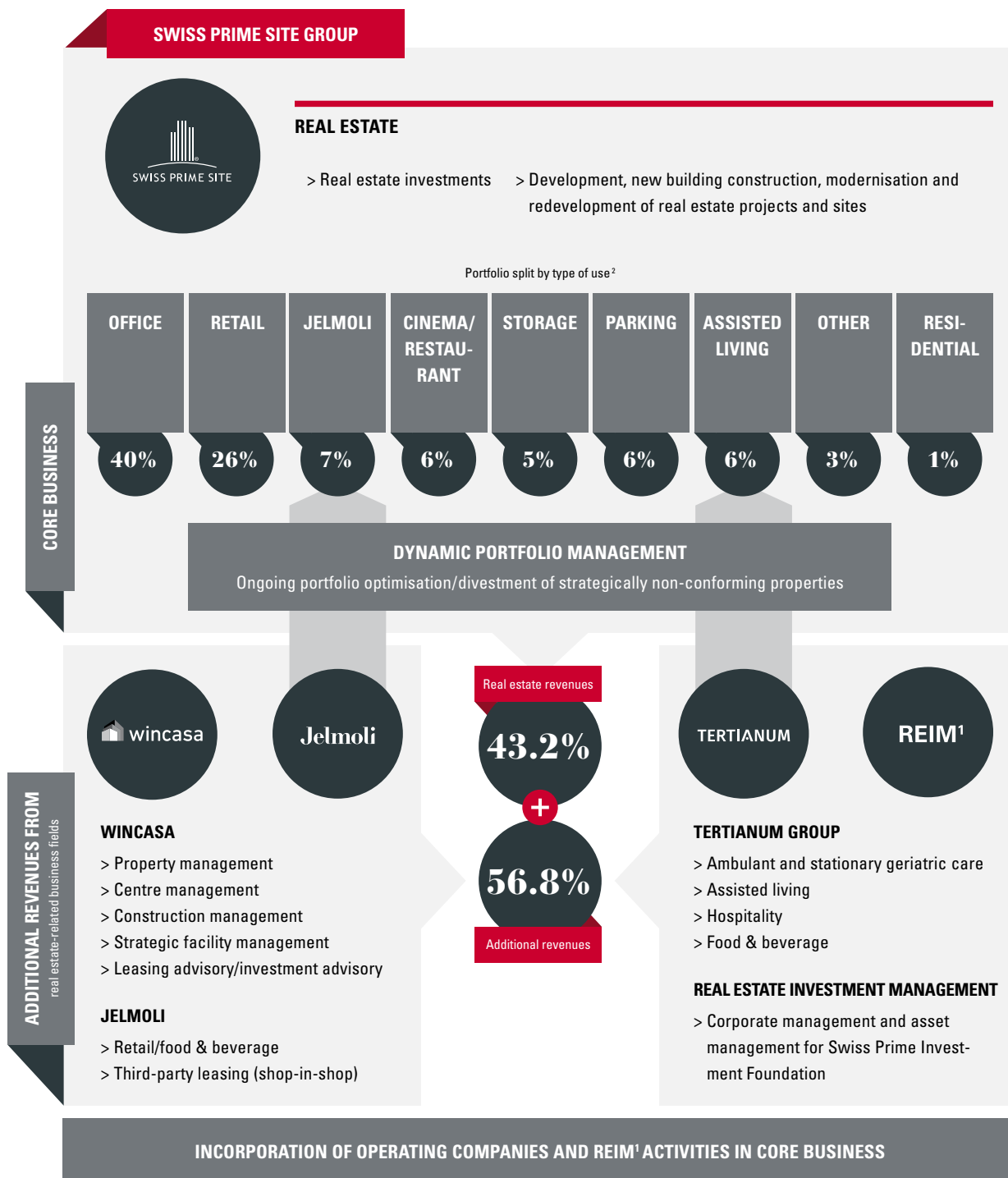
- > Construction
- > Asset/facility management
- > Property management
- > Construction services
- > Property valuations
- > Macroeconomic analyses

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations, primarily with commercially 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 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 REIM<sup>1</sup> activities.



<sup>1</sup> Real Estate Investment Management

<sup>2</sup> Basis: net rental income as at 31.12.2016, Real Estate business field

# FOCUS

**In this year's Strategy and Management Report, Swiss Prime Site directs focus on the Wincasa group company.**





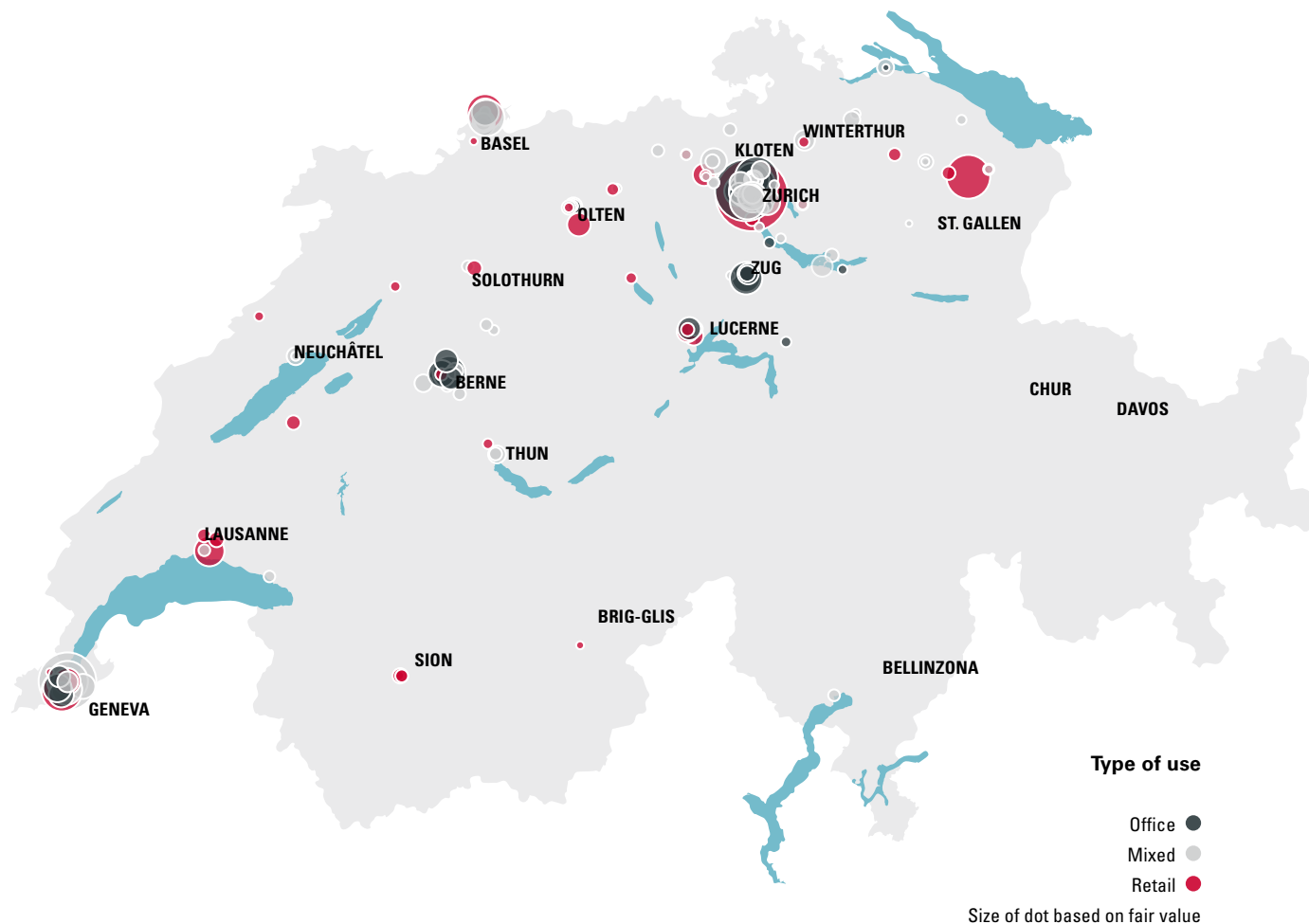
A person wearing a dark green jacket is standing on a stone path in a snowy landscape. The path is made of large, light-colored stones, and the surrounding area is covered in snow. The person's arms are crossed, and they are looking towards the right. The background shows a blurred view of a snowy field and some trees.

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# REAL ESTATE PORTFOLIO

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# OVERVIEW AND KEY FIGURES



## ZURICH REGION

Fair value	CHF 4 035.9 million
Rental income	CHF 150.7 million
Yield	3.5%
Floor space	496 358 m <sup>2</sup>
Vacancy rate	6.0%

## BERNE REGION

Fair value	CHF 845.2 million
Rental income	CHF 43.4 million
Yield	4.4%
Floor space	224 789 m <sup>2</sup>
Vacancy rate	4.1%

## GENEVA REGION

Fair value	CHF 2 112.0 million
Rental income	CHF 89.5 million
Yield	3.5%
Floor space	247 971 m <sup>2</sup>
Vacancy rate	5.2%

## NORTHWESTERN SWITZERLAND

Fair value	CHF 1 375.7 million
Rental income	CHF 66.5 million
Yield	3.9%
Floor space	285 015 m <sup>2</sup>
Vacancy rate	11.4%

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

KEY DATA

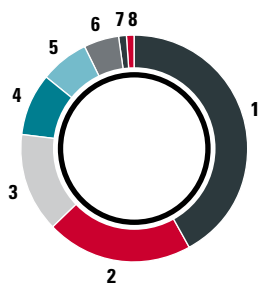
	in	2012	2013	2014	2015	2016	Change to prior year in %
Fair value of real estate portfolio	CHF m	8 600.3	9 339.5	9 785.0	9 686.6	<b>10 092.1</b>	4.2
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Number of properties	number	188	193	190	182	<b>184</b>	1.1
of which new building projects	number	5	7	6	4	<b>7</b>	75.0
Rental floor space <sup>1</sup>	m <sup>2</sup>	1 492 442	1 525 493	1 620 131	1 455 126	<b>1 501 243</b>	3.2
Rental income (group)	CHF m	408.8	420.1	443.1	445.9	<b>453.0</b>	1.6
Vacancy rate	%	5.0	6.4	6.6	6.7	<b>6.1</b>	-9.0
Net property yield	%	4.5	4.2	4.1	3.9	<b>3.7</b>	-5.1

<sup>1</sup> excluding parking places/car parks

PORTFOLIO SPLIT BY REGION

Basis: fair value as at 31.12.2016

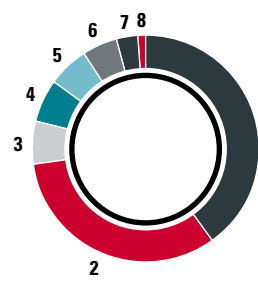
1 Zurich	42%	[42%]
2 Geneva	21%	[22%]
3 Northwestern Switzerland	14%	[14%]
4 Berne	9%	[9%]
5 Central Switzerland	7%	[5%]
6 Eastern Switzerland	5%	[6%]
7 Southern Switzerland	1%	[1%]
8 Western Switzerland	1%	[1%]



PORTFOLIO SPLIT BY TYPE OF USE<sup>1</sup>

Basis: net rental income as at 31.12.2016

1 Office	40%	[39%]
2 Retail	33%	[34%]
3 Assisted living	6%	[6%]
4 Cinema/restaurant	6%	[6%]
5 Parking	6%	[6%]
6 Storage	5%	[5%]
7 Other	3%	[3%]
8 Residential	1%	[1%]

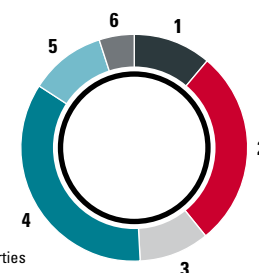


<sup>1</sup> Real Estate business field

RENTAL FLOOR SPACE BY AGE CATEGORY<sup>1</sup>

(year of construction/renovation)

1 2011–2016	11%
2 2001–2010	28%
3 1991–2000	10%
4 1951–1990	35%
5 1901–1950	11%
6 Older than 1900	5%

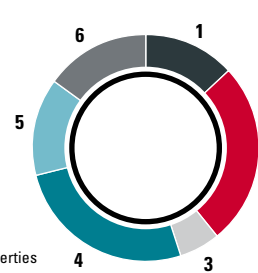


<sup>1</sup> excluding development properties, properties under construction and building land

FAIR VALUE BY AGE CATEGORY<sup>1</sup>

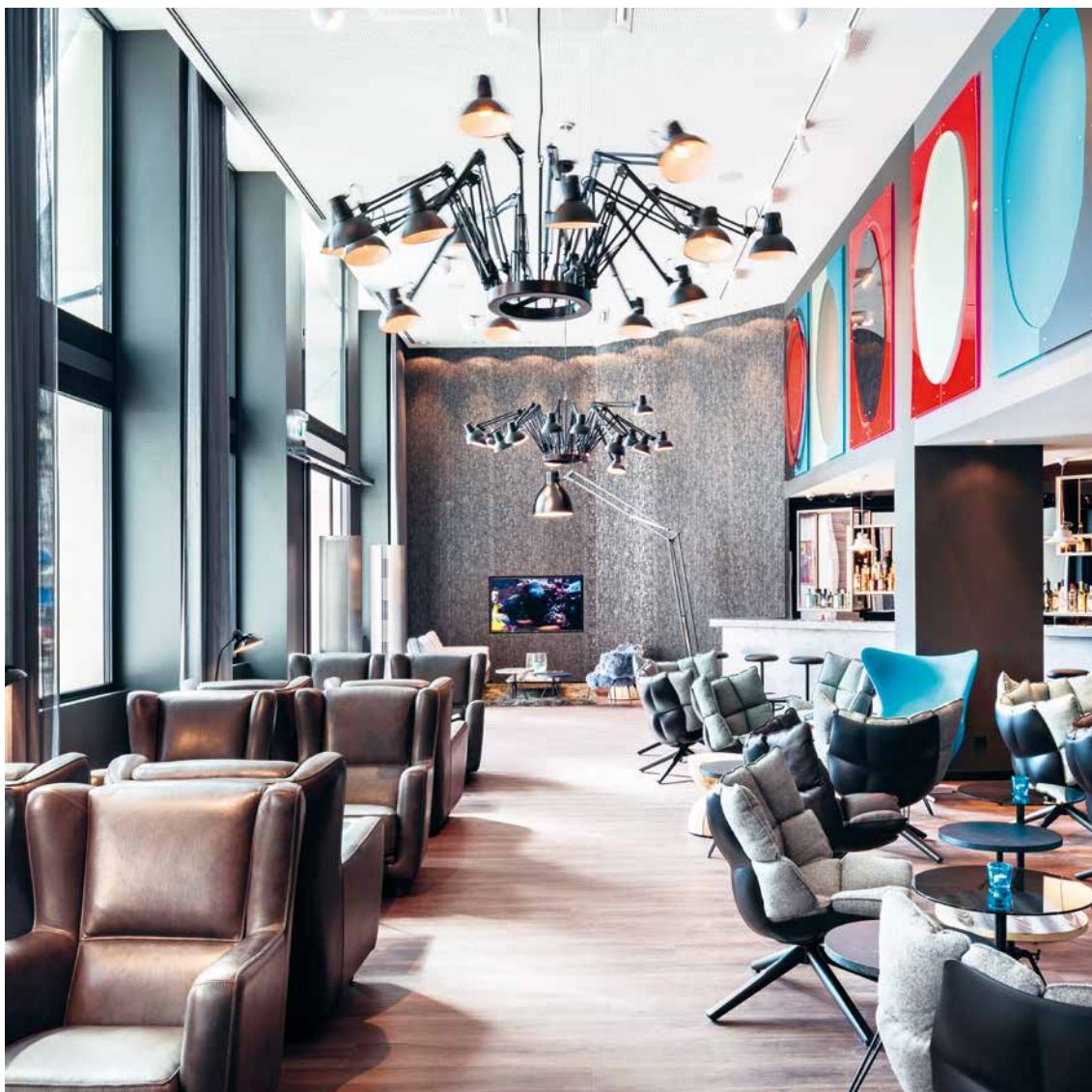
(year of construction/renovation)

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%



<sup>1</sup> excluding development properties, properties under construction and building land

# MOTEL ONE, BASEL



## FACTS AND FIGURES

The ideal partner was found for conversion of the former floor space into a hotel, with Germany-based budget design hotel group Motel One. The 147 rooms were constructed in the period from April 2015 to June 2016 for roughly CHF 22.0 million.

**FAIR VALUE**  
in CHF m

**68.4**

**FLOOR SPACE**  
in m<sup>2</sup>

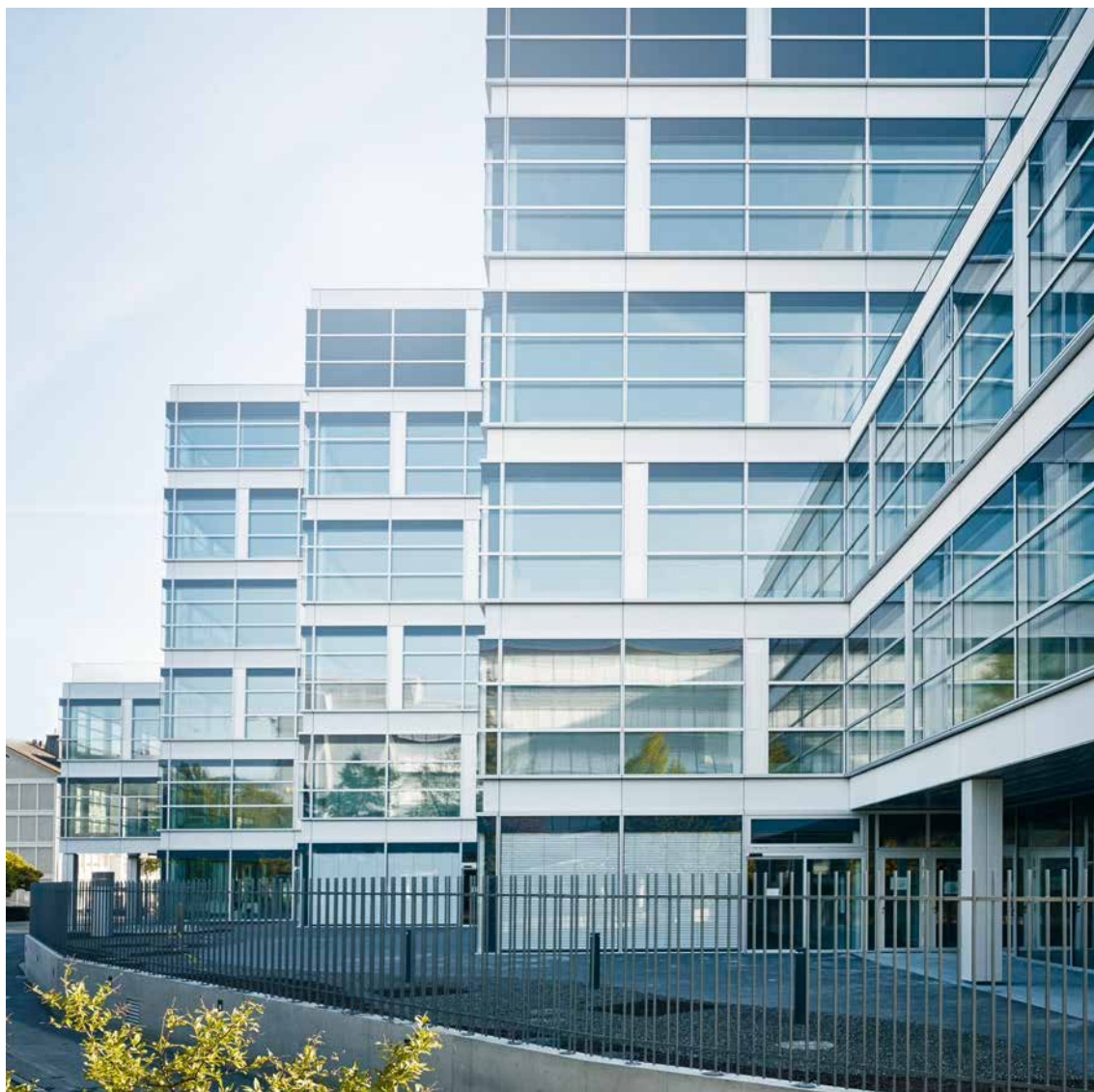
**7 504**

<b>Address</b>	Freie Strasse 68, Basel
<b>Fair value</b>	CHF 68.4 million
<b>Construction date</b>	2016
<b>Floor space</b>	7 504 m <sup>2</sup>
<b>Use</b>	Hotel and retail
<b>Investment</b>	CHF 22.0 million





# MEDIENPARK, ZURICH



## FACTS AND FIGURES

Extensive modernisation of the commercial building from the 1970s was completed at the outset of 2016. The renovated property registers an occupancy rate of more than 90.0% (offices) as at end-2016. In addition to a high degree of tenant and user friendliness, Medienpark also offers a direct connection to public transportation.

### FAIR VALUE

in CHF m

**145.3**

### FLOOR SPACE

in m<sup>2</sup>

**24 244**

<b>Address</b>	Flurstrasse 55, Zurich
<b>Fair value</b>	CHF 145.3 million
<b>Construction date</b>	2015 total renovation
<b>Floor space</b>	24 244 m <sup>2</sup>
<b>Use</b>	Commercial building
<b>Investment</b>	CHF 69.0 million



# DEVELOPMENT PROJECTS



## ETZELGUT, ZURICH

Etzelstrasse 14

<b>Investment volume</b>	approx. CHF 13.0 million
<b>Project idea</b>	Reconstruction
<b>Floor space</b>	2 135 m <sup>2</sup>
<b>Use</b>	Geriatric care facility with dementia department
<b>Planned construction period</b>	2016–2017

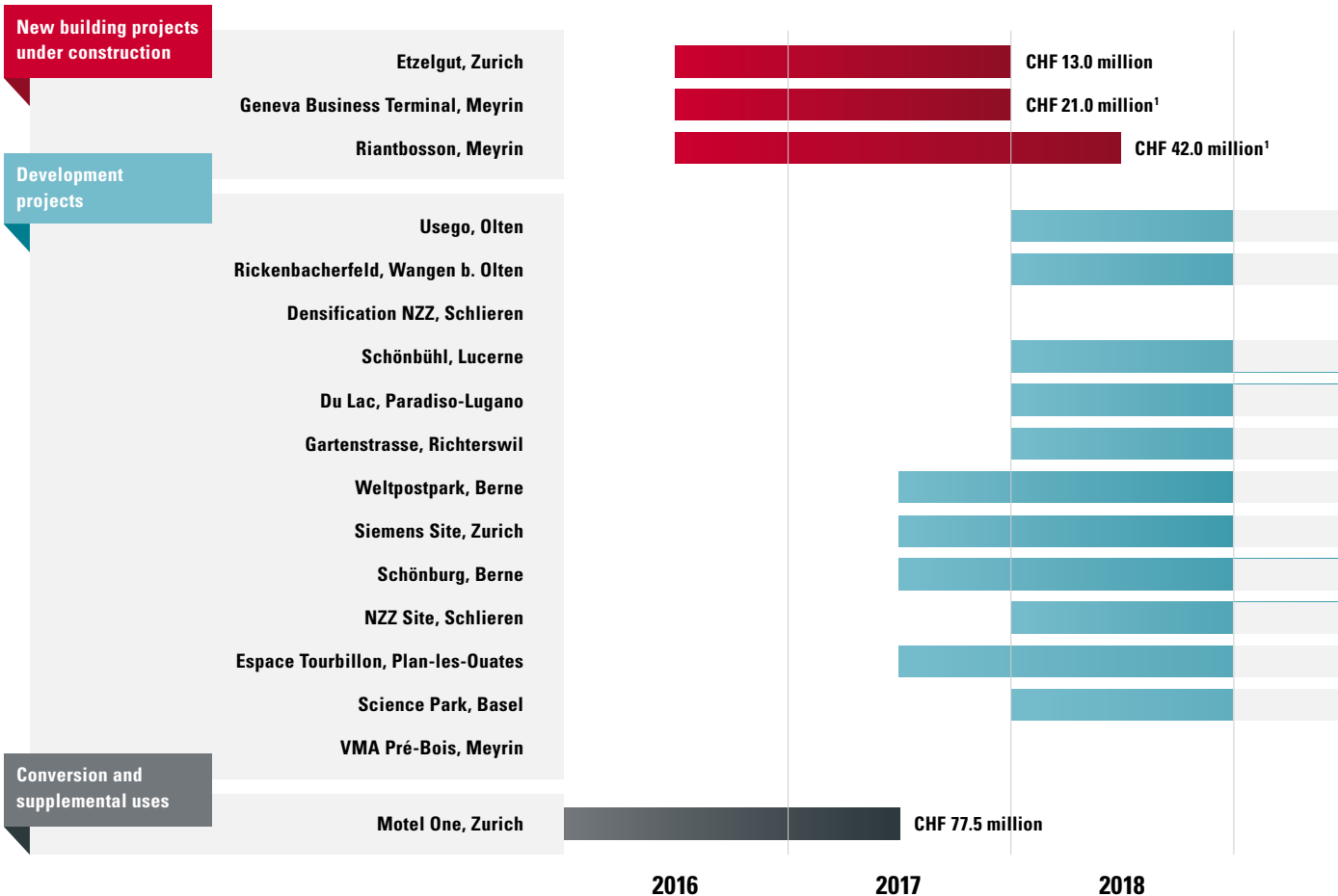


## MOTEL ONE, ZURICH

Brandschenkestrasse 25

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

## PROJECT PIPELINE INVESTMENTS



Swiss Prime Site AG estimates

<sup>1</sup> including land

<sup>2</sup> including hotel



**GENEVA BUSINESS TERMINAL, MEYRIN**

Route de Pré-Bois 16

<b>Investment volume</b>	approx. CHF 21.0 million (including land)
<b>Project idea</b>	Reconstruction
<b>Floor space</b>	2900 m <sup>2</sup>
<b>Use</b>	Commercial building
<b>Planned construction period</b>	2016–2017

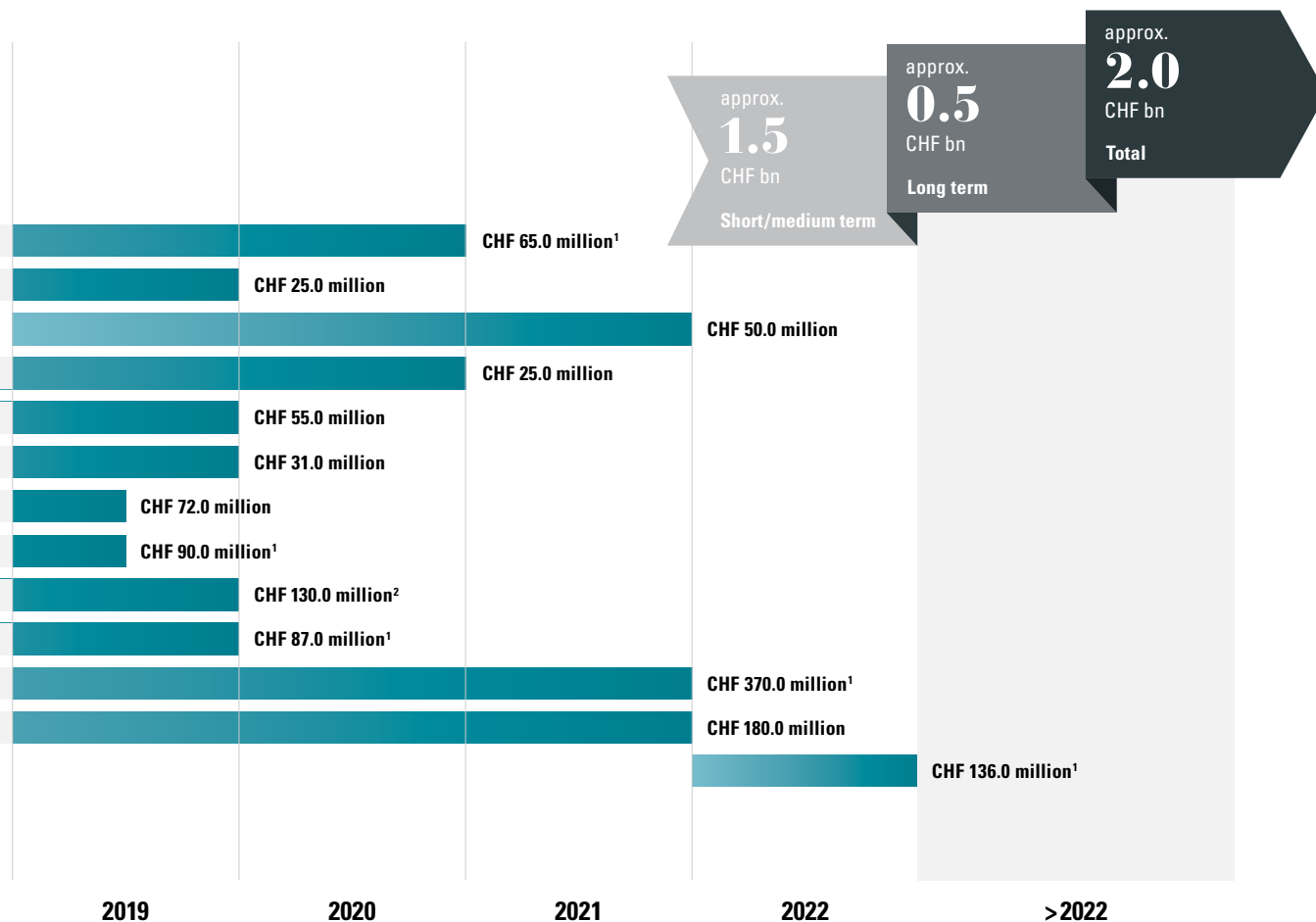


**RIANTBOSSON, MEYRIN**

Avenue de Mategnin

<b>Investment volume</b>	approx. CHF 42.0 million (including land)
<b>Project idea</b>	New building
<b>Floor space</b>	6500 m <sup>2</sup>
<b>Use</b>	Commercial building
<b>Planned construction period</b>	2016–2018

**PROJECT PIPELINE INVESTMENTS**





### NZZ SITE, SCHLIEREN

Zürcherstrasse 39

The development strategy for the former NZZ printing facility envisages converting the industrially characterised existing building structure into a platform for education and culture, collaboration as well as science and information transfer. The versatile property reveals how an actual B2B brand with the sophistication of communities of business intelligence can be developed from the commercial site. The prominent property can also generate revenues from rental floor space as well as revenues from other areas of use.

<b>Investment volume</b>	approx. CHF 87.0 million (including land)
<b>Project idea</b>	Phase I – conversion of existing property
<b>Floor space</b>	approx. 25 000 m <sup>2</sup>
<b>Use</b>	Education, entrepreneurship, start-ups, innovators
<b>Planned construction period</b>	2018–2019



### ESPACE TOURBILLON, PLAN-LES-OUATES

Chemin des Aulx

A new commercial development project is being constructed in Plan-les-Ouates on Swiss Prime Site building land. 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, an application for modification has been submitted and the total contractor has already been designated.

<b>Investment volume</b>	approx. CHF 370.0 million (including land)
<b>Project idea</b>	Commercial project on company building land
<b>Floor space</b>	80 000 m <sup>2</sup>
<b>Use</b>	Commercial, industrial, services
<b>Planned construction period</b>	2017–2021



### SCIENCE PARK, BASEL

Hochbergerstrasse 60

The total area comprises space of 22 863 m<sup>2</sup>. The property is part of the «Business Park» site and is situated in «Kleinbasel West» in an ideally developed location in terms of infrastructure. An additional 27 000 m<sup>2</sup> of office and laboratory floor space can be constructed on the development reserves near the existing Business Park. Construction will take place in phases.

<b>Investment volume</b>	approx. CHF 180.0 million
<b>Project idea</b>	Expansion of Science Park
<b>Floor space</b>	approx. 27 000 m <sup>2</sup>
<b>Use</b>	Office/laboratory
<b>Planned construction period</b>	2017–2021



### SCHÖNBURG, BERNE

Viktoriastrasse 21

Total modification of a prominently located office complex – situated in an exceptional panoramic position overlooking Berne's Old Town – into sophisticated rental apartments with a business hotel set in the north wing, as well as retail floor space and fitness facilities. The building permit was issued in February 2017.

<b>Investment volume</b>	approx. CHF 130.0 million (including hotel)
<b>Project idea</b>	Major conversion to residential building
<b>Floor space</b>	23 000 m <sup>2</sup>
<b>Use</b>	Residential, hotel, retail, fitness
<b>Planned construction period</b>	2017–2019



**SIEMENS SITE, ZURICH**

Albisriederstrasse 203

The development project interprets the atmosphere and value of highly flexible, vibrant and ambient space in an intelligent and impressive way. Floor space will be constructed and offered to small-, medium- and large-scale service providers and business owners that set new standards within a versatile-use building structure based on impression, flexibility and simplicity.

<b>Investment volume</b>	approx. CHF 90.0 million (including land)
<b>Project idea</b>	New building
<b>Floor space</b>	15 000–20 000 m <sup>2</sup> (variable)
<b>Use</b>	Services & commercial (variable)
<b>Planned construction period</b>	2018–2019



**VMA PRÉ-BOIS, MEYRIN**

Route de Pré-Bois

Swiss Prime Site owns plots of building land comprising roughly 9 000 m<sup>2</sup> situated in an ideally infrastructurally developed location. The development potential of the land will be realised together with the neighbouring land owner, paving the way for construction projects for retail and services buildings as well as a hotel after 2020.

<b>Investment volume</b>	approx. CHF 136.0 million (including land)
<b>Project idea</b>	Major commercial building complex
<b>Floor space</b>	25 000 m <sup>2</sup>
<b>Use</b>	Services, retail, hotel
<b>Planned construction period</b>	2022 or later



**WELTPOSTPARK, BERNE**

Weltpoststrasse 1–3

The high-quality residential superstructure comprises 173 apartments and is proportionally divided into one-third each of condominiums, rental apartments and inexpensive residential units. Voters approved the ordinance for the superstructure’s construction in November 2016, and the building permit should be issued in March 2017.

<b>Investment volume</b>	approx. CHF 72.0 million (land lease plot)
<b>Project idea</b>	Residential complex with share of condominiums
<b>Floor space</b>	14 200 m <sup>2</sup>
<b>Use</b>	Residential, partially commercial
<b>Planned construction period</b>	2017–2019





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# MANAGEMENT REPORT

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# ENVIRONMENT AND INFLUENCING FACTORS

**The Swiss economy painted a picture of a solid state of health in 2016. The real estate market also benefited anew from the continuation of the «soft landing» that emerged already in the previous year. As a high-yielding real estate stock, Swiss Prime Site and its investors continued to reap benefits from the prevailing negative interest rate environment in the financial year 2016.**

## ECONOMIC ENVIRONMENT

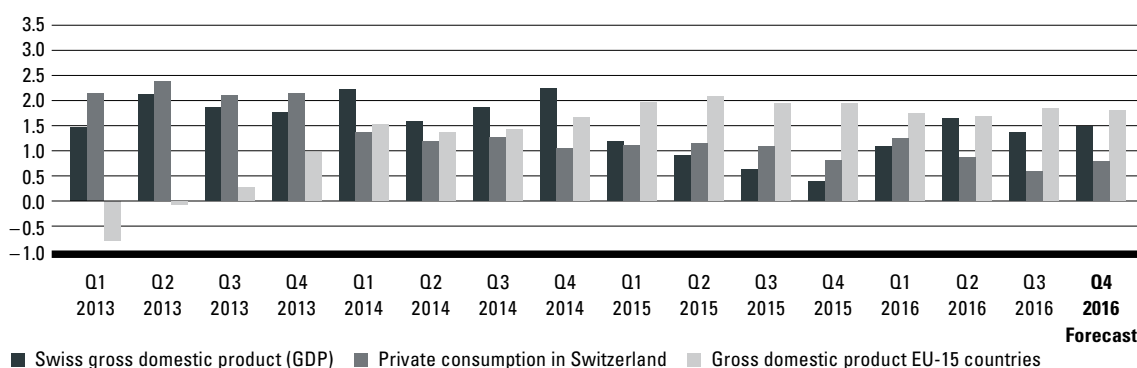
The real estate market trend in 2016 was driven by solid economic recovery as well as a persistently negative interest rate climate. The Swiss economy already successfully surmounted the effects of the shock from lifting the minimum currency exchange rate in the previous year, realising a real growth rate of 1.5% in 2016 according to estimates by Credit Suisse economists. The economic recovery in Switzerland was underpinned across a broad base. All the demand components of gross domestic product (GDP) – consumption, net exports, investment in construction and equipment – should have provided a positive contribution to economic growth. Real consumer spending on the part of private households was underpinned by the prevailing still robust – albeit just slightly diminishing – immigration rate. However, the situation in the retail trade sector remained tense, and real retail sales lost ground by nearly 3.0% in 2016. On the other hand, exports picked up momentum and continued to exhibit renewed stronger growth. Investment in construction and equipment also showed mounting momentum. The trend on the labour market remained constant with an unemployment rate of 3.3%, while inflation is still hovering at a slightly negative level.

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 European economy continues to exhibit a stable trend and underpins the economic situation in Switzerland.

The persistently negative interest rate environment in Switzerland constituted another significant factor for the trend in real estate stocks. Amid such an environment, real estate investments remain the focus of investors' attention.

## YEAR-ON-YEAR GROWTH RATES

in %



Source: Credit Suisse, Thomson Datastream

# INFLUENCING FACTORS AND EFFECTS

## REAL ESTATE

### REAL ESTATE INVESTMENTS

#### Office properties

- > Floor space expansion is diminishing and increasingly coupling with effective demand
- > Vacancy management is becoming a key issue
- > Solid demand for A locations continues to persist
- > Vacancies are increasing for inefficient properties
- > The number of modernisation and modification projects for existing properties is growing

#### Retail properties

- > A locations in first-class urban areas remain attractive
- > B and C locations are facing declining rents and an increasingly more difficult situation, especially in small towns
- > Demand is robust for floor space in ideally located shopping centres with a sustainably diversified offering
- > Shopping tourism is hovering at an elevated level
- > The market share of online trade is steadily growing

### REAL ESTATE SERVICES

- > The degree of digitalisation in the sector is mounting, leading to disruptive developments
- > Conversion of «smart data» to revenues
- > Outsourcing of property and facility management activities continues
- > Demand for residential space is strongly dependent on immigration, changes in demographic structure, lifestyle and real disposable incomes
- > Increasing complexity from owners' perspective
- > Shrinking supply of requisite human resources and skills (more intensive «war for talent»)

## RETAIL

- > Growing digitalisation and mounting e- and m-commerce
- > Increase in omni-channel concepts prevails
- > Specialisation coupled with excellent services components provide differentiation potential
- > «Shoppertainment» is gaining significance
- > Pronounced emotionalism of products/brands
- > Retail sales are stagnating (non-food)
- > Cost management is becoming a key control element
- > International department store concepts harbour a promising future (multi-brand shopping destinations)

## ASSISTED LIVING

- > The ageing of society is boosting demand
- > «Geriatric care services» are becoming a differentiating feature
- > Focus is being directed at centrally situated, well-developed locations
- > Personnel development and management are key components of success
- > Regulatory requirements are still tightening and restrictive approval practices are becoming a real challenge
- > Financing problems at the community level are creating more potential for private public partnership (PPP) models
- > Demand for residential property with affordable supplemental services is growing
- > Newcomers are entering the healthcare services provider market

# 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 6.0 billion, as well as an average annual share price performance of 7.8% since its initial public offering (IPO).**

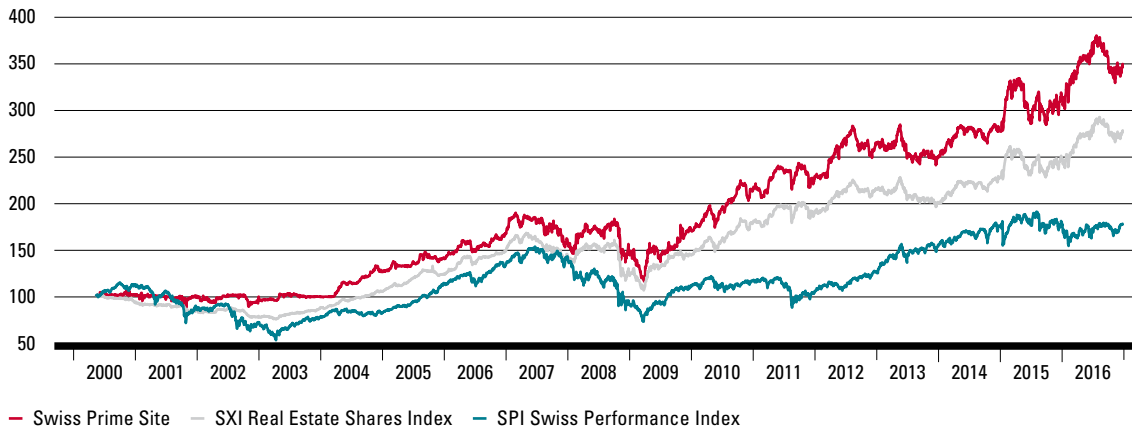
## SHARE

The Swiss Prime Site AG share's closing price on 31 December 2016 was CHF 83.35 [the closing share price as at 31 December 2015 was CHF 78.50 and the distribution on 19 April 2016 was CHF 3.70 per share]. The resulting performance (total return) of the share amounted to +10.9% in 2016 [+13.7%]. The stock's relative performance therefore fell slightly short of the benchmark index SXI Real Estate Shares Index (+11.7%) but noticeably outperformed the SPI Swiss Performance Index (-1.4%).

The share price reached its peak of CHF 90.65 on 26 July 2016 and hit its lowest point of CHF 74.95 on 21 January 2016. The average daily trading volume in 2016 amounted to CHF 13.8 million [CHF 14.5 million].

## PERFORMANCE OF SWISS PRIME SITE SHARE SINCE IPO

from 05.04.2000 to 31.12.2016 (indexed)

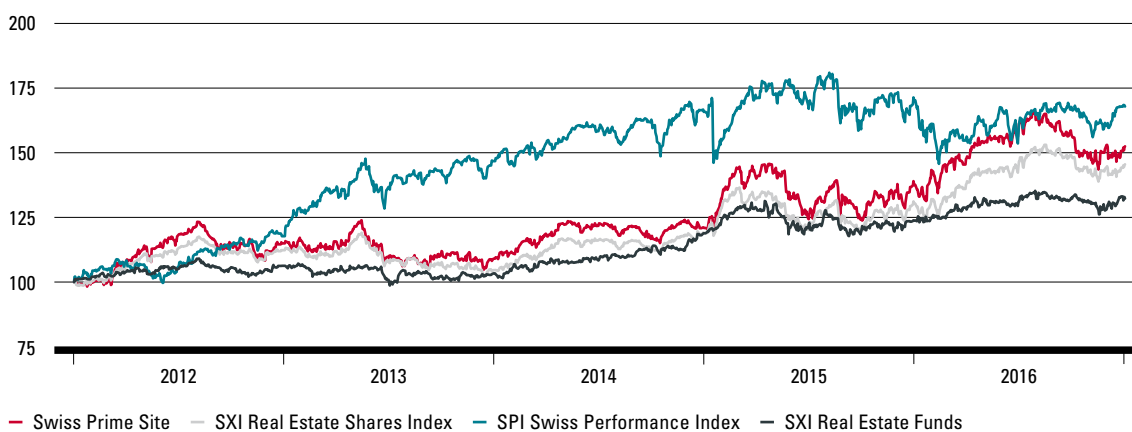


Source: Credit Suisse, Thomson Datastream

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 +6.3% and +3.5%, respectively. Hence, the performance of the Swiss Prime Site share of +7.8% noticeably beat the two benchmark indices.

**PERFORMANCE OF SWISS PRIME SITE SHARE IN THE LAST FIVE YEARS**

from 01.01.2012 to 31.12.2016 (indexed)

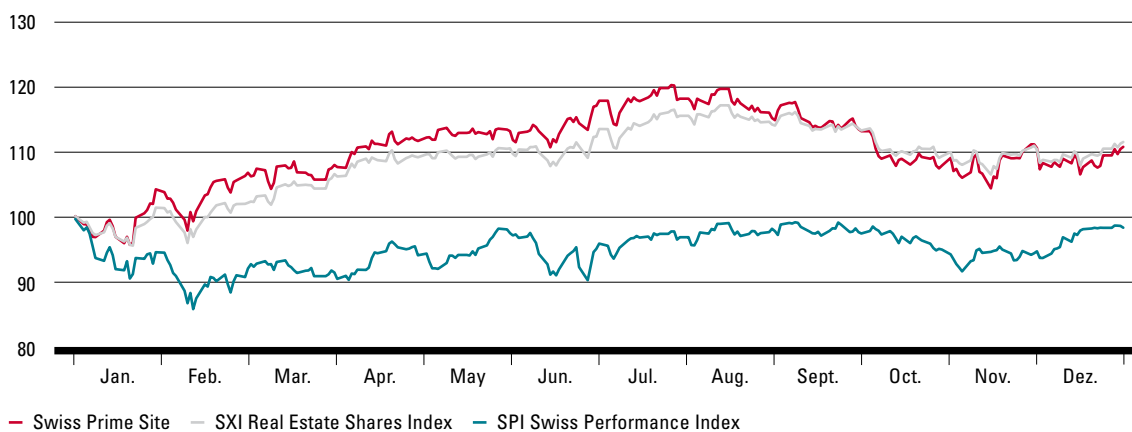


Source: Credit Suisse, Thomson Datastream

In a five-year annual comparison, the Swiss Prime Site share turned in a performance of +52.4%, thus outperforming the benchmark indices SXI Real Estate Shares Index (+45.5%) and SXI Real Estate Funds Index (+32.3%).

**PERFORMANCE OF SWISS PRIME SITE SHARE IN 2016<sup>1</sup>**

from 01.01.2016 to 31.12.2016 (indexed)



Source: Credit Suisse, Thomson Datastream

<sup>1</sup> closing price 31.12.2016: CHF 83.35/maximum: CHF 90.65 (26.07.2016)/minimum: CHF 74.95 (21.01.2016)

## KEY FIGURES PER SHARE

Data per share	in	2012	2013	2014	2015	2016	Change to prior year in %
Share capital	CHF m	918.2	925.7	930.6	1 065.7	<b>1 093.6</b>	2.6
Nominal value per share	CHF	15.30	15.30	15.30	15.30	<b>15.30</b>	–
Shares issued	number	60 011 611	60 503 081	60 820 602	69 651 534	<b>71 478 917</b>	2.6
Treasury shares	number	– 4 828	– 18 916	– 2 682	– 2 780	<b>– 1 336</b>	– 51.9
Average treasury shares held	number	– 4 369	– 5 847	– 6 458	– 6 506	<b>– 2 098</b>	– 67.8
Average outstanding shares	number	54 873 552	60 368 821	60 512 651	67 127 792	<b>70 781 230</b>	5.4
Outstanding shares	number	60 006 783	60 484 165	60 817 920	69 648 754	<b>71 477 581</b>	2.6

## Key figures per share

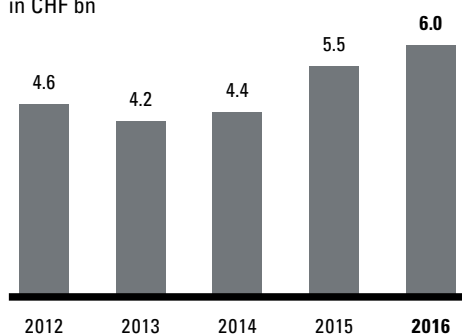
Earnings per share (EPS)	CHF	5.67	5.70	4.72	5.30	<b>4.41</b>	– 16.8
Earnings per share excluding revaluation effects	CHF	3.61	3.69	3.90	4.20	<b>4.04</b>	– 3.8
NAV per share after deferred taxes	CHF	65.22	67.91	69.06	71.15	<b>72.43</b>	1.8
NAV per share before deferred taxes	CHF	78.62	82.65	84.77	85.83	<b>87.24</b>	1.6
Distribution per share	CHF	3.60	3.60	3.70	3.70	<b>3.70<sup>1</sup></b>	–
Cash yield <sup>2</sup>	%	4.7	5.2	5.1	4.7	<b>4.4<sup>1</sup></b>	– 6.4
Share price as at balance sheet date	CHF	76.35	69.05	73.00	78.50	<b>83.35</b>	6.2
Share price, highest	CHF	82.95	78.45	76.00	87.80	<b>90.65</b>	3.2
Share price, lowest	CHF	69.30	66.35	68.95	70.65	<b>74.95</b>	6.1
Premium	%	17.1	1.7	5.7	10.3	<b>15.1</b>	46.6
Average trading volume per day	CHF m	11.5	8.3	8.6	14.5	<b>13.8</b>	– 4.8
Market capitalisation	CHF m	4 581.9	4 177.7	4 439.9	5 467.6	<b>5 957.8</b>	9.0

<sup>1</sup> according to proposal to Annual General Meeting of 11.04.2017

<sup>2</sup> based on year-end closing price

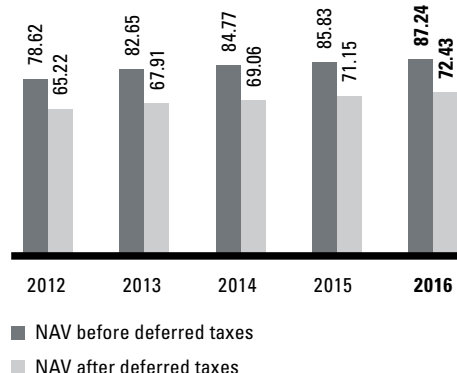
## MARKET CAPITALISATION

in CHF bn



## NAV PER SHARE

in CHF



## Market capitalisation

Market capitalisation amounted to roughly CHF 6.0 billion on 31 December 2016 [CHF 5.5 billion], corresponding to an increase of 9.0%. Market capitalisation is calculated based on the number of shares issued at year-end of 71 478 917 [69 651 534] and the closing share price of CHF 83.35 [CHF 78.50]. The number of shares has increased since 2012 from 60 011 611 to 71 478 917 as at the balance sheet date. In the reporting year, share capital grew by 1 827 383 shares or by CHF 28.0 million through conversions of the CHF 190.35 million convertible bond.

### NAV per share

Net asset value (NAV) per share before deferred taxes edged up by 1.6% from CHF 85.83 to CHF 87.24. NAV after deferred taxes rose by 1.8% from CHF 71.15 to CHF 72.43. Based on the closing share price, this resulted in a premium of 15.1% [10.3%].

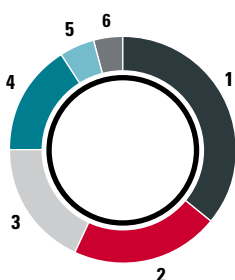
### Shareholder structure

As at the balance sheet date, around 66% [66%] of the issued 71 478 917 [69 651 534] shares were registered. Shares pending registration of transfer remained constant at 34% [34%]. Roughly 95% [94%] of the registered shareholders held less than 5 000 shares, 4% [5%] held between 5 001 and 50 000 shares, and 1% [1%] held a stake of more than 50 001 shares. About 71% [73%] 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

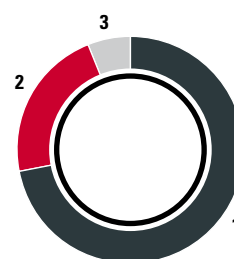
1 Legal entities	36%	[34%]
2 Pension funds	21%	[22%]
3 Funds	18%	[18%]
4 Natural persons	16%	[17%]
5 Other	5%	[5%]
6 Insurance companies	4%	[4%]



#### SHAREHOLDER STRUCTURE BY COUNTRY

registered shares

1 Switzerland	71%	[73%]
2 Europe (excluding Switzerland)	23%	[21%]
3 Other countries	6%	[6%]



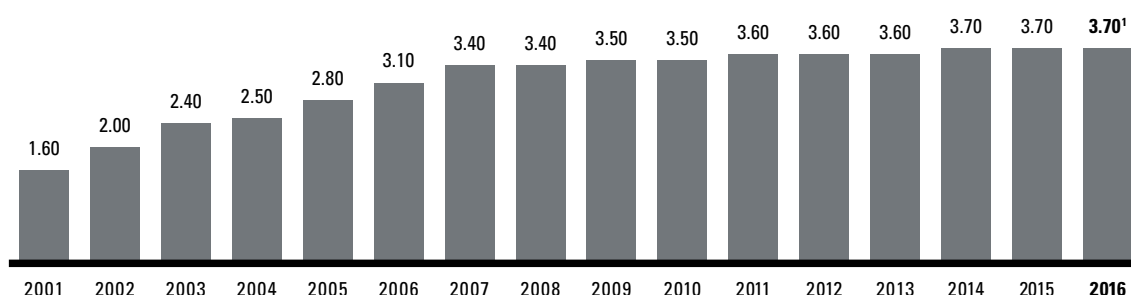
### Dividend policy and distribution

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 their 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 11 April 2017 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 4.4%, based on the closing share price of CHF 83.35 at year-end.

#### DISTRIBUTION PER SHARE

in CHF

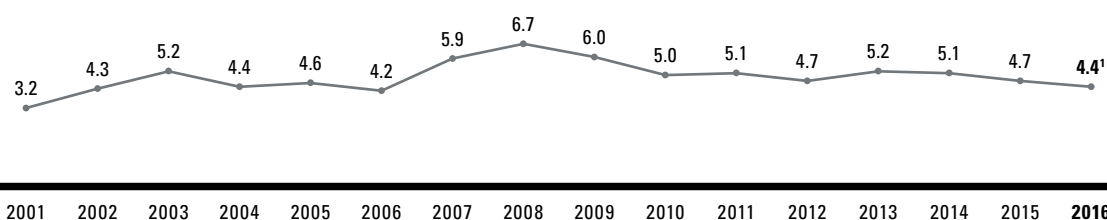


<sup>1</sup> according to proposal to Annual General Meeting of 11.04.2017

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 2016. The cash yield has hovered between 3.2% and 6.7% in the same period.

## CASH YIELD

in %



<sup>1</sup> according to proposal to Annual General Meeting of 11.04.2017

## BONDS

As at the balance sheet date, Swiss Prime Site held one outstanding convertible bond successfully placed on the capital market, with an issue volume of CHF 250.0 million. Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time.

In addition, Swiss Prime Site holds six outstanding bonds with issue volumes of CHF 100.0 million, CHF 115.0 million, CHF 200.0 million, CHF 230.0 million, CHF 250.0 million and CHF 300.0 million. The CHF 250.0 million bond was successfully placed on the capital market in the reporting year. The terms to maturity amount to between five and ten years, and the interest rates vary between 0.5% 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	2023
Issuing volume	CHF m	190.35	250.0
Nominal value as at balance sheet date	CHF m	–	250.0
Conversions during reporting period	CHF m	149.65	–
Number of converted shares during reporting period	number	1 827 383	–
Conversion price	CHF	81.89	105.38
Interest rate	%	1.875	0.25
Term to maturity	years	5	7
Maturity	date	21.06.2016	16.06.2023
Securities number		13 119 623 (SPS11)	32 811 156 (SPS16)
ISIN number		CH0131196237	CH0328111569
Stock exchange price as at 31.12.2016	%	0.00	99.30

Straight bonds	in	2018	2019	2020	2021	2024	2025
Issuing volume	CHF m	115.0	200.0	230.0	300.0	100.0	250.0
Interest rate	%	1.125	1.0	2.0	1.75	2.0	0.5
Term to maturity	years	5	5	7	7	10	9
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021	10.12.2024	03.11.2025
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	25 704 217 (SPS142)	33 764 553 (SPS161)
ISIN number		CH0215645661	CH0257042165	CH0215650737	CH0234274493	CH0257042173	CH0337645532
Stock exchange price as at 31.12.2016	%	101.80	102.35	106.50	105.85	110.00	98.85



# GROUP BUSINESS PERFORMANCE

**Swiss Prime Site successfully forged ahead with its sustainable growth strategy in the core real estate business and real estate-related business fields in the reporting year 2016.**

## GENERAL HIGHLIGHTS OF SWISS PRIME SITE GROUP

Swiss Prime Site reported 2016 annual results that fulfilled the guidance that the Company provided at the outset of the year. The key core real estate business reduced the vacancy rate from 6.7% to 6.1% amid an increasingly challenging market environment. Moreover, the real estate portfolio surpassed the CHF 10.0 billion threshold for the first time in the Company's history, with highly profitable property acquisitions. Additional positive effects resulting from growth in the real estate portfolio include the renewed boost in rental income by 1.6% (group). The real estate-related business fields also realised further growth. Wincasa succeeded in boosting total assets under management in the real estate services business field to roughly CHF 64.0 billion and, in turn, increased the related services revenues. Jelmoli executed many key projects in the Retail business field in the reporting year and also managed to achieve an ideal position at Zurich Airport within the scope of the locations expansion process. In 2016, Tertianum Group focused on the integration of the two acquired companies SENIOcare and BOAS Senior Care, on the one hand, as well as the systematic expansion of the operations network, on the other. The overall earnings contribution from the real estate-related business fields provided renewed positive support to the group's financial results in 2016. Furthermore, Swiss Prime Site continued to successfully achieve steady realisation of group-wide synergy potential in the financial year.

The group optimised and significantly improved its financial situation in 2016 versus 2015. The convertible bond (issued in the second quarter) and straight bond (fourth quarter) with respective volumes of CHF 250.0 million paved the way for cost-efficiently financing the ongoing development projects and strengthening the equity ratio. In addition, the Company successfully took advantage of the attractive interest rate environment to gradually reduce financing costs. This very solid financing continues to ensure a high degree of operating flexibility for Swiss Prime Site and provides an ideal baseline for taking further steps along the strategic development path.

Swiss Prime Site's innovative business model very favourably positions the Company to realise future sustainable profitability and growth in its core business aimed at investing in first-class properties as well as expanding its real estate-related business fields and achieving the corresponding earnings diversification.

# FOCUS IN FINANCIAL YEAR 2016

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## FORGING AHEAD WITH AND STRENGTHENING THE INNOVATIVE BUSINESS MODEL

- > Swiss Prime Site promisingly and effectively positioned itself in 2016 for realising future robust earnings-driven growth through carrying out acquisitions, achieving organisational optimisation and setting a strategic course.
- > In addition to staging an outstanding performance in the core real estate business, the Company also achieved key strategic milestones in each real estate-related business field. Acquisition of Berne-based immoveris served to strengthen Winca's market position in Central and Western Switzerland.
- > Swiss Prime Site concluded the acquisition of BOAS Senior Care in the French-speaking region and, at the same time, established Tertianum Group as the largest and most profitable private provider in the Assisted Living business field.
- > The Company announced the opening of another Jelmoli location at Zurich Airport.
- > Swiss Prime Site established a group-wide DNA concept, comprising vision/mission/strategy/corporate values and sustainability aspiration.

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## ENSURING AN ATTRACTIVE DIVIDEND POLICY

- > Operating earnings generated the dividend again in 2016, thus ensuring the continuity of an attractive dividend policy.
- > The distribution of profits to shareholders results in an excellent total return on the stock.
- > Swiss Prime Site passes on the Company's success directly to shareholders.

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## CONTINUOUS OPTIMISATION OF VACANCY MANAGEMENT

- > Vacancy rates were reduced to 6.1% and 5.9% at the group and business field levels, respectively.
- > Substantial leasing activities were implemented based on the high-quality real estate portfolio.

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## FOCUSING ON MODERNISATION AND MODIFICATION PROJECTS

- > Successful conversion and opening of Motel One in Basel/ Freie Strasse 68. Motel One in Zurich/Brandschenkestrasse 25 opens its doors in 2017.
- > Additional properties in the existing real estate portfolio have been designated for future conversions, such as the NZZ Site in Schlieren, which is already placed on the market with a new anchor tenant.
- > Effective communication has been implemented for the new Schönbürg Berne utilisation concept.

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## CONTINUING TO PURSUE ACTIVE AND VALUE-ORIENTED PORTFOLIO AND ASSET MANAGEMENT

- > Swiss Prime Site executed property acquisitions valued at CHF 257.3 million and carried out divestments of CHF 75.2 million in 2016.
- > Earnings from real estate transactions amounted to a total of CHF 24.9 million.
- > Swiss Prime Site's real estate portfolio volume traversed the CHF 10.0 billion threshold at end-2016 for the first time in the Company's history, thanks to proactive portfolio management.

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## INTENSIFYING DEVELOPMENT PROJECTS

- > Swiss Prime Site boasts the most attractive development project pipeline in Switzerland. The project pipeline's total volume amounts to roughly CHF 2.0 billion, of which around CHF 1.5 billion and CHF 0.5 billion are attributed to short- and medium-term as well as long-term, respectively, development projects.
- > Development projects constitute a highly profitable future source of earnings for Swiss Prime Site and serve as a significant pillar of organic growth for the real estate portfolio.

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## ADDITIONAL RENTAL INCOME THROUGH PROJECT EXECUTION

- > Swiss Prime Site reported a 1.6% year-on-year increase in rental income in 2016. The improvement in income is the direct result of effective reduction of vacancies, earnings-boosting acquisitions in the real estate portfolio and modernisation projects.
- > In addition, Swiss Prime Site managed to meet the challenging demand for flexible and efficient properties with its high-quality existing real estate portfolio.

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## FORGING AHEAD WITH PROJECTS IN THE ASSISTED LIVING BUSINESS FIELD

- > Four additional business operations were integrated into Tertianum Group in 2016.
- > «Private public partnership» (PPP) projects harbour further growth potential. One example in this context is Richterswil, where Swiss Prime Site and Tertianum were able to convince the community to enter into a mutually advantageous collaboration.
- > Forthcoming Tertianum projects pave the way for the gradual expansion of the business field along the lines of the demographic trend.

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#### **GRADUAL REDUCTION OF FINANCING COSTS IN LOW INTEREST RATE ENVIRONMENT**

- > Swiss Prime Site reduced the average interest rate on financial liabilities in the past financial year by 0.3%, thus further optimising financing costs.

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#### **MAINTAINING AN EQUITY RATIO OF +/- 45%**

- > The equity has improved further, extending to 46.6% at year-end.
- > The CHF 190.35 million convertible bond was converted at a rate of roughly 80%, leading to further strengthening of the shareholders' equity base.
- > Steady improvement of the equity ratio is attributable to Swiss Prime Site's solid financing strategy.

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#### **ENSURING A BALANCED DEBT LEVEL AND MATURITY PROFILE**

- > Swiss Prime Site's debt levels improved further in 2016 versus 2015, in tandem with a sustainable, long-term financing strategy amid a low interest rate environment.
- > Swiss Prime Site's debt maturity profile shows a similarly positive trend. The average residual term to maturity was fixed at a comfortable 4.5 years in the past financial year.
- > Swiss Prime Site launched a straight bond in June 2016 and a convertible bond in October 2016 each with a volume of CHF 250.0 million. The inflow of funds was at times utilised for refinancing outstanding current financial liabilities.

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#### **EXHAUSTING THE EARNINGS AND GROWTH POTENTIAL OF THE BUSINESS FIELDS**

- > Swiss Prime Site's business fields continued to successfully develop further in 2016, thus providing a significant contribution to the group's positive annual results.

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#### **IDENTIFYING AND REALISING GROUP-WIDE SYNERGY POTENTIAL**

- > Swiss Prime Site continued to systematically forge ahead in 2016 with realising synergies within the group and among the group companies.
- > In 2016, the Company launched a group-wide initiative aimed at identifying and executing synergies in the future. Roughly CHF 2.0–3.0 million in synergies should be realised in the future within the group in the coming business plan (years 2017–2020).

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#### **SUSTAINABLE DEVELOPMENT**

- > Swiss Prime Site laid the foundation for an extensive commitment to sustainability in 2016 with the establishment of a sustainability compass in its corporate DNA, determining the sustainability targets for its business fields for the first time by means of a roadmap.
- > Swiss Prime Site's leadership aspirations regarding sustainability will be even further accentuated with a sustainability report starting from 2017.

## TREND IN EARNINGS

### KEY FINANCIAL FIGURES

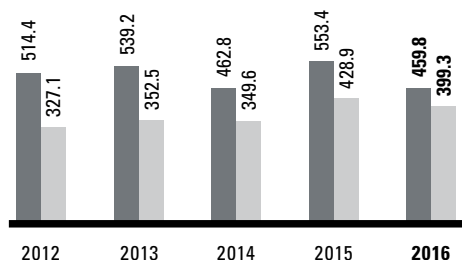
	in	2012	2013	2014	2015	2016	Change to prior year in %
Operating income	CHF m	584.6	764.7	852.7	995.2	<b>1 049.5</b>	5.5
Revaluation of investment properties, net	CHF m	187.3	186.7	113.2	124.6	<b>60.5</b>	-51.4
Result from investment property sales, net	CHF m	8.5	15.3	2.1	30.9	<b>24.9</b>	-19.4
Operating expenses	CHF m	-267.8	-436.0	-518.9	-609.4	<b>-683.7</b>	12.2
Operating profit (EBIT)	CHF m	514.4	539.2	462.8	553.4	<b>459.8</b>	-16.9
Financial expenses	CHF m	-117.0	-109.4	-100.0	-100.8	<b>-86.0</b>	-14.7
Income tax expenses	CHF m	-93.6	-96.6	-79.0	-102.2	<b>-67.5</b>	-34.0
Profit	CHF m	311.3	343.9	286.7	355.1	<b>311.2</b>	-12.4
Earnings per share (EPS)	CHF	5.67	5.70	4.72	5.30	<b>4.41</b>	-16.8

Noteworthy in the comparison of results with the previous year is that the acquisitions of SENIOcare (from 1 October 2015) and BOAS Senior Care (from 29 February 2016) – aimed at supplementing and strengthening the Assisted Living business field – were consolidated and therefore incorporated in Swiss Prime Site Group. The reporting year was unaffected by first-time applicable IFRS standards. Volatility in personnel costs can result from IAS 19 revised «Employee Benefits».

Operating profit (EBIT) excluding revaluations declined by 6.9% from CHF 428.9 million to CHF 399.3 million. EBIT including revaluations decreased by 16.9% from CHF 553.4 million to CHF 459.8 million.

### OPERATING PROFIT (EBIT)

in CHF m

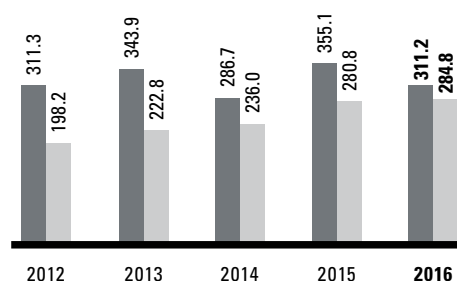


■ EBIT including RVE<sup>1</sup> ■ EBIT excluding RVE<sup>1</sup>

<sup>1</sup> revaluation effects: revaluations and deferred taxes

### PROFIT

in CHF m

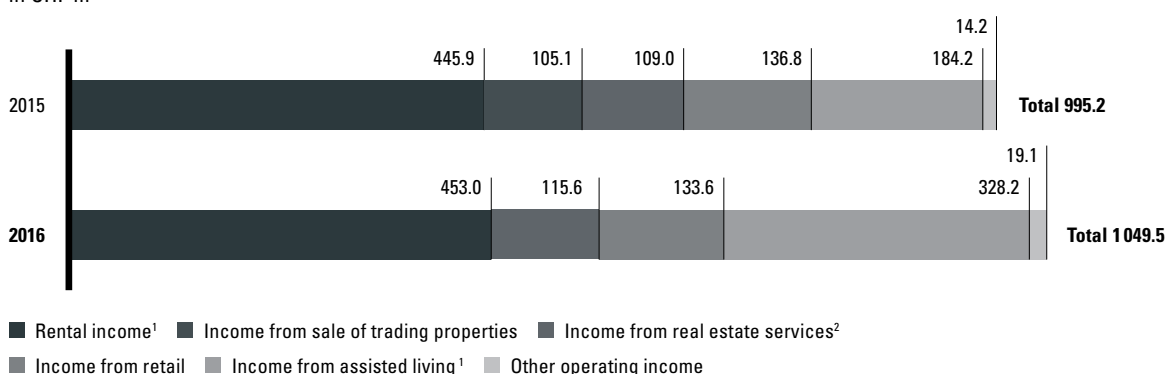


■ Profit including RVE<sup>1</sup> ■ Profit excluding RVE<sup>1</sup>

Profit amounted to CHF 311.2 million [CHF 355.1 million] in the reporting year 2016. The decrease of CHF 43.9 million was attributable primarily to gains realised in the previous year from sales of condominiums at the Maag Site in Zurich as well as to lower revaluation gains in the reporting year. Pension plan expenses declined year-on-year, resulting from adjustments to the regulations of various pension fund foundations. Profit excluding revaluation effects edged up by 1.4% to CHF 284.8 million [CHF 280.8 million].

## OPERATING INCOME

in CHF m



<sup>1</sup> acquisition of Résidence les Sources BOAS SA as at 01.07.2016, BOAS Senior Care as at 29.02.2016 and SENIOcare Group as at 01.10.2015  
<sup>2</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

Swiss Prime Site continued to unrelentingly exhibit a robust performance in the financial year 2016, realising a 5.5% spurt in operating income from CHF 995.2 million to CHF 1 049.5 million. Income from rental properties at the group level climbed by 1.6% to CHF 453.0 million [CHF 445.9 million]. Property purchases and acquisitions in the Assisted Living business field compensated for property divestments in the previous year. Income from real estate services exhibited a pick-up of 6.1% to CHF 115.6 million [CHF 109.0 million]. Income from retail edged down by 2.3% to CHF 133.6 million [CHF 136.8 million]. The comparable reporting period included revenues from Clouds Restaurant, which was transferred to Candrian Catering AG on 1 July 2015. The surge in income from assisted living by 78.2% to CHF 328.2 million [CHF 184.2 million] was the result of the integration of SENIOcare starting from the outset of October 2015 and BOAS Senior Care starting from March 2016. Other operating income of CHF 19.1 million was positively affected by initial revenues from Real Estate Investment Management of Swiss Prime Investment Foundation.

## OPERATING EXPENSES

in CHF m



Operating expenses climbed by 12.2% from CHF 609.4 million to CHF 683.7 million primarily due to acquisitions, of which real estate costs accounted for CHF 130.8 million [CHF 103.3 million], and cost of goods sold made up CHF 100.7 million [CHF 84.7 million]. The increase in real estate costs was attributable mainly to the CHF 26.2 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 cost of goods sold increased primarily due to the integration of SENIOcare and BOAS Senior Care.

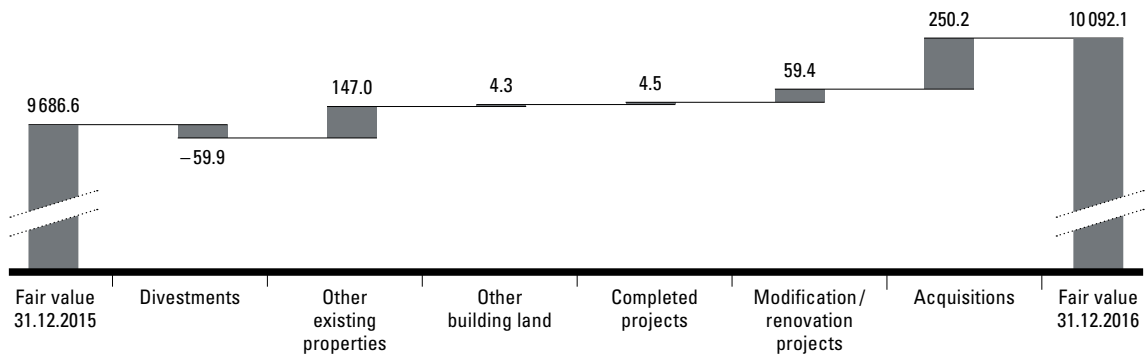
Personnel costs amounted to CHF 347.4 million [CHF 269.2 million], other operating expenses totalled CHF 61.6 million [CHF 60.0 million] and depreciation, amortisation and impairment added up to CHF 43.2 million [CHF 29.2 million]. Personnel costs are particularly affected by acquisitions in the Assisted Living business field as well as by adjustments of pension foundation regulations.

## TREND IN THE REAL ESTATE PORTFOLIO

Within the scope of portfolio optimisation and through taking advantage of divestment opportunities, three properties were divested and five acquired in the reporting period. The fair value of the divested properties amounted to a total of CHF 59.9 million at end-2015. The net result of sale after transaction costs amounted to CHF 24.9 million [CHF 30.9 million]. The portfolio therefore comprised 184 properties [182].

### TREND IN THE REAL ESTATE PORTFOLIO (FAIR VALUE)

in CHF m

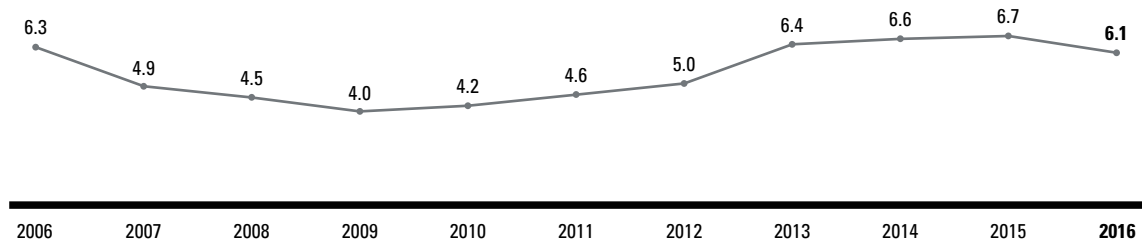


The increase in portfolio value by CHF 405.5 million or 4.2% consisted primarily of three divestments (CHF -59.9 million), value changes (including renovations/investments) related to other existing properties (CHF +147.0 million), and the five acquired existing properties and building land (CHF +250.2 million).

The vacancy rate decreased versus the previous year from 6.7% to 6.1%, as expected. The vacancy rate was in line with the forecast range of 6.0% to 6.5%.

### TREND IN VACANCY RATE

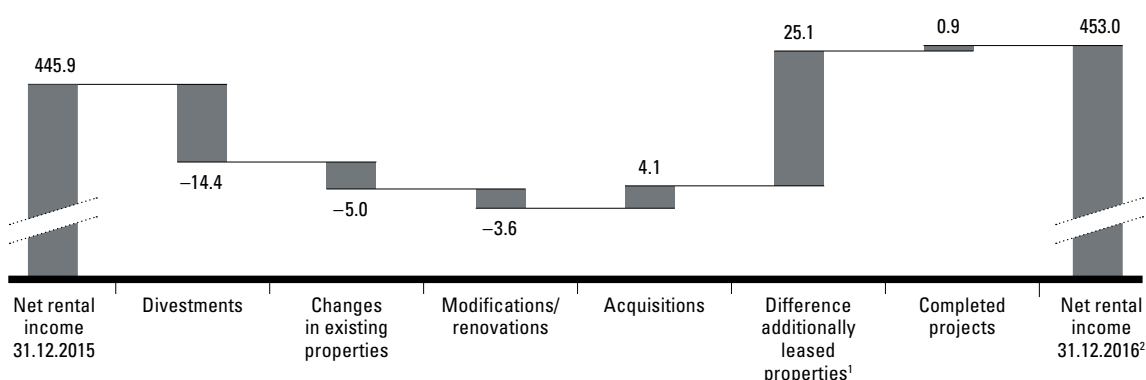
in % (group)



The quality of earnings was underscored by the good credit ratings of the tenants. The five largest external tenants are renowned corporations, contributing 20.1% [20.9%] to total rental income. Around 58% [61%] of all rental agreements have a residual term of four or more years.

## TREND IN NET RENTAL INCOME

in CHF m (group)



<sup>1</sup> in Assisted Living business field

<sup>2</sup> including additionally leased properties

Net rental income edged up by 1.6% from CHF 445.9 million to CHF 453.0 million. The increase of CHF 7.1 million resulted from divestments (CHF –14.4 million), changes in existing properties (CHF –5.0 million), building modifications and renovations (CHF –3.6 million), acquisitions (CHF +4.1 million), additionally leased properties in the Assisted Living business field (CHF +25.1 million) as well as the pro-rata effect from the completion of projects (CHF +0.9 million).

## VALUATION OF THE REAL ESTATE PORTFOLIO

Wüest Partner AG valued the real estate portfolio at CHF 10 092.1 million [CHF 9 686.6 million] as at 31 December 2016. This revaluation led to a net valuation gain affecting net income of CHF 60.5 million at the group level [CHF 124.6 million] (excluding revaluation of owner-occupied properties), or 0.6% of the portfolio's value as at 31 December 2015.

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 23.0 million [CHF 38.0 million].

Of the total 162 existing properties (excluding acquisitions (5), plots of building land (10) and properties under construction (7) – total 22 properties), 115 were valued higher and 47 were valued lower than as at 1 January 2016.

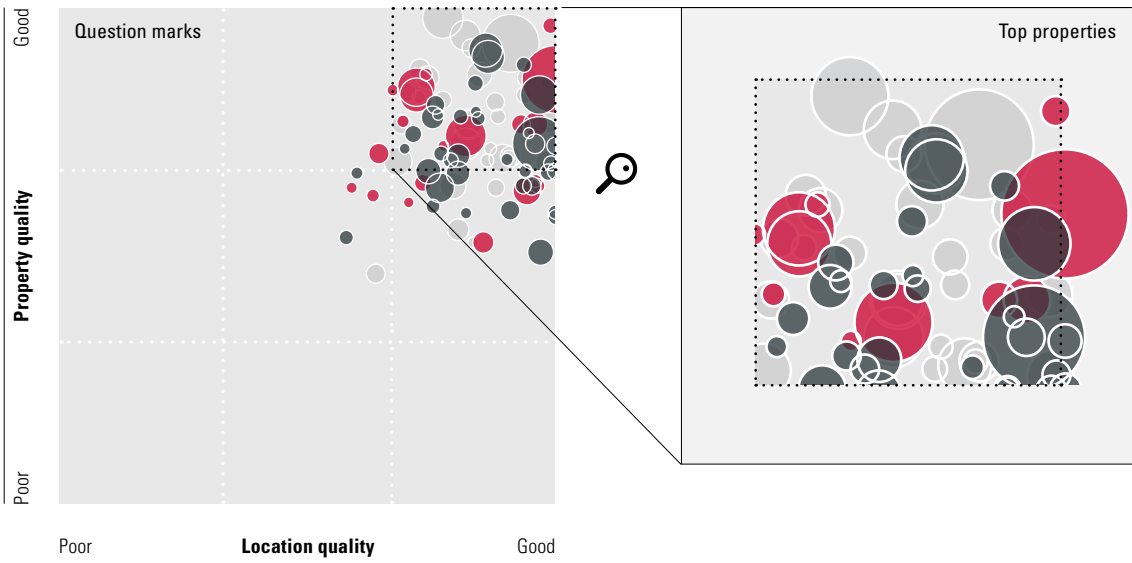
The weighted average real discount rate of 3.47% decreased by 0.19 percentage points versus 31 December 2015 [3.66%]. Assuming an inflation rate of 0.5% [1.0%], this rate corresponds to a nominal discount rate of 3.99% [4.69%].

**PORTFOLIO QUALITY**

Market matrix

31.12.2016

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 their targets in the reporting year. The Retail business field prevailed in a challenging retail trade environment and directed its focus on future growth.**

## REAL ESTATE BUSINESS FIELD

The quality of the real estate portfolio improved further and the vacancy rate decreased through innovative and dynamic portfolio management, including through converting and repositioning properties. The acquisitions in the reporting period to some extent already compensated for the lost rental income resulting from the property divestments in 2015. With the acquisition of the NZZ printing facility in Schlieren and the concept for creating an 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	2012	2013	2014	2015	2016 <sup>1</sup>	Change to prior year in %
Operating income	CHF m	443.0	525.3	534.0	656.8	<b>546.4</b>	-16.8
Revaluation of investment properties	CHF m	191.9	198.1	137.1	153.6	<b>69.6</b>	-54.7
Result from investment property sales, net	CHF m	8.5	15.3	2.1	30.9	<b>24.9</b>	-19.4
Operating expenses	CHF m	-119.4	-186.0	-194.2	-267.2	<b>-179.7</b>	-32.7
Operating profit (EBIT)	CHF m	525.8	561.3	491.9	586.2	<b>469.9</b>	-19.8

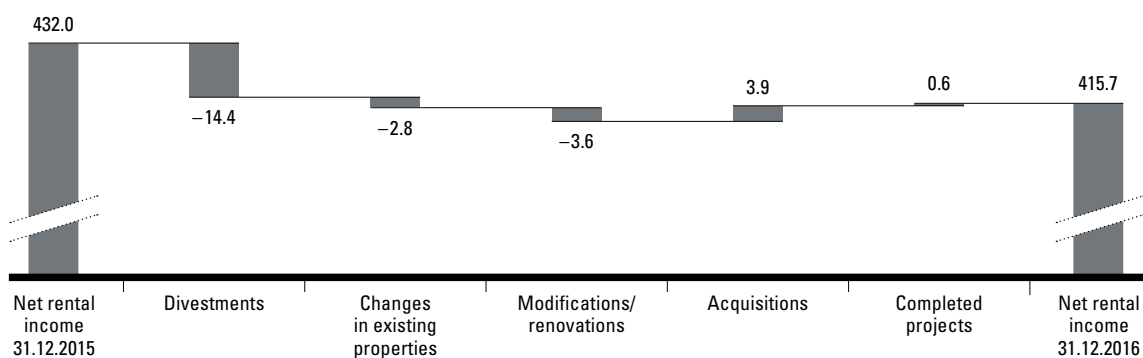
<sup>1</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

Rental income from properties decreased by CHF 16.3 million to CHF 415.7 million [CHF 432.0 million]. The vacancy rate edged down by 0.6 percentage points to 5.9% [6.5%]. The net return of the real estate portfolio dipped marginally to 3.7% [3.9%]. Operating income declined from CHF 656.8 million to CHF 546.4 million.

Revaluations affecting net income amounted to CHF 69.6 million [CHF 153.6 million]. In addition to the income from the core business, this business field also included income from the real estate services provided by Wincasa. Operating profit (EBIT) decreased from CHF 586.2 million to CHF 469.9 million, primarily due to lower revaluation gains versus the previous year and income realised from the sale of trading properties in the prior year.

### TREND IN NET RENTAL INCOME

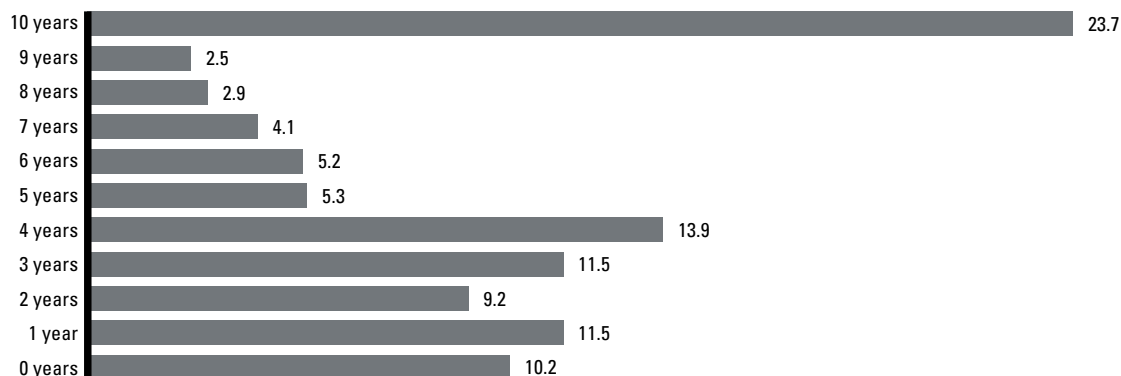
in CHF m (Real Estate business field)



The decrease in rental income by CHF –16.3 million or –3.8% resulted from divestments in the previous year (CHF –13.7 million) and in the current year (CHF –0.7 million), changes in existing properties (CHF –2.8 million), building modifications and renovations (CHF –3.6 million), acquisitions (CHF +3.9 million) as well as the pro-rata effect from the completion of projects (CHF +0.6 million).

### CONTRACTUAL END OF RENTAL RELATIONSHIP

in % of net rental income as at 31.12.2016 (Real Estate business field)



### Wincasa

Income from real estate services generated by Wincasa AG (acquired in 2012) amounted to CHF 115.7 million in the financial year 2016, corresponding to growth of 5.7% versus 2015 [CHF 109.5 million] and a 21.2% share of total operating income in the business field.

Wincasa managed roughly 231000 rental properties as at end-2016, corresponding to a growth of 56000 units over the past five years.

## KEY FIGURES FROM REAL ESTATE SERVICES

	in	2012	2013	2014	2015	2016	Change to prior year in %
Annual target rent	CHF bn	2.57	2.63	2.75	2.96	<b>3.26</b>	10.1
Rental properties <sup>1</sup>	number	175 000	178 000	183 000	206 000	<b>231 000</b>	12.1

<sup>1</sup> rounded to thousands

In the reporting year, Wincasa further upgraded its branch network with more attractive locations in Berne and Olten as well as with a telephony infrastructure by means of Unified Communications equipment. The company also launched a new communications portal for tenants called «MyWincasa». This focus corresponds to the defined strategic goal aimed at becoming a «digital master» in the next three years. In this context, the Board of Directors approved the «Digital Strategy» in the reporting year. In order to forge ahead with qualitative process leadership, Wincasa is optimising its digital process tool, Leadership and Talent Management Programme as well as internal and external interfaces on an ongoing basis, managed by a company-wide «Continual Improvement Process» programme. The company improved its efficiency rate in the business areas of Management as well as Centre Management by 3% and 8%, respectively, as measured by the properties under management.

Wincasa continued to further expand its leading market position by means of renewing contracts for key major clients in addition to the acquisitions of two firms in Central Switzerland, paving the way for achieving revenue growth of more than 5%. The robust growth reported by the respective business areas was promising, which was achieved in Property Management through executing additional major contracts, in Centre Management through acquiring new clients and contracts in Winterthur and Basel, as well as in Construction & Facility Management through expansion of the developer fiduciary services business. Thanks to innovative and virtual reality-based concepts, Letting & Investment Advisory obtained marketing contracts for various prestigious buildings. The introduction of a «sustainability snapshot» with key performance indicators assessable on an annual basis with regard to dimensions, economy, ecology and social parameters underscores Wincasa's intention to play a leading role toward achieving a sustainable- and entrepreneurial-oriented future.

## RETAIL BUSINESS FIELD

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

## KEY FINANCIAL FIGURES

	in	2012	2013	2014	2015 <sup>1</sup>	2016	Change to prior year in %
Operating income	CHF m	178.2	175.9	172.3	156.4	<b>151.7</b>	-3.0
Operating expenses	CHF m	-179.3	-182.4	-171.4	-159.3	<b>-154.0</b>	-3.3
Operating profit (EBIT)	CHF m	-1.1	-6.5	0.9	-2.9	<b>-2.4</b>	-17.2

<sup>1</sup> 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 133.7 million, rental income from leasing floor space of CHF 15.1 million and other income of CHF 2.9 million. Operating expenses declined by 3.3% from CHF 159.3 million to CHF 154.0 million.

Jelmoli is successfully developing an innovative alternative to shopping tourism and online trade, through systematically focusing on the quality of products and services as well as on a multifaceted shopping experience. Jelmoli has set a key strategic course with the realisation of a high-quality shoe department, the new shop-in-shop of a renowned Zurich watch specialist, the upgrade of two top brands in the sports department and further development of the food & beverage amenities. Furthermore, the first Fauchon Café outside of Paris has been launched, and additional significant brands have been acquired to achieve a qualitative upgrade of the brand mix. During the modification phase in 2016, some floor space was unavailable for generating sales. The announced Jelmoli location expansion at Zurich Airport starting from 2019 will clear a path for further optimising the brand mix, profitability and process efficiency as well as realising economies of scale-related revenues.

We anticipate that the market environment will continue to change. Nevertheless, the situation on the price front is expected to ease and stabilise. The launch of various initiatives and innovations are planned for the financial year 2017, which will further underpin Jelmoli's strong market position and quality of service.

## ASSISTED LIVING BUSINESS FIELD

### KEY FINANCIAL FIGURES

	in	2013 <sup>1</sup>	2014	2015 <sup>2</sup>	2016 <sup>3</sup>	Change to prior year in %
Operating income	CHF m	111.6	201.9	237.6	<b>406.0</b>	70.9
Operating expenses	CHF m	-106.6	-193.7	-229.4	<b>-390.8</b>	70.4
Operating profit (EBIT)	CHF m	5.0	9.0	8.2	<b>15.2</b>	85.4
Guests in apartments (average)	number	1 202	1 199	1 502	<b>1 566</b>	4.3
Guests in geriatric care facilities (average)	number	642	649	780	<b>2 407</b>	208.6

<sup>1</sup> acquisition of Tertianum Group as at 12.07.2013

<sup>2</sup> 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

<sup>3</sup> acquisition of Résidence les Sources BOAS SA as at 01.07.2016 and BOAS Senior Care as at 29.02.2016

The Assisted Living business field generated an operating income of CHF 406.0 million in the financial year 2016. Any year-on-year comparison is only possible to a limited extent due to the integration of BOAS Senior Care with 16 operating businesses. Income from assisted living amounted to CHF 328.2 million in the reporting year. In addition, Tertianum Group generated income from leasing its own owner-occupied properties totalling CHF 24.2 million. These additionally leased properties realised rental income of CHF 51.8 million. Operating profit (EBIT) amounted to a favourable CHF 15.2 million.

The Assisted Living business field also includes 16 Tertianum residences in the premium segment and 55 business operations in the middle-class segment. In the reporting year, three business operations in the medium-price segment opened their doors in Rheinfelden, Bellinzona and Zurich, while one business operation in Wohlen AG was acquired.

Tertianum Group continues to pursue a distinct growth strategy in the medium-price segment. One business operation in Lugano was acquired in January 2017, and 15 new building projects are in various stages of execution. In addition, acquisitions of existing business operations are subject to ongoing review.

# 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

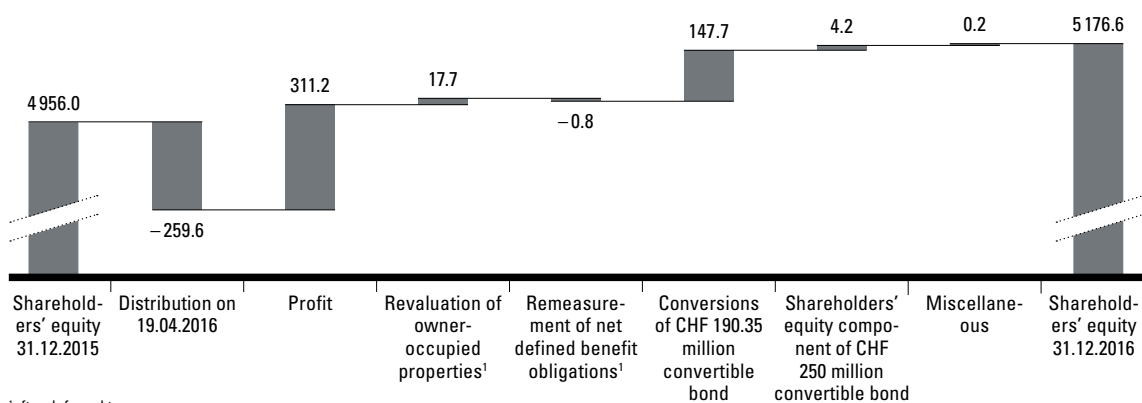
	in	2012	2013	2014	2015	2016	Change to prior year in %
Shareholders' equity	CHF m	3 913.9	4 107.3	4 201.8	4 956.0	<b>5 176.6</b>	4.5
Equity ratio	%	42.4	39.1	39.6	46.4	<b>46.6</b>	0.5
Borrowed capital	CHF m	5 323.1	6 404.8	6 400.3	5 734.6	<b>5 935.4</b>	3.5
Loan-to-value (LTV) ratio of real estate portfolio	%	48.0	54.1	50.7	44.0	<b>44.4</b>	0.9
Cash flow from operating activities	CHF m	213.9	-74.0	729.7	388.4	<b>277.7</b>	-28.5
Cash flow from investing activities	CHF m	-137.8	-349.7	-280.4	100.4	<b>-365.5</b>	-464.0
Cash flow from financing activities	CHF m	-0.9	425.6	-395.8	-511.1	<b>13.2</b>	-102.6
Financial expenses	CHF m	-117.0	-109.4	-100.0	-100.8	<b>-86.0</b>	-14.7
Financial income	CHF m	7.6	10.6	2.8	4.6	<b>4.9</b>	6.5
Return on equity (ROE)	%	8.9	9.1	7.0	7.6	<b>6.1</b>	-19.7
Return on equity (ROE) excluding revaluation effects <sup>1</sup>	%	5.9	6.1	5.9	6.1	<b>5.6</b>	-8.2
Return on invested capital (ROIC)	%	4.8	4.6	3.7	4.3	<b>3.7</b>	-14.0
Return on invested capital (ROIC) excluding revaluation effects <sup>1</sup>	%	3.5	3.4	3.2	3.6	<b>3.4</b>	-5.6

<sup>1</sup> revaluations and deferred taxes

The increase in shareholders' equity by 4.5% from CHF 4 956.0 million to CHF 5 176.6 million was attributable to the following factors: profit including revaluation effects of CHF 311.2 million, revaluations after deferred taxes of owner-occupied properties of CHF +17.7 million, conversions of the CHF 190.35 million convertible bond of CHF +147.7 million, shareholders' equity component of the newly issued convertible bond of CHF +4.2 million and share-based compensation of CHF +3.0 million. These factors were able to more than offset the counter-effects from the distribution of 19 April 2016 of CHF -259.6 million, remeasurement of net defined benefit obligations of CHF -0.8 million and acquisition of treasury shares of CHF -2.8 million.

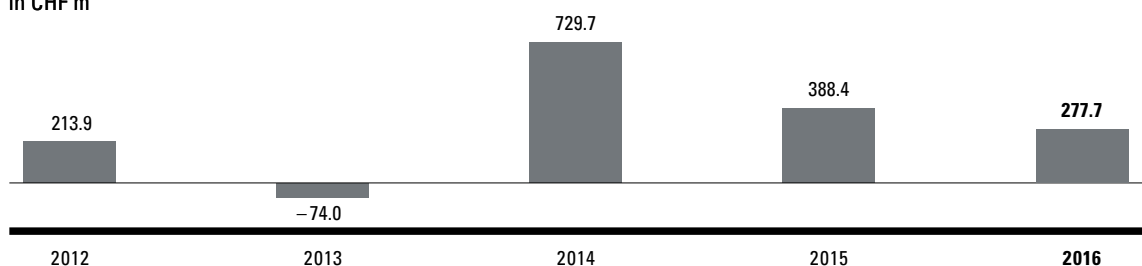
## TREND IN SHAREHOLDERS' EQUITY

in CHF m



## 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.

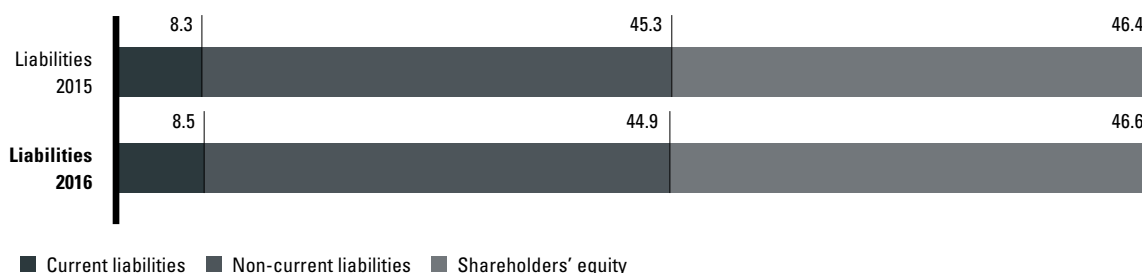
## STRUCTURE OF ASSETS

in %



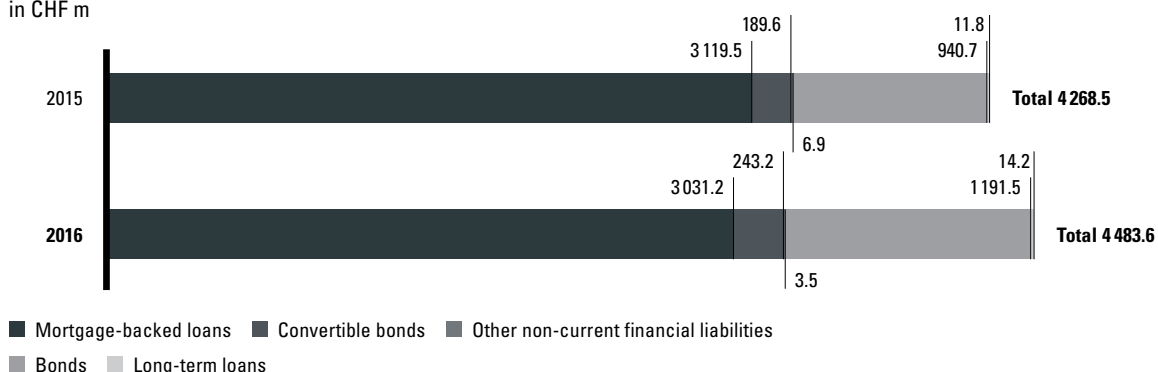
### STRUCTURE OF LIABILITIES

in %



### FINANCING STRUCTURE

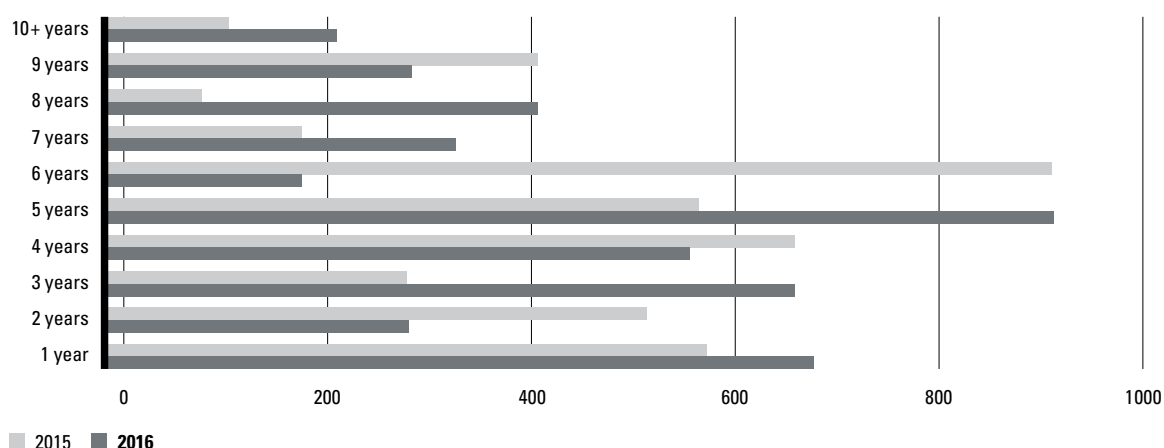
in CHF m



Current financial liabilities increased from CHF 572.1 million to CHF 678.1 million. In the reporting year, the Company issued one convertible bond with a volume of CHF 250.0 million at 0.25% as well as a bond with a volume of CHF 250.0 million at 0.5%. The CHF 190.35 million convertible bond was redeemable on 21 June 2016. Roughly 80% of the bond was converted up until the maturity date.

### MATURITY OF FINANCIAL LIABILITIES

in CHF m



Financial liabilities comprised mainly CHF 3031.2 million [CHF 3119.5 million] in mortgage-backed loans, CHF 243.2 million [CHF 189.6 million] in convertible bonds and CHF 1191.5 million [CHF 940.7 million] in bonds. The weighted average interest rate of all interest-bearing financial liabilities amounted to 1.8% [2.1%], and the weighted average residual term to maturity edged up slightly from 4.4 years to 4.5 years. The loan-to-value (LTV) ratio of 44.4% exceeded the previous year's figure [44.0%].

#### KEY FINANCIAL LIABILITIES FIGURES

	in	2012	2013	2014	2015	2016	Change to prior year in %
Weighted average interest rate	%	2.6	2.2	2.2	2.1	<b>1.8</b>	-14.3
Weighted average residual term to maturity	years	4.5	4.0	4.7	4.4	<b>4.5</b>	2.3
Current financial liabilities <sup>1</sup>	CHF m	615.0	1089.6	714.3	572.1	<b>678.1</b>	18.5
Non-current financial liabilities <sup>1</sup>	CHF m	3510.1	3965.9	4251.5	3689.5	<b>3802.0</b>	3.0
<b>Total financial liabilities<sup>1</sup></b>	<b>CHF m</b>	<b>4125.1</b>	<b>5055.5</b>	<b>4965.8</b>	<b>4261.6</b>	<b>4480.1</b>	<b>5.1</b>

<sup>1</sup> excluding derivatives



# CORPORATE RESPONSIBILITY

## FOREWORD RENÉ ZAHND

The sustainability topic often focuses on either boosting energy efficiency or reducing CO<sub>2</sub> emissions. We are taking a further step here through pursuing a comprehensive approach to sustainability in the realms of real estate investments and property management by Wincasa as well as services provided by Jelvoli and Tertianum Group. Swiss Prime Site aims to create synergies between real estate and its use by people. Hence, the Company is able to realise the concept of sustainability more comprehensively, from making the investment right through to the provision of services. We have embedded sustainability directly into our «DNA» and are directing our focus with a sustainability compass along the lines of six dimensions. Within each dimension, all of our business fields employ a roadmap with targets, measures and key figures. Consequently, we are able to review our progress on an ongoing basis, gradually expand and – where necessary – interact with corrective measures.

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GRI 102-14

Through regular dialogue with our stakeholders, we learn which issues are relevant for them and where optimisation potential looms. Such dialogue helps us to remain successful in the long term. In our view, sustainability also means addressing the socio-economic conditions, developments and trends of today and tomorrow. Executing new real estate acquisitions poses a significant challenge amid the current interest rate environment. Hence, we are concentrating on developing and enhancing the value of our existing real estate portfolio. At the same time, we place significant emphasis on flexibly utilising buildings and fostering interaction with the surrounding public sphere. Good examples here are the office properties located in Basel and Zurich, which are being converted into hotels to be operated by budget design hotel brand «Motel One». With Tertianum Group, Swiss Prime Site also boasts a future-oriented range of services that meet the needs of the ever-ageing society.

In the wake of embedding sustainability into our «DNA», the Company adapted the business plan process and developed a relevant catalogue of measures. These roadmaps have already enabled Swiss Prime Site to take a greater step forward in the past year. In addition, the first-time reporting process in 2016 according to the Global Reporting Initiative (GRI) standards paved the way for laying an important cornerstone for continuous and transparent sustainability-relevant reporting. However, we are not just content with what we have achieved, but rather will continue to further pursue our group-wide endeavours on an ongoing basis. For instance, environmental targets for the real estate portfolio are currently being calculated that comply with the 2°C standard set by international climate policy. We will step up our future focus on long-term criteria, but at the same time ensure that «sustainability» does not become an end to itself. In fact, sustainability must be defined, developed and embodied – for the benefit and advantage of all stakeholders.

It is my personal quest to accept the sign of times and assume responsibility in the realm of sustainability. Our passion is aimed at forging ahead with innovative concepts and leading by good example.



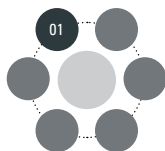
RENÉ ZAHND  
Chief Executive Officer

## SUSTAINABILITY FOCUSING ON SIX DIMENSIONS

As the leading real estate company, Swiss Prime Site is committed to sustainability and assuming responsibility for its corporate actions, environment and society. Through establishing sustainability in our «DNA» and processes, it becomes an integral component of business activities, providing a stepping stone for achieving profitable growth and building long-term prosperity. In this context, Swiss Prime Site pursues a comprehensive approach focusing on six dimensions.



The six dimensions of Swiss Prime Site's sustainability compass are also reflected in the sustainability roadmaps. The roadmaps constitute the Executive Board's central management tool in order to incorporate the core and secondary themes of the respective dimension into the business fields at the operational level. Each group company is represented in the Executive Board (see introduction of members in the Strategy and Management Report, page 15). Measures and benchmarks have been defined for each group company, so that implementation in day-to-day business operations can be continuously recorded and evaluated. This is already the second time that Swiss Prime Site has reported on the overall group's commitment to sustainability, along the lines of these six dimensions. Reporting for the year 2016 was prepared for the first time in accordance with the internationally recognised Global Reporting Initiative (GRI) standards. Swiss Prime Site has therefore underscored its commitment to providing all interested stakeholders with transparent, constant and reliable information regarding the group's sustainability-relevant endeavours.



..... **SUSTAINABILITY FOR OUR STAKEHOLDERS** .....

**BUSINESS FOCUS DIRECTED AT STAKEHOLDERS**

Credibility, reliability, integrity, trustworthiness and conscientiousness form the central pillars of Swiss Prime Site's reputation, decisively contributing to the Company's excellent image in the eyes of the stakeholders. Hence, the Company maintains regular dialogue with all stakeholder groups and coordinates communications measures in an appropriate and timely fashion. Since market presence and customer focus constitute decisive factors for the Company's success, Swiss Prime Site consistently directs its business activities towards the needs of the stakeholders. Customer issues, market requirements and demands on the part of society are, at times, changing at a rapid pace. In order to remain successful in the long term, Swiss Prime Site is therefore striving to recognise trends in the business environment at an early stage. Customer satisfaction and constructive feedback constitute significant factors for success. At the same time, each business field is subject to different requirements.

- Reputation & image
- Investors & relationship management
- Communication
- Customer focus
- Market orientation

GRI 102-43

**SWISS PRIME SITE**

Swiss Prime Site Group's stakeholders include key players on the capital markets and shareholders as owners, as well as local communities, authorities and civil society. It is important to Swiss Prime Site to continually provide capital market players (in other words investors and analysts) with transparent information. One key element is the systematic relation management with investors, proxy advisors and analysts. Swiss Prime Site attends many roadshows and conferences each year, regularly organises analysts' meetings and holds an «Investor Day» annually. Moreover, executive employees continually hold lectures or engage in discussions in meetings of experts. In addition to the Annual General Meeting, Swiss Prime Site also provides information to shareholders on its website by means of media releases relating to company-specific developments. Swiss Prime Site publishes a Short Report with the respective releases of its annual and semi-annual results, which features a compact summary of reports about current topics revolving around the Company as well as the financial results.

- GRI 102-40
- GRI 102-42
- GRI 102-43
- GRI 102-44

For further information regarding suppliers, see the Sustainable Investments and Services section, from page 69.

For further information regarding employees, see the Attractive Working Environment section, from page 79.

At last year's Annual General Meeting, the Compensation Report 2015 was rejected in a non-binding consultative vote. With the appointment of the new CEO and CFO in the Executive Board, the Compensation Committee believes it was the appropriate time to thoroughly reassess and revise the compensation system in the reporting year. Since the acceptance of the «Minder Initiative», Swiss investors and the public sector have directed their focus on the independence of boards of directors as well as their modes of operation and re-election procedures. Consequently, Swiss Prime Site's Board of Directors underwent some changes and the body was reinforced with two new members: Elisabeth Bourqui and Markus Graf.

Analysts and investors are increasingly placing emphasis on the sustainability issue, in order to ensure that invested capital is secure in the long term. Swiss Prime Site reacted accordingly and demonstrated how comprehensively the Company is addressing the issue on a group-wide basis, with the establishment of sustainability in its corporate «DNA».

Swiss Prime Site's key stakeholders include tenants, users, construction and construction services firms such as designers, total and general contractors and their suppliers. The spectrum of tenants ranges from individual persons to international corporations. In general, Swiss Prime Site seeks to engage in close and continuous dialogue with all tenants. In the commercial property segment, in particular, mutual benefits are sought during interior design improvements. In addition, Swiss Prime Site continuously holds property-specific information-oriented events, conducts visitors' tours of properties as well as holds events with construction project participants, current and future tenants.

After significantly expanding its commitment to sustainability in the past 12 months, Swiss Prime Site is carrying out a location-tracking project in 2017 from the external stakeholder perspective, within the

scope of an initial dialogue. The systematic dialogue should be institutionalised and further extended in the coming years.

### **Wincasa**

As the leading real estate services provider in Switzerland, Wincasa recognises its ecological, economic and social responsibility relating to its business activities, striving to take into account any concerns on the part of stakeholders in day-to-day business operations accordingly. In this context, the focal point is directed at the two customer groups, property owners and tenants. In addition, Wincasa's stakeholders also include suppliers, government authorities and political parties as well as associations.

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GRI 102-40  
GRI 102-42  
GRI 102-43  
GRI 102-44

Following the introduction of its integrated business model three years ago, 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. For instance, based on feedback, Wincasa has expanded the company-wide «vacancy-property management» and established a branch marketing concept. Furthermore, the company has promoted client focus through expanding the number of senior relationship managers in Key Account Management as well as through internal sales training programmes. In addition to the regular exchange in day-to-day business activities, Wincasa also conducts separate coordination meetings at the management level, aimed at discussing specific issues for optimising the relevant real estate portfolio and collaboration. Wincasa succeeded in expanding its client base in 2016 as well, thus further boosting assets under management.

Real estate owners are becoming increasingly conscious of their responsibility regarding sustainability and initiating relevant projects. Focus is currently being directed particularly at enhancing the transparency of energy consumption and related CO<sub>2</sub> emissions in the existing portfolio. Wincasa supports its clients within the scope of «energy controlling and operational optimisation contracts». In this context, Wincasa assumes the coordination and business manager function and provides advisory services to property owners relating to the conception and execution of relevant programmes. Wincasa provides support to clients in the replacement of heating systems that are operated with fossil fuels.

In addition to commercial tenants – such as Coop, Migros and Swisscom – Wincasa also counts roughly 60 000 natural persons among its clients. These residential tenants are chosen via a stringent selection process. The issues presented by the two client segments vary according to rental agreement. The concerns that arise in day-to-day business activities primarily include complaints regarding the respective property or commercial building management. Wincasa launched the «MyWincasa» tenant portal at the end of 2016. This new digital communications channel enables a 24/7 hour service and features a chat function too. Among other things, «MyWincasa» enables tenants to request data, download forms, submit complaints or retrieve additional services such as apartment cleaning and relocation.

Wincasa is also increasingly banking on active media relations aimed at positioning the company as an innovative and modern market leader. Moreover, the company expanded its presence in Western Switzerland in 2016. Wincasa regularly publishes specialist articles and analyses on regional and national real estate trends in Switzerland. The quarterly publication «Retail Snapshot» always highlights the latest trends and developments in the sector, based on the numbers compiled from ten shopping centres comprising 550 stores spanning a total floor space of 250 000 square metres.

### **Jelmoli**

As the largest premium department store in Switzerland, Jelmoli offers a retail assortment comprising around two million articles from global top brands spread across 33 000 square metres of floor space.

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GRI 102-40  
GRI 102-42  
GRI 102-43  
GRI 102-44

Despite the variety of stakeholders, customers always play a central role for Jelmoli. Jelmoli perceives itself as a host and is differentiated from the competition by its comprehensive services. For instance, the Guest Relations point of contact at the entrance cooperatively addresses any customer concerns. By mean of Instagram, newsletter and quarterly magazine, Jelmoli offers its customers fashion-relevant inspiration and keeps interested parties up-to-date on the latest trends. 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. Jelmoli then derives specific measures and training content for the employees from the results for the purpose of enhancing quality.

Jelmoli also pursues a «shop-in-shop» concept and leases a proportion of its retail floor space to third parties, in order to react flexibly to the needs of its customers and business partners. At the same time, Jelmoli is able to provide customers with continuity as well through retail sales on its self-managed floor space. Jelmoli therefore counts customers, in addition to tenants and national and international brands, among its key stakeholders. Within the scope of tenant management, performance analyses are regularly discussed and measures for improvement implemented. The brand shops concept enables Jelmoli to solidify its market position and distinguish itself from the field of competitors through the spectrum of its product assortment.

Jelmoli collaborates with a variety of service provider partners, in order to always offer its customers something new. For example, St. Moritz has made a guest appearance at the Sopra Restaurant. Furthermore, Jelmoli acts as exclusive partner of Global Blue Tax Free in Zurich, which simplifies the reimbursement of value-added tax for foreign customers via the Guest Relations desk. In collaboration with Zurich Tourism, employees are trained on topics revolving around sightseeing attractions and tourist offers in Zurich. In order to ideally welcome and support the growing number of Asian tourists, Jelmoli also fosters intensive relations with specialised travel guides and event organisers.

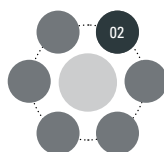
**Tertianum Group**

Tertianum Group is the leading integrated services provider in the assisted living sector. Tertianum Group provides services to more than 4 000 guests in 71 business operations at present. Tertianum's stakeholder groups include guests and their relatives, vendors such as doctors and medical community staff, hospitals, health insurance firms, suppliers, government officials and political parties as well as the local population in the surrounding area of the location of its business operations.

GRI 102-40  
GRI 102-42  
GRI 102-43  
GRI 102-44

The concerns and satisfaction of the guests and their relatives always have top priority. The needs of guests are directly taken into account through daily contact. In addition, guests are able to raise issues through «round table» meetings. The business operations meet the specific needs according to independence, well-being, security as well as geriatric care and support with individual offerings and services. At the same time, Tertianum always strives to maintain high-quality services, which is why the staff are systematically selected and supported through training sessions, advanced courses and further education. Within the scope of quality management, Tertianum conducts surveys of employees and guests as well as relatives and guardians in alternating three-year cycles.

To promote the common interests, Tertianum Group regularly organises information-oriented events and panel discussions, holds lectures and reading sessions, and also opens the doors to concerts and private viewings to outsiders as well. Even Tertianum Group's parking facilities are open to the public. 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** .....

**ACHIEVING TARGETS**

A stable and sustainable company is based on financially sustainable corporate governance. Values-oriented corporate management leads to «additional value creation» and ultimately benefits the investors and shareholders. Untapped potential can be identified on a continuous basis through stringent control of in-house and third-party costs. Profitability can be boosted through improving operating processes and enhancing business planning as well as constantly reducing capital costs and vacancy rates. Group-wide risk management identifies and classifies risks according to probability of occurrence and potential damage. The resulting measures are monitored and controlled within the scope of the risk management process on an ongoing business.

- Risk management
- Cost efficiency and reduction
- Vacancy management
- Processes
- Value-oriented management
- Profitability
- Forecasts

## CREATING SUSTAINABLE VALUE

Value-oriented governance is perceived as a holistic approach to corporate management, which is aimed at realising long-term growth in enterprise value as well as improving earnings potential and profitability. In addition, a control system will be instituted, based on strategic, operating and financial key benchmarks. Incentive models for the management and employees are systematically linked to the trend of these key benchmarks.

Swiss Prime Site is convinced that it can ensure the achievement of long-term growth and, in turn, economic benefits for the various stakeholders with sustainable value creation. For instance, investments made by investors in Swiss Prime Site are sustainably invested and rewarded with a tax-exempt distribution of CHF 3.70 per share.

Sustainable corporate management will be solidified in the newly introduced business plan process, which will reflect the opportunities, challenges and targets, among other aspects, over the coming three years. Operational implementation will be underpinned with monitoring and control processes and measured according to defined key benchmarks. Continuous improvement of business activities ensures the Company's long-term future and its obligations relative to the stakeholders. The previously announced Company targets for the reporting year were achieved.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 201-1

For further information regarding business performance, see the Financial Report.

## PROCESS AND COST EFFICIENCY

In order to ensure competitiveness and uphold the high-quality performance across all the group companies, Swiss Prime Site operates with defined and reliable processes, the efficiency of which is regularly evaluated and optimised. Each group company pursues a structural approach, focusing on the respective business model alongside the life cycle and taking into account the value-creation chain. In this context, resource and workforce requirements, third-party costs and general expenses are subject to review. For instance, Wincasa conducts a programme aimed at continuously improving the process in which key value streams are analysed, «lean masters» are trained and Kaizen boards are set up in all Wincasa offices.

## VACANCY MANAGEMENT

Swiss Prime Site pursues a proactive approach toward preventing vacancies and ensuring cash flows. Existing contracts are negotiated with tenants on a timely basis prior to expiry within the scope of active key account management – and if possible extended. At the same time, an automatic reporting system facilitates fostering personal contacts with contract partners. Restructuring and renovation activities are coordinated and executed in line with contract terms, when the floor space is not utilised. Last but not least, attractive and innovative marketing of properties is part of successful vacancy management.

## RISK MANAGEMENT

In order to remain successful in the long term, the Company must promptly recognise trends that have an impact on its targets and operating business. Opportunities and risks emerge from changes in the economic, social, political and regulatory environment. Long-term trends that affect results – such as population growth, demographic shifts, urbanisation or shortage of resources – also alter the overall conditions. 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. 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.

From a differentiating perspective, many changes appear as opportunities as well. The group companies can achieve positions in changing markets and distinguish themselves from competitors with the appropriate range of services. For example, demographic change is regarded as an opportunity.

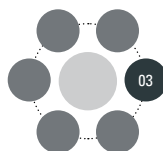
In Tertianum Group, Swiss Prime Site has a sustainable services portfolio in a growing market at its disposal. The future development of the education sector as a growth market in the real estate business provides an opportunity for Swiss Prime Site.

The effects of climate change on business activities are manifested directly in the realm of building shell structures and building technology, which must be adapted to noticeably more extreme weather and climate conditions. Furthermore, customer sentiment is increasingly focusing on ecological values that play a decisive role regarding the acceptance of consumer goods and services. The opportunities and risks for the group companies are quite similar here.

Swiss Prime Site also acknowledges its accountability regarding the Kyoto Protocol and Paris Convention. Harm to the environment and negative effects on society can only be limited when the 2°C reduction target is realised. For Swiss Prime Site, this means declaring the targets as a benchmark and taking the relevant measures. For instance, the Company operates its project development activities and assesses the real estate portfolio in line with Swiss Sustainable Building Standards (SSBS) criteria. In addition, environmental targets for the portfolio have been calculated that comply with the 2°C standard set by international climate policy.

GRI 102-11  
GRI 102-12  
GRI 201-2

For further information, see the Protecting the Environment section, from page 75.



## ..... COMPLIANCE AND SOCIAL COMMITMENT .....

### ACTING WITH INTEGRITY AND COMMITMENT FOR SOCIETY

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. Transparency is a top priority in all business activities. The Code of Conduct is part of the values mission statement creating a common understanding of loyalty, ethics and motivation. A well-functioning compliance system ensures consistently correct and respectful conduct and thus creates the conditions for corporate success and excellent reputation among all stakeholders. All group companies also accept their social responsibility and support various projects and organisations.

– Code of Conduct  
– Corporate culture  
– Transparency  
– Sponsoring & social commitment

### CORPORATE VALUES

The values of respect, integrity, responsibility, ambition and innovation are an integral part of the common corporate DNA. Each of these concepts is underpinned by principles and explicit requirements. Hence, all employees are encouraged to treat people with respect, to place integrity at the heart of their actions, to assume responsibility and to be a role model, to set high goals to continually improve and make innovation a reality.

GRI 102-16

The Code of Conduct published in 2015 is based on corporate values and is binding for all employees in all group companies. Each group company has complemented the principles with specific directives. The Code of Conduct provides guidance in day-to-day working activities. Due to clear rules, everyone knows what is meant by appropriate conduct and this facilitates the decision-making process. The management sets an example through a sense of responsibility and integrity and, together with the compliance officer, is a possible point of contact in case issues need to be addressed.

To ensure that these values are applied throughout the group, information and training sessions were organised to establish the corporate values and the Code of Conduct in the individual group companies in 2016. As of next year, an e-learning module is to be established so that each employee can individually familiarise themselves with the rules of conduct or refresh their knowledge.

## COMPLIANCE

Of course, Swiss Prime Site is committed to other values as well. In addition to Swiss law, Swiss Prime Site as a listed company also complies with the regulations of the SIX Swiss Exchange stock exchange. Compliance with statutory and internal guidelines is just as important as transparency and open communication to the Company's reputation and performance. Hence, the area of compliance will be further expanded in the coming years. Active, far-sighted engagement with this issue is important so as to remain competitive in the future. By adopting high standards and ensuring prevention, risks in the group companies and among suppliers are mitigated from the outset. No incidents involving non-compliance with legal requirements were identified in 2015.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 307-1  
GRI 419-1

In 2016, Swiss Prime Site was preoccupied, in particular, with the Spatial Planning Act, the federal government's 2050 Energy Strategy and the move away from fossil fuels toward sustainable and renewable energies. The tightening of the law in relation to the environment and environmental risks is assessed in specific terms, such as how to address contamination on land. With respect to contaminated properties, specialists develop individual standards and controls on behalf of Swiss Prime Site to meet the legal requirements, such as those, for instance, relating to the inspection and safe disposal of contamination. No violations of statutory regulations were recorded in 2016 in the environmental field either.

## CORRUPTION

When it comes to bribery and corruption, Swiss Prime Site has drawn a clear line: zero tolerance. To avoid any suspicion, the Company has established strict rules for handling favours and gifts, which the management and all employees have been informed about. Since Swiss Prime Site operates exclusively in Switzerland, combating corruption is not a priority given the stable political and regulatory environment. Nevertheless, it cannot be ruled out that corruption will not be encountered, for instance in connection with major transactions in acquisition & sales or in connection with large-scale purchases in procurement. No cases of corruption were found to exist in 2016.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 205-2  
GRI 205-3

The prevention of corruption entails a multi-pronged approach. Apart from voluntary commitments, the group companies have established special directives. All employees sign the Code of Conduct along with the employment contract and undertake to comply with regulations in addition to legal fiduciary duties. Training on the Code of Conduct also duly raises awareness among all employees and the management. If an attempt at bribery is found to have been committed, employees can always – including anonymously – contact the independent integrity line published on the Company website.

## DATA PROTECTION AND PROTECTION OF CLIENTS' PRIVACY

In the course of business, personal and confidential data relating to tenants and clients is collected in all group companies. A common feature of all group companies is that they take the protection of this data very seriously and must meet the growing challenges of data protection. Data protection encompasses all organisational and technical measures to protect against loss, falsification and unauthorised access. Data security breaches can be reported at any time through the independent integrity line. There were no breaches of data security in any group company in 2016.

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GRI 418-1

### Swiss Prime Site

The real estate company uses a customer relationship management system (CRM) to improve cooperation with customers, suppliers and business partners. The data on partners is stored in this system and is managed centrally from that location. Data security is monitored and evaluated on an ongoing basis. Swiss Prime Site sees increased digitisation as contributing to sustainability; to save time and resources, paper documents are being increasingly replaced by electronic data. The Company's IT policies were revised in 2016, which will take effect in 2017.



### **Wincasa**

For Wincasa, the collection and partial evaluation of customer data implies an information and competitive advantage. The IT and legal department ensures that the Data Protection Act is complied with. For example, each person has the right to know what personal information is being collected and stored. The company has issued several directives on data protection. Each employee signs a corresponding declaration of non-disclosure together with his/her employment contract. Similarly, each tenant with access to the tenant portal «MyWincasa» must accept a corresponding user agreement.

### **Jelmoli**

The more Jelmoli knows about the behaviour and preferences of customers, the better the range of products and offerings can be tailored to customer needs. Therefore, Jelmoli collects customer data as part of the customer card programme. Over 250 000 customers have a «J-card» and have accepted the general terms and conditions. Jelmoli maintains this customer confidence by adopting security measures designed to minimise the risk of a data leak. Data security is regulated by loyalty, VISA partner and customer relationship management. Data security is reviewed within the company on an ongoing basis.

### **Tertianum Group**

Protecting the privacy of guests of Tertianum Group comprises two dimensions. On the one hand, the confidential health data of guests must be recorded, processed and exchanged with doctors, therapists and hospitals. On the other hand, the privacy of guests in residences must be protected and their individual requirements taken into account. Tertianum Group manages confidential data in a password-protected system. The corporate principles set out rules on how to handle sensitive data, which are then communicated to staff in training sessions. Relevant provisions are also laid down in the employment contracts. Within Tertianum Group all employees and, in particular, the management, the IT function and the Data Protection Officer are responsible for the protection of guest data. Data protection is also an integral part of the quality management of Tertianum Group, the ISO and SanaCert certifications as well as the audits conducted by the supervisory authorities. If any staff member becomes aware of violations of data protection, they can contact the integrity line. Guests can lodge complaints not only with the company, but also with the cantonal appeal bodies or with the Swiss intervention agency.

## **SOCIAL COMMITMENT**

Within the scope of business activities, the group companies create practical added value for sustainable economic and social development in several ways. They are also committed to training young people and through their sponsorship are also committed to social and cultural projects as well as organisations specifically supporting local stakeholders.

### **Swiss Prime Site**

Real estate is a key aspect in the context of sustainable urban and regional planning and contributes to society, something over which Swiss Prime Site as owner and investor can exert considerable influence. This is part of its corporate responsibility. In 2016, Swiss Prime Site was presented with the NZZ Real Estate Award as best listed Swiss real estate company not least because the Company has – through flagship projects such as the Prime Tower in Zurich – visibly helped shape and enhance Swiss urban landscapes.

The establishment of a property in the context of the district and the urban fabric is key. With respect to new and building modification projects, the specific local offerings and social structures need to be enhanced or put in place as appropriate. To gear space closely to the market, Swiss Prime Site relies on property-specific dialogue with various stakeholders. In fact, Swiss Prime Site can gain a competitive edge through differentiated offerings.

Taking the local situation into account also helps mitigate risks during the approval process and helps identify opportunities. As a result, extensive statements on construction, operation and mobility can already be made early on in the project. The prudent planning and implementation process is entirely in keeping with societal concepts, such as the 2000-watt society. Responsibility for this process lies with the business field management.

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GRI 102-13  
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GRI 203-2

For further information regarding suppliers, see the Sustainable Investments and Services section, from page 69.

Furthermore, real estate always has a bearing on the appeal of the economic location as well as the social and environmental conditions. Real estate also has an impact on the local employment rate and secures local and regional jobs in the construction and service sector in the value-added chain. By investing in real estate and infrastructure associated with properties, Swiss Prime Site also makes a contribution to local communities. For example, each year Swiss Prime Site supports public transportation by earmarking approximately CHF 300 000 for the development of the shopping centres Sihlcity in Zurich and Stücki in Basel. No one-time duties arising from obligations under infrastructure contracts were paid in the reporting year. By investing in energy requirements of the building shell, renewable heat generation systems or smart building control technology, Swiss Prime Site is also improving environmental conditions.

Swiss Prime Site's real estate portfolio and reported returns, together with the real estate-related services, constitute an attractive investment profile for investors from home and abroad. Numerous Swiss pension funds take advantage of the stable and profitable investment opportunity to meet their commitments in the longer term.

Through its board activities and as a member of the Association of Real Estate Investors (VII), Swiss Prime Site shows that the Company assumes responsibility for quality of life in Switzerland and, as part of the real estate industry, is aware of its economic importance. Common objectives include the promotion of liberal market and competitive conditions as well as advocacy at the political, economic and social levels.

As part of its social responsibility, Swiss Prime Site also provided financial support to various sports and cultural organisations, social projects and causes in 2016. In terms of subject matter, sponsorship and factual commitment were more closely in line with the core business in 2016. Swiss Prime Site still supports, for example, NZZ Real Estate Days and, in Avenir Suisse and the greater Zurich area, it supports two organisations advocating the recognition of Switzerland as an economic centre. By sponsoring various institutions in the region of Olten, Swiss Prime Site also highlights the fact that it is well-established in the region where its headquarters are based.

**Wincasa**

Through its business activities, Wincasa creates significant added value in the direct vicinity of the property. Positive social and economic effects include the creation of attractive workplaces and the training of approximately 40 commercial apprentices. Many Wincasa managers and professionals are accredited by the world's largest real estate association «Royal Institution of Chartered Surveyors» (RICS), which sets leading global professional standards.

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Wincasa's sponsorship and donation policy is aimed at establishing the company as an attractive employer offering opportunities for development and at promoting innovative and leading organisations. It also supports local sports clubs and events to promote its establishment in the region. Wincasa is a member of the largest Swiss Association of Real Estate Trustees (SVIT) and Swiss Council of Shopping Centres (SCSC) and is part of the joint venture «Build Digital Switzerland». In addition, Wincasa supported the SVIT Real Estate Symposium and Swiss Shopping Centre Congress, which showed real estate and retail experts the possibilities of the digital world of real estate.

**Jelmoli**

Properties in key locations with public amenities have an important role to play in the district and the city. They are a place of work and residence for many people from different backgrounds and with different interests. In particular, the variety of food in food markets and in restaurants represents added value for customers, passers-by and workers in the surrounding companies and shops. Jelmoli staff are encouraged to promote customer friendliness in order to be part of this local community.

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Each year Jelmoli trains some 60 apprentices and as a long-time member of the Zurich Bahnhofstrasse Association – and sharing the chairmanship for the past three years – is committed to the location and the city. The Company takes its responsibility seriously by communicating on a regular basis with the city association, on whose management board Jelmoli is also represented. Within the framework of the association IGDS – Intercontinental Group of Department Stores – Jelmoli also exchanges views on international trends and best practices.

As part of its social commitment, Jelmoli has been supporting the Märli tram, which cannot be operated in an economically viable form, in Zurich for the past 55 years. Baking courses for children are also provided at Christmas time and Jelmoli adds to the sales proceeds from a cuddly toy. In 2016, the proceeds from the charity campaign went to the Foundation Kinderdorf Pestalozzi.

**Tertianum Group**

The offerings of Tertianum Group form a part of the local or regional health infrastructure and thus contribute to the appeal of the respective municipality. As a private provider – partly in private public partnerships as well – Tertianum Group assumes the social responsibility of providing the elderly with the support they require. In essence, Tertianum provides sustainable financial offerings for assisted living within municipal structures. The offerings are cost-conscious and relieve the strain on the community in terms of deficit guarantees, which would have to be additionally paid if it were a public institution. Social relationships remain stable, because the local population is not forced per se to move away due to ageing.

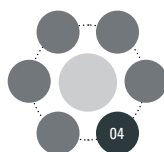
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GRI 203-2

For further information regarding suppliers, see the Sustainable Investments and Services section, from page 69.

When selecting new locations, challenges such as the differences in the ways that cantons handle geriatric care units, the differences in local purchasing power, the rental price that a landlord expects to charge as well as the scarcity and qualification of the regionally available nursing staff must be included in the systematic site evaluation and development of the offer. Further offers are evaluated in a location-specific manner, with the aim of achieving a differentiation and a competitive advantage while also optimising the positive impact on the location and the region. In 2016, new operations were opened in Salmenpark in Rheinfelden, Turrita in Bellinzona, Bärholz in Wohlen AG and Letzipark in Zurich.

By including local providers it is possible to keep employment local and to expand it. In that way, local businesses are brought on board, especially in the catering sector and associated businesses such as hairdressers, pedicurists, doctors and local suppliers. In addition, official events take place in the houses, which helps get the local population involved.

Tertianum Group works with senesuisse, the Association of Independent Geriatric Care Facilities in Switzerland. In 2016, Tertianum again collaborated with the annual conference on dementia in St. Gallen, where sense and sensitivity in the care of persons with dementia were discussed. Tertianum AG established the Viventis Foundation in 2012 on the basis of its extensive experience in the assisted living sector. Every year the company contributes CHF 50 000 to the Foundation, making it possible to support people, separate from the core business and independent of economic interests. The aim of the Viventis Foundation is to improve the quality of assisted living. In order to maintain the personal quality of life, the Foundation provides financial assistance to the residents of assisted living facilities. In addition, the Foundation funds studies, research and projects that aim to maintain the assisted living situation of elderly people in Switzerland.



..... **SUSTAINABLE INVESTMENTS AND SERVICES** .....

**LONG-TERM PERSPECTIVE AND CONTINUOUS IMPROVEMENT**

The development and enhancement of group-wide products and projects, as well as their orientation in the market and towards the needs of customers, is part of the core task of Swiss Prime Site. The real estate portfolio is continuously expanded and substantially upgraded through acquisitions and modernisation. Innovation and continuous improvements in efficiency are the drivers for long-term successful investments and services. Along with economic added value, Swiss Prime Site always takes into account the needs of society and environmental objectives. Sustainability guides business activities in all group companies and also involves suppliers and key business partners.

- Development projects
- Portfolio/modernisation
- Investment efficiency and service productivity
- Green buildings
- Innovation pool
- Supplier requirements
- Tracking

## INNOVATION

The economic environment is fast-moving and volatile: new business models and technologies are changing existing cost and income structures, or are even replacing them. Innovation cycles are growing shorter, too. In order to identify and respond to future developments even more quickly, two panels were set up during the reporting year: the Futureboard at Wincasa and the Innovation Board at the group level.

The idea behind the Futureboard is to systematically recognise early signs of change and to adapt the Company to the new conditions by means of innovative projects and, if needed, through adjustments to the strategy. Its main tasks are to identify the volatility drivers, accelerate the response time and continually test the applicable strategy using scenario-based options.

The aim of the Innovation Board at Swiss Prime Site is to incorporate ideas and trends from outside the Company in an interdisciplinary exchange with the group companies and with partners from various industries. The targeted involvement of employees, along with training courses, as well as the establishment of an internal and external network are important building blocks of the innovation culture that is to be promoted not only by the Innovation Board but by the entire group.

## SWISS PRIME SITE

In order to create sustainable added value for stakeholders, Swiss Prime Site invests in first-class real estate and property sites. In the current macroeconomic environment, Swiss Prime Site, in addition to investments in development projects and new construction, is particularly focused on the renovation and conversion of existing properties. The focus is on quality properties with a high return potential and the possibility to increase in value over the long term. The Company pursues in all projects a sustainable approach that takes into account more than just economic viability and the occupancy of properties. Other criteria are important, too, including spatial development, flexible utilisation options, energy and resource optimisation, sustainable sources of energy, modern building technology, and the safety and health of the users of the properties. All projects are scrutinised in terms of their environmental, social and economic aspects, as Swiss Prime Site is convinced that sustainable locations combined with sustainable projects that take account of the requirements of society and the environment will lead to financial success.

New buildings are built exclusively according to strict sustainability criteria, based on demanding seals of approval. Major properties therefore have seals of approval such as Minergie®, LEED or DGNB. These properties include the new headquarters of Swiss Post in Berne, the Prime Tower, the SkyKey property and the media park in Zurich, the Stücki Shopping Centre in Basel and the Opus 1/2 building in Zug that is used by Siemens.

An excellent example of a transformation that conserves resources is the Schönburg project in Berne. The former headquarters of Swiss Post will keep its existing structure while being transformed into a high-quality, mixed-use building with rental apartments, retail shops and a hotel run by the premier hotel operator Prizeotel. The same potential will be tapped into with the two hotel projects of Motel One in Basel and Zurich. The signing of long-term rental agreements with the innovative hotel group ensures that Swiss Prime Site will have sustained rental income. At the same time it demonstrates how modernisation can make the flexibility of the property portfolio more demand-oriented.

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GRI CRE8

### **Involving local communities**

The effect of real estate projects on the social environment is taken into consideration through market studies, market positioning and with regard to potential users. Environmental impacts are assessed when the environmental parameters of a construction project are set. Swiss Prime Site seeks direct contact with local stakeholders for all projects. These stakeholders include local officials, representatives from the world of business and politics, as well as local residents. The idea is to obtain a better understanding of the needs of the local community and the requirements for the property and the use of it. Swiss Prime Site, for its part, can highlight the added value that the investment creates. In 2016, for example, Swiss Prime Site received the go-ahead, with the approval of local voters, for the construction and operation of a geriatric care facility in Richterswil under a private public partnership.

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GRI 413-1

Maintaining a dialogue with the local community helps to minimise risks and create a positive image. Various communication measures can be used, depending on the construction phase and the local situation. The project development process provides the employees involved with assistance in how to proceed in a specific case. In addition to the staff in the Development business area, the Communication department is also responsible for dialogue. If the concerns of local stakeholders cannot be addressed, they have the possibility to submit their complaints at the municipal or cantonal level within the scope of the regular procedure for issuing construction permits. Swiss Prime Site is keen to intensify the dialogue with the local stakeholders.

### **Customer health and safety**

Because Swiss Prime Site aims to hold only first-class real estate in its portfolio, the group naturally takes into account the health and safety of the users of the property whenever it builds new buildings or modifies existing properties. In addition to building regulations and provisions, as well as the guidelines of the Labour Inspectorate, the directive on obstacle-free construction and, if necessary, the criteria for achieving the desired building certification are also applied. The obligation to use construction material that does not have a negative health impact is ensured through work contracts with suppliers. In addition, specific measures are added based on the individual requirements of the users and the risk profiles of the properties. There is also the potential when renting the properties to promote good health, for example, through the implementation of a healthy food concept or attractive fitness and leisure activities. The Development and Portfolio Management business areas are responsible for the implementation of these measures.

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On the one hand, risks are to be minimised through preventative measures. Moreover, there are detailed safety and security concepts for all properties that have a higher level of risk, such as shopping centres. These concepts are regularly reviewed and adjusted as needed. The concepts regulate the organisation of operations during normal periods as well as the procedures in emergencies, such as a medical emergency, fire, bomb threat or earthquake. The action plans, which are always kept up-to-date by Centre Management, are aimed at all tenants, building services and specific communication and safety officers. The security system is continually monitored by Facility Management. Evacuation and emergency exercises are regularly conducted. Swiss Prime Site also reviews the requirements and requests by conducting specific user surveys, as the feeling of security can be subjective.

### **Procurement**

To ensure that the real estate in the portfolio meets the sustainability standards of Swiss Prime Site, it must be ensured that environmental and social aspects are taken into consideration in the supply chain. Conditions in this regard are contractually set when contracts are awarded to contractors for construction and construction services. In 2016, Swiss Prime Site concluded work contracts with general contractors for a total value of CHF 250.0 million. By requiring certifications and self-declarations, a positive impact can be made on suppliers by raising their awareness of important environmental and social issues. The general terms and conditions for suppliers were expanded in 2016 to include requirements for quality management, job safety, working conditions and proof of origin of raw materials. Going forward, Swiss Prime Site aims to systematically evaluate suppliers on the basis of environmental and social criteria.

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In the case of new construction and modernisation projects, general contractors and their subcontractors are fully responsible for compliance with the statutory requirements for occupational safety by means of corresponding provisions in the contract. A corresponding safety concept must be drafted before construction begins to prevent accidents at the construction site.

## WINCASA

Wincasa offers customers a broad service portfolio along the entire life cycle of real estate, from planning to construction and management to the renovation and sale of a property. The company manages approximately 231 000 properties through its decentralised branch network in 24 locations, making it Switzerland's market leader. In 2016, Wincasa revised its sustainability management to make it much broader and more comprehensive, thereby giving the company a pioneering role in the real estate services industry. The sustainability concept and the understanding of it are embedded in the group-wide strategy, which includes, for example, clearly defined targets in the areas of business, environment and society, along with a governance structure for these areas. Wincasa provides sustainable services for the entire real estate life cycle, while also anchoring sustainability in its own operations.

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For further information, see the Focus on Wincasa section, from page 20.

### Customer health and safety

Wincasa gives the highest priority to protecting people. Depending on the mandate and requirements of the real estate owner, Wincasa assumes various tasks to ensure the safety and health of the users of the real estate. Typically, Wincasa's responsibilities include the exercise of due diligence within the framework of management mandates, the creation of safety and security concepts, the preparation of control and status reports as well as projects for earthquake retrofitting. The managed properties are divided into seven different safety and security categories on the basis of the type of management, the property size and the type of use. Depending on the category, appropriate concepts are drawn up and implemented on the basis of individual performance catalogues in consultation with the owner. In addition to protecting individuals, Wincasa aims to ensure a high level of business continuity and to minimise reputational risk due to loss events. Naturally, Wincasa complies at all times with cantonal rules and regulations as well as the Federal EKAS1 guidelines and fire safety standards. Responsibility for this lies with the Legal & Compliance, Human Resources and Purchasing & Services departments. Wincasa also has an emergency manual for its own operations. In future, this will be tailored to the individual branches.

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### Procurement

To implement an integrated approach to sustainability, procurement must also be considered from an environmental and social point of view. A differentiation must be made here between Wincasa's directly mandated suppliers and the companies engaged by Wincasa on behalf of real estate owners. Wincasa procured goods and services totalling approximately CHF 20.0 million from more than 100 direct suppliers in the reporting year. Wincasa attaches great importance within the company itself to fair and respectful treatment and keeps in mind the environmental impact of business activity. To this end, business partners and suppliers with the same values are engaged. Suppliers are evaluated based on quality as well as the price/performance ratio in a two-stage process. In addition to being assessed by operations, Purchasing & Services also carries out an evaluation, with both feeding into the supplier ranking. In future, environmental and social aspects will also be taken into account when evaluating suppliers.

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## JELMOLI

The long-established Swiss department store Jelmoli has been an institution on Bahnhofstrasse since 1833 and is of regional importance in the Zurich area. Business activity was expanded nationally and internationally in 2016 through the online sales portal. Jelmoli will also be located at Zurich Airport from 2019, with innovative concepts at three rented areas. In a rapidly changing retail market, this expansion offers considerable potential to strengthen the business model for the long-term, making economies of scale and synergy effects possible, while increasing footfall at the airport will further strengthen Jelmoli's market presence and market positioning among international and Swiss customers. Thanks to its comprehensive services, Jelmoli not only differentiates itself from other department stores but also offers customers crucial added value compared to competing online stores. For example, customers have access to personal shopping with individual style consultation, an alteration service, and a catering service that delivers ready-to-eat products directly from the store's own food market. The first-class service is also combined with innovative online offerings, such as «Click & Collect», «Click & Reserve» and «Same Day Delivery». Jelmoli relies on host values such as appreciation, passion and maximum customer satisfaction in all of its services. It firmly believes that this strategy will ensure commercial success and safeguard the associated jobs over the long term.

<sup>1</sup> Federal Coordination Commission for Occupational Safety (FCOS)

### **Customer health and safety**

Protecting the health and safety of customers concerns both structural measures in and around the building on Bahnhofstrasse as well as the quality and origin of the products sold. The property is systematically inspected and improved when investments are made in the building. Safety officers have now been defined on every floor and employees joining Jelmoli are informed about the safety concept on the «Welcome Day». There are also six internally trained paramedics. From 2017, two evacuation exercises will be held every year. Quality assurance measures for the products offered are carried out by the Purchasing department. Products which may give reason for complaint are systematically removed from the range. The responsibility for defect-free products lies first and foremost with the manufacturers and suppliers, with Jelmoli performing spot checks. Strict quality management is particularly important in catering and food sales, which is why Jelmoli performs multiple checks every day. The directives of the Food Inspectorate are implemented rigorously. Although absolute protection cannot be guaranteed, Jelmoli makes every effort to minimise the risks of having products on sale that may endanger safety or health. If there are complaints nonetheless, customers can register these with customer services. In serious cases, Jelmoli recalls products.

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GRI 416-1

### **Product declaration**

Jelmoli assigns great importance to a detailed product declaration and comprehensive information on the use and disposal of products, as negative effects on customers can also have negative impacts on Jelmoli's business. Even just isolated incidents or product-specific deficiencies can trigger widespread media coverage due to digital media and the transparency and awareness it creates. Jelmoli customers always have the possibility of taking their complaints to customer services. Jelmoli believes that it is predominantly the duty of suppliers and manufacturers to provide correct product declarations. Nonetheless, both Purchasing and Sales check the relevant information and any disposal instructions on an ongoing basis and monitor specific signals and developments in the markets. There are declaration obligations regarding origin, ingredients and composition, safe handling as well as disposal and recycling for foodstuffs, toiletries and household appliances, among others. One challenge for Jelmoli is to obtain information when declarations are incomplete, and sometimes when they lack credibility. Jelmoli takes additional preventive measures if necessary, particularly when exposed products are involved.

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### **Procurement**

The primary focus when procuring food products is on ecological aspects. When clothing and items for use in the household are involved, the emphasis is on social aspects, as these products tend to be manufactured in less developed countries where working conditions can sometimes be problematic. Overall, Jelmoli has only limited ability to influence the social and ecological impact of supply chains. The Jelmoli range comprises around two million items from around 1 000 different brands. As the number of suppliers is correspondingly large, Jelmoli focuses on factors where it can have an influence and insists that direct suppliers issue self-certifications of compliance with recognised employee protection standards. Jelmoli has also set itself the objective of actively reviewing social and ecological aspects when entering into new agreements. Regulations and procedures to this effect will be drawn up in 2017. Jelmoli hopes that these will both minimise reputational risk and differentiate it in the market.

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## **TERTIANUM GROUP**

As the market leader in assisted living, Tertianum Group makes a major contribution to improving the quality of life for older people. The group has a presence at 71 locations across the whole of Switzerland, offering 2 750 geriatric care beds and managing some 1 800 apartments. Tertianum Group offers the full range of residence and geriatric care options, reflecting the many forms of ageing today. All Tertianum Group operations focus on guests' satisfaction and well-being, along with their independence and safety. Skilled and responsible care has the highest priority. Particular importance is attached to high-quality service and continuous improvement.

Municipalities that do not operate their own geriatric care facility can enter into specific service agreements with private firms in a public/private partnership. In such instances, Tertianum as the operator enters into a cooperation with the municipality and real estate investors like Swiss Prime Site. The municipality does not have to invest in the property or cover any operating losses. Agreements cover specific mutual obligations such as the allocation of care places, priority for local residents, rules on maximum charges, reliability and quality control.

### Local communities

Tertianum Group actively nurtures and promotes local networks. Building up an overall ecosystem of services around the locations is important, and this is tailored to the local situation. The range of services offered is constantly updated and extended to reflect guests' individual and active lifestyles. Tertianum is therefore in contact with local residents, political representatives and authorities. They also benefit directly or indirectly from what Tertianum has to offer. The diversity of the offering reflects the size of the operations, with the focus on the 16 largest residences. By exchanging views with the local community Tertianum learns what people need both today and tomorrow and can act accordingly. The biggest challenge in keeping the offering appropriate to the target groups lies in reconciling guests' different needs and increasing individuality.

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### Customer health and safety

As a healthcare service provider, looking after the safety and health of guests is fundamental to the success of the business. Strict safety controls and constant monitoring of the state of people's health are therefore a core part of daily activity. Tertianum Group invests a great deal in implementing comprehensive quality management. Every single employee is required to work to the relevant quality standard and contribute to the best possible well-being of guests in all they do. Managers have a special responsibility to set an example. The prime objective is to reduce the risk of making a wrong assessment or intervening too late. In addition to an integrated management system there are also process and safety plans as well as quality management systems. For example, health and safety measures are monitored using standard care criteria in the Critical Incident Reporting System (CIRS) and safety protocols. Qualified staff are an important factor for success. Training sessions therefore constantly teach how to avoid and remedy mistakes. All processes are reviewed using audits and random testing. Care procedures receive especially close scrutiny.

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### Setting the range of services and regulatory requirements

Tertianum is entrusted with the extraordinary responsibility of looking after people. This necessitates a precise definition of the services to be provided, the risks that are involved and what countermeasures are to be taken. The services are agreed with the guests in binding accommodation or care agreements. The list of services can be customised and extended in line with the shared goal of both the guests and Tertianum – that care should be individual. Agreements also set out the local procedures for making a complaint. Tertianum Group aims to make the offering increasingly flexible, while ensuring profitability is sufficient to remain viable. Every three years Tertianum carries out a satisfaction survey among guests, suppliers and employees.

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The Adult Protection Act, revised in 2013, is particularly important when looking after the elderly. The new law provides for powers of attorney and living wills to specify who will represent the interests of a guest and what medical interventions should take place in the event of mental incapacity. The law also defines the stage at which measures to restrict the freedom of movement of people who have lost mental capacity are permissible for their own protection.

There are statutory information and labelling duties, especially for medicines and foods. Stipulations require information on origin and contents, secure handling and proper disposal. Internal and official checks monitor that Tertianum complies with its obligations.

### Procurement

In the year under review Tertianum Group procured goods and services worth in excess of CHF 50.0 million from several hundred suppliers. The most important product groups are care materials, food and beverages, household goods, maintenance services as well as water and energy. The supplier review is an important means of measuring their performance and forms the basis for selecting new product and service providers. The review also serves to assess how existing suppliers are performing. A total of 90 reviews were carried out in 2016. 67% of the firms in specialist areas were ranked A, 31% B and two (in IT and electronic goods) C. The results are used when holding discussions with suppliers. Nine suppliers received a critical assessment and were proactively approached. Central procurement holds regular meetings with four or five of these partners.

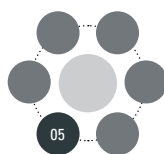
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GRI 414-1  
GRI 204-1



Because of the heavy responsibility and obligation to protect guests' health, Tertianum endeavours to raise awareness of ecological and social issues among its suppliers. Buying sustainably produced items is good for our guests and reflects the company's values. For example, providing balanced and nourishing meals is an important part of the service and a contribution to guests' health and well-being. The purchasing guidelines contain an obligation for new suppliers to make a declaration to this effect. In the year under review, new master agreements were signed only with suppliers able to demonstrate that their value chain is sustainable by providing certification for their logistics and products. New suppliers will in future also be checked and prioritised in this regard.

Tertianum attaches great importance to local sourcing, particularly with regard to catering. Local products are ecologically and socially sound in terms of both production and delivery. Local producers such as bakers, butchers and farmers are either included in direct procurement or (as contractually specified) used by partners Migros, Coop, Reust and Krenger. The responsibility for sourcing at Tertianum Group lies with the local purchasing manager. It is not possible at present to report the percentage of local goods in total quantities ordered. Tertianum Group is keen to further increase the share of seasonal products in future.



..... **PROTECTING THE ENVIRONMENT** .....

**ENVIRONMENTAL RESPONSIBILITY**

Swiss Prime Site acts to protect the environment and conserve resources, whether in its daily operations or in investments in real estate and its management. The focus, though, is clearly on the real estate portfolio, where Swiss Prime Site is aiming in the long term at a portfolio of emission-neutral buildings. Enhancing energy efficiency, reducing resource consumption and emissions and intelligently handling land resources are not just environmentally friendly but also economically sensible. Training sessions and information events are held to raise employee awareness and, in particular, to call on them to protect the environment. In addition, there are specific requirements regarding the areas of acquisition, development and portfolio management aimed at the sustained reduction of energy consumption and CO<sub>2</sub> emissions within and outside the Company.

- Fostering awareness
- Intelligently handling land resources
- Boosting energy efficiency
- Reducing CO<sub>2</sub> emissions
- Resource consumption

**ENERGY AND EMISSIONS**

The sustainability performance of the real estate portfolio has important levers for minimising environmental impact, as energy consumption and CO<sub>2</sub> emissions due to heating, ventilation, refrigeration and illumination are significant. The focus is accordingly on boosting energy efficiency and reducing CO<sub>2</sub> emissions in the buildings. Currently, environmental targets are being calculated which comply with the 2°C goal of international climate policy. A CO<sub>2</sub> reduction path until 2025 for the real estate portfolio is being established on the basis of science-based targets. The environmental goals will be adopted together with a 2017 plan for measures and investment. However, Swiss Prime Site is looking beyond its own activities to the value chain as a whole. For example, grey energy will be considered for new buildings and modification work.

- GRI 103-1
- GRI 103-2
- GRI 103-3

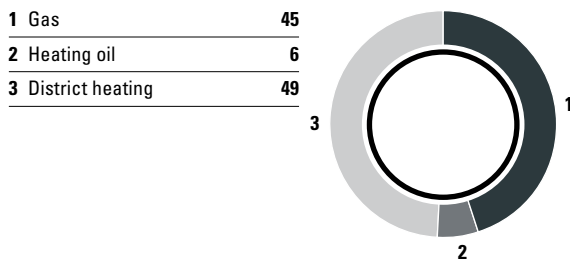
Extensive consumption data are needed to identify potential for optimisation. Siemens' EC/BO (energy controlling and operations optimisation) enables Swiss Prime Site to access data on the energy consumption of currently 21 major properties at any time through an online system. These 21 properties represent about one third of the usable area of the total portfolio. Further properties will be connected to the fully automatic measuring system from 2017. Rigorous analysis of the data makes possible rapid identification and implementation of appropriate measures. In the past five years, measures to optimise operations have been implemented in over 100 properties in the portfolio. Besides renovating building shells and adjusting ventilation systems, building automation installations are also being optimised and energy-intensive lights replaced.

For example, illumination in the Jelmoli property will be completely replaced with LED lighting by the end of the first quarter of 2017. The changeover in the operations of Tertianum Group is still in progress.

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

.....  
**BREAKDOWN BY THERMAL ENERGY SOURCES**

in %



Wincasa supports real estate owners and investors in implementing their sustainability strategy, and is positioning itself in the market with a corresponding range of services. Among other things, Wincasa offers its customers energy controlling and operations optimisation and checks alternative heating systems using fossil fuels. Within its management mandate Wincasa therefore makes a decisive contribution towards enhancing energy efficiency and reducing CO<sub>2</sub> emissions of the properties in customer portfolios. But as Wincasa has branches throughout Switzerland, it is itself a tenant. The associated energy consumption flows into the overall analysis and is continuously optimised. The focus is on reducing the ecological footprint and operating costs. In 2016 Wincasa published the first «Sustainability Snapshot», which provided information on the goals up to 2020 in the areas of economics, ecology and society and the progress in achieving these. The «Sustainability Snapshot» is published annually. Deriving the environmental statistics for 2016 entailed utilising the real-time data from the 21 large properties that are part of the «EC/OO» project, in addition to weather-adjusted real data from 82 other properties for the year 2015. The values for the remaining properties were estimated, because the consumption is billed by third parties, and Swiss Prime Site does not have any insight into these records. Properties under construction or modification work or properties which were bought or sold during a year are not included. The key environmental statistics are summarised in the table.

For further information, see the Focus on Wincasa section, from page 20.

ENVIRONMENTAL STATISTICS

	Data in	2013	2014	2015	2016
Properties	number	172	172	162	161
Floor space	m <sup>2</sup>	1 590 000	1 590 000	1 458 000	1 450 000
Thermal	MWh	151 000	126 000	117 000	120 000
of which gas	MWh	66 500	55 800	52 400	53 700
of which heating oil		11 300	8 700	7 100	7 300
of which district heating		73 200	61 500	57 500	59 000
Electricity	MWh	97 000	93 000	82 000	79 000
CO <sub>2</sub> scope 1	tonnes	15 400	12 800	13 300	13 400
CO <sub>2</sub> scope 2	tonnes	28 600	25 700	21 700	21 500
Water consumption	m <sup>3</sup>	943 000	847 000	846 000	825 000

GRI 302-1  
GRI 303-1  
GRI 305-1  
GRI 305-2

Data are assessed as at each calendar year.  
Properties under construction and building land were not taken into account.

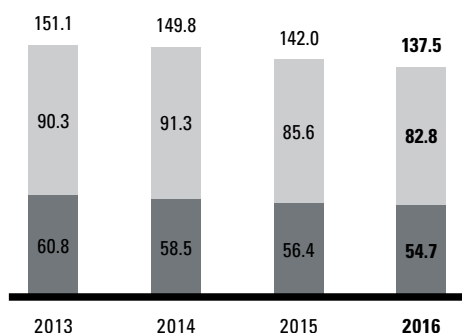
Changes in energy and CO<sub>2</sub> intensity per square metre of usable area were analysed for the total Swiss Prime Site portfolio for the years between 2013 and 2016. During this period the energy intensity was reduced by 12% and the CO<sub>2</sub> intensity by 13%. A portion of these savings can be attributed to the milder winter weather in the years 2014–2016. Nevertheless, adjusted<sup>1</sup> for weather, the reduction in energy intensity over the past four years was 9% (CO<sub>2</sub> intensity: –10%). There is a small margin for error here because of the estimates made for a small part of the real estate portfolio. However, the analysis of the real-time data for the 21 major properties confirms the reduction over the entire property portfolio: adjusted for weather, the energy intensity in 2016 was reduced by over 10% compared with 2013. Measures to reduce electricity consumption were particularly effective, with a reduction of around 20% in electricity intensity per square metre over the past four years. This corresponds to annual savings of 6.6 million kWh of electricity and roughly 1 000 tons of CO<sub>2</sub>.

GRI 302-4  
GRI 305-5

<sup>1</sup> Weather adjustments were based on heating-degree days. Data from the closest available weather station were used for each property. The adjustment was not applied to consumption independent of weather. No property-specific regression models were developed for sensitivity to heating-degree days and solar radiation.

ENERGY INTENSITY OF OVERALL PORTFOLIO  
(WEATHER-ADJUSTED)

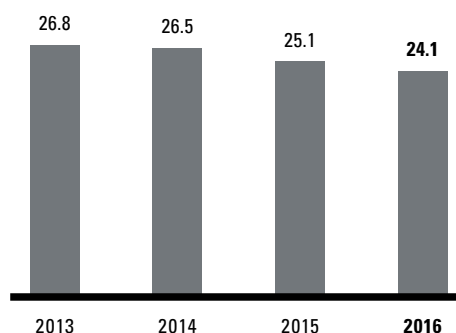
in kWh/m<sup>2</sup> (end-energy)



■ Electricity ■ Thermal

CO<sub>2</sub> INTENSITY OF OVERALL PORTFOLIO  
(WEATHER-ADJUSTED)

in kg CO<sub>2</sub>/m<sup>2</sup>



GRI 302-3  
GRI 305-4

## RESOURCE CONSUMPTION

Besides lowering energy consumption and the associated CO<sub>2</sub> emissions, Swiss Prime Site attaches importance to reducing water consumption and refuse. Raising the awareness among staff, customers and users of buildings plays a significant role in this. While resource conservation can be forced to some extent by technical measures, changing behaviour brings greater rewards.

GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 306-2  
GRI CRE5

### Water

Besides water consumption in the buildings and for own use, a large part of water consumption arises in the production of goods. For example, the production of building materials, food and textiles is water-intensive. Swiss Prime Site identifies opportunities to save water within the real estate portfolio and takes measures accordingly. New construction and modification projects take due account of the requirements of the certification organisations. To identify potential for optimisation in its own operations, Wincasa collects data on annual water consumption in the branches. At Tertianum Group, water consumption for personal hygiene of guests, laundry and cleaning the buildings plays a central role. Provided that the reduction of water consumption does not impact the high standards of hygiene in the health sector, savings are encouraged.

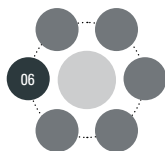
### Waste

Wherever possible, waste is recycled, and Swiss Prime Site therefore provides corresponding classification systems. All employees are instructed not only to reduce paper use but also to put used paper in the paper recycling collection. As part of its internal sustainability management, Wincasa evaluates the quantity of waste in its branches. As there are no actual consumption figures available, the analysis is based on extrapolations of the data collected by the Federal Office for the Environment. Tertianum Group distinguishes between medical refuse, domestic refuse and restaurant refuse. There are requirements for the safe and separate disposal of drugs in particular.

### Contamination review

Swiss Prime Site reviewed the entire real estate portfolio of 184 properties (including land for building) with a total area of 121.04 hectares for soil and building contamination. According to individual expert opinions, 27 properties (15%) or 32.35 hectares (27%) showed soil contamination. The contamination was reported in a separate overview by an independent environmental office. These data are the basis for drawing up rehabilitation concepts and cantonal-supervised rehabilitation measures.

Rehabilitation is done in the course of modernisation measures or when renters change. In the year under review, asbestos rehabilitation work costing CHF 1.4 million was carried out in the «Schönburg» and «Prada» projects. No soil rehabilitation was carried out in 2016. In 2017 millions of CHF are planned to be spent on decontamination work in connection with the ongoing construction activities in the three projects «Plan-les-Quates», «Siemens Areal» and «Stücki Science Park».



..... **ATTRACTIVE WORKING ENVIRONMENT** .....

**APPRECIATING AND PROMOTING EMPLOYEES**

Competent and committed employees are a central factor in mastering future challenges, whether at Swiss Prime Site, Wincasa, Jelmoli or Tertianum. The medium and long-term commercial success of all group companies depends on how well they manage to retain and attract qualified employees, promote and expand their skills, empower them to take on more responsibility, and motivate them in their commitment to their daily responsibilities and shared goals. All group companies seek to be employers of first choice. To promote their own future managers, vocational trainees are schooled and talent encouraged through specific programmes and career planning tools. Measures to promote the culture of appreciation and employee health contribute to a positive working climate.

- Employee development
- Promoting junior staff
- Incentivisation
- Occupational health and safety
- Empowerment

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. Wherever possible, synergies are exploited and best practices shared within the group. From 2016 there are annual «Welcome Days» for newly arriving managers to present the individual group companies, strengthen awareness of the diversity within the group and provide a first opportunity for informal networking. In addition, a group-wide leadership programme was launched, which not only teaches management tools but also communicates and deepens corporate values and adequate management styles.

**A CULTURE OF RECOGNITION**

As it is becoming increasingly difficult to find qualified staff on the labour market, all group companies attach great importance to creating an attractive working environment in order to maintain motivation and satisfaction among existing employees. Group-wide corporate values and the Code of Conduct serve as a binding guideline for our interactions with each other.

- GRI 102-8
- GRI 103-1
- GRI 103-2
- GRI 103-3
- GRI 405-1
- GRI 406-1

Mutual respect, recognition and fairness play an important role in daily work. Open and constructive communication as well as equality of treatment and opportunity are also a basis for a respectful and productive working climate. Diversity – in people, opinions and experience – is promoted throughout the group. At Jelmoli, for example, there are staff from 41 different nations.

Equal pay for equal work is ensured at all group companies. Wincasa has also set itself a medium-term goal of reaching a share of up to 50% for women in managerial positions. In putting these principles into practice, the recruiting process, compliance with collective labour agreements and minimum wage requirements, ongoing review of equal pay and the availability of flexible work models all play a central role. While each individual employee has personal accountability, group management and HR management bear overall responsibility. Employees can use the Integrity Line as an anonymous channel for reports and complaints. There were no cases of discrimination in the group in 2016.

## KEY FIGURES OF EMPLOYEES

	Total	Male	Female
Employees <sup>1</sup>	5 093	1 238	3 855
Students			
Trainees	353	88	265
Apprentices	75	18	57
<b>Total</b>	<b>5 521</b>	<b>1 344</b>	<b>4 177</b>
<b>Full time/part time<sup>1</sup></b>	<b>Total</b>	<b>Male</b>	<b>Female</b>
Full time	2 424	1 007	1 417
Part time < 50%	852	117	735
Part time 50%–79%	1 032	66	966
Part time 80%–99%	1 213	154	1 059
<b>Total</b>	<b>5 521</b>	<b>1 344</b>	<b>4 177</b>
<b>Breakdown by age<sup>1</sup></b>	<b>Total</b>	<b>Male</b>	<b>Female</b>
Employees < 25 years	829	206	623
Employees 25–35 years	1 303	328	975
Employees 36–45 years	1 087	301	786
Employees 46–55 years	1 415	325	1 090
Employees > 55 years	887	184	703
<b>Total</b>	<b>5 521</b>	<b>1 344</b>	<b>4 177</b>
<b>Definite/indefinite</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>
Permanent employees	5 093	1 238	3 855
Trainees	428	106	322
Temporary	44	1	43
Custodial	56	28	28
Additional temporary employees	28	15	13
<b>Total</b>	<b>5 649</b>	<b>1 388</b>	<b>4 261</b>

GRI 102-8  
GRI 405-1

<sup>1</sup> number of employees at year-end, excluding temporary and other

**BREAKDOWN OF EMPLOYEES BY GROUP COMPANY<sup>1</sup>**

Number



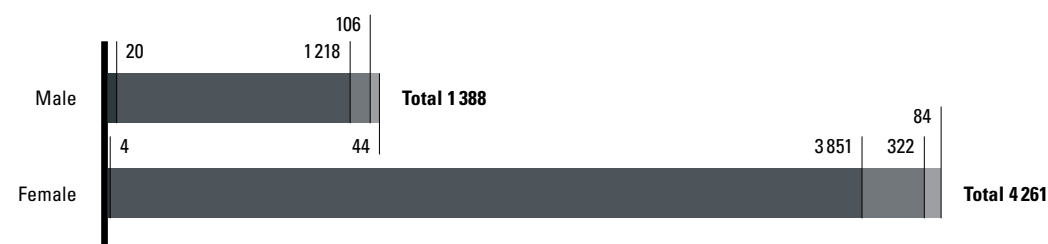
■ Swiss Prime Site ■ Wincasa ■ Jelmoli ■ Tertianum Group

<sup>1</sup> number of employees at year-end, including temporary and other

**EMPLOYEES BY FUNCTION AND GENDER 2016<sup>1</sup>**

GRI 405-1

Number



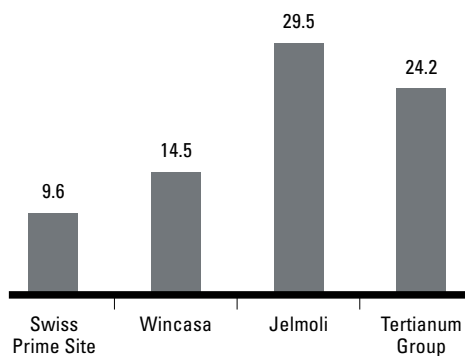
■ Management ■ Employees ■ Trainees ■ Various employees

<sup>1</sup> number of employees at year-end

**FLUCTUATION BY GROUP COMPANY 2016**

GRI 401-1

in %



**KEY FIGURES WORKPLACE HEALTH AND SAFETY 2016**

in %

	Total	Swiss Prime Site	Wincasa	Jelmoli	Tertianum Group
Accident rate	0.6	0.2	0.2	0.7	0.7
Illness rate	4.5	3.0	3.0	3.3	5.0
Absence rate	5.1	3.2	3.2	4.0	5.7

GRI 403-2  
GRI 403-3

## SWISS PRIME SITE

Due to its good reputation and thanks to extremely attractive jobs at the Zurich, Geneva and Olten locations, Swiss Prime Site is able to retain long-serving employees and fill vacancies very successfully with new and highly qualified specialists.

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GRI 102-41  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 402-2

In 2017 the positioning of Swiss Prime Site in the labour market will be re-evaluated, and any necessary measures will be taken. It is also planned to install new HR software which will help further optimise and enhance the efficiency of processes in HR.

Swiss Prime Site offers all employees social benefits beyond the statutory minimum, whether they are working on a full-time or part-time basis. For example, there is no coordination deduction in the pension second pillar. There are no collective agreements in the industry.

### Development and promotion

Due to the comparatively small number of employees and their high degree of specialisation, promotion and development are individually customised for the profile of each employee. The new group-wide leadership programme is available to young managers from 2017. Participation in events lasting one or more days as well as visits to trade fairs and lectures are made possible for professional development and expansion of personal networks. Staff events and excursions are also used to encourage internal networking and social contact. In 2016, around 1.3% of annual payroll was invested in employee education and training. Personal development and training goals were agreed with all employees during their annual evaluations.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 404-1  
GRI 404-2  
GRI 404-3

### Workplace health and safety

Health and safety are important in connection with new construction and modification work on properties, particularly in the Swiss Prime Site supply chain. In its own operations, Swiss Prime Site seeks to minimise risks to employees through preventive measures, guidelines and safety plans. Health checks and programmes for ergonomics, physical fitness and mental health are also offered or promoted.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
CRE6

## WINCASA

The quality of service, customer satisfaction and business growth are all based primarily on the motivation and professionalism of the employees. This is why Wincasa implements active employer branding, which includes appearances at trade fairs and in the media, vocational education and training programmes, and fringe benefits. Attractive working conditions also help recruit and retain qualified staff. In daily work, line managers and HR department staff ensure a good working climate. Working conditions that encourage performance, specific programmes, projects and training also create a context for continuous improvement and growth in both team and individual performance. The Integrity Line allows all employees to get advice or pass on concerns and complaints, anonymously if desired. Wincasa continuously monitors quantitative data, such as staff turnover, absence rate, overtime and vacation balances and the number of training days. The employee turnover rate in 2016 stood at 14.4% and absenteeism at 3.2%.

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GRI 102-41  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 401-2

Wincasa conducts a staff survey every two years. The last survey in 2015 showed, among other things, that some structures and processes are not completely satisfactory. For example, it indicated that changes to internal communication would be necessary due to rising employee numbers. Employees also consider it important that decision-making paths continue to stay as short as possible. Wincasa responded accordingly. Internal communication channels such as the Intranet were expanded and managers were instructed to pass on relevant information to their staff at the appropriate level. «Kaizen boards» were introduced, too, whereby employees are directly involved in assessing and improving their fields of activity and processes.



Pension benefits are above the minimum contribution requirement, and Wincasa's benefits for daily sickness benefits insurance, accident insurance and continued payment of remuneration in the event of sickness or accident all exceed legal requirements. In addition, employees get more days off and – depending on the number of years of service – extended maternity leave of up to six months or five days of paternity leave. All social benefits are received by full-time and part-time employees alike. Employees are not subject to collective agreements.

Both managers and employees are informed at regular intervals about the status of the current financial year, significant organisational changes and other business-relevant activities. Managers participate at various «offsites», some lasting several days, with senior management or the CEO present. Business-relevant information reaches management staff via excerpts from minutes of senior management meetings. Employees are updated through quarterly CEO statements and announcements posted on the Intranet.

Past years have seen various measures enacted to promote empowerment in the business. Thus, internal platforms were created and various management tools introduced together with corresponding executive training. Examples of these include communication etiquette and coaching principles. In addition, common objectives were incorporated into the annual individual performance objectives. Moreover, particular emphasis was placed on «entrepreneurship» in the recruitment of key personnel.

### **Development and promotion**

Employees' qualification and professionalism at work are the essential quality attributes underlying Wincasa services. In a competitive market, they are decisive to differentiation from other players and to the company's success. However, well-trained professionals such as managers with a Swiss Federal Vocational Diploma and real estate trustees with a Federal Diploma are difficult to find on the labour market. The focus is therefore on skills development within the framework of the «Wincasa Development» internal training programme, which is concerned with creating latitude for development and career progress. In this way, Wincasa aims to retain staff over the long term by defining clear career prospects. Thus, further training and possible leadership potential are explicit topics in the annual performance reviews conducted with all employees. Development objectives are established in terms of technical, social and leadership skills. After a needs assessment and evaluation of competence profiles comes an approval process for training applications. Internal training includes apprentice, junior, management, education, coaching and career changers' programmes. Alongside specialist knowledge, competences and skills are taught as well. The focus in recent years has been on strengthening skills in change management, sales and consulting, and increasingly the use of digital media. Training is conducted both internally and externally. Wincasa bears 60–100% of external training costs, depending on the circumstances. Attendance at external education courses takes place in employees' free time, except for examination days. The long-standing successful junior staff programme provides selected employees with intensive training for a period of roughly 18 months. Internal candidates are systematically considered every time key positions need to be filled. For those approaching retirement age, Wincasa also offers two-day courses that cover health, activity, relationship, insurance, pension and financial matters. In 2016, about 1.3% of annual payroll was invested in employee education and training.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 404-1  
GRI 404-2  
GRI 404-3

### **Workplace health and safety**

Health preservation boosts employees' personal potential and thus directly benefits the performance of Wincasa as well. The health of employees is promoted, for example, through support for nutrition and metabolism advice, framework agreements with fitness centres to offer preferential terms, and health campaigns such as «bike2work». Moreover, Wincasa operates company-wide absence management and case management for long-term absences. The HR department is thus capable of identifying both long-term and regular absences from work and proactively reaching out to the employees concerned where necessary. This is not primarily about monitoring employees. Increasing absenteeism may, for example, indicate dissatisfaction or lack of motivation. If case management is timely in identifying the causes, appropriate measures can be introduced to restore satisfaction and motivation. In addition, case management gives sick and injured employees support and accompaniment. Health care is promoted through thematic training courses; it is considered a responsibility of senior management, the HR department and individual managers.

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GRI 103-1  
GRI 103-2  
GRI 103-3

## JELMOLI

Jelmoli relies heavily on personnel development and training in order to maintain both the high level of service required and employee loyalty. In 2016, Jelmoli invested about 1.4% of annual payroll in employee education and training. Considering that the entire retail sector suffers from high staff turnover, Jelmoli has set itself the objective of continuously reducing the turnover rate – currently standing at 29.5% – to below the industry average. To enable a good working environment, Jelmoli relies on a culture of continuous and open communication supported by the personnel committee as an intermediary between staff and senior management. Regular information sessions where management talks to employees about current business events are also an integral part of this effort. Meal vouchers for employees who work until 8 p.m. and a communal brunch for Sunday workers aim to create a positive working atmosphere in particularly burdensome situations. If employees still have problems, they can – anonymously – contact the Integrity Line. There are further defined escalation routes and contact points as well.

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GRI 102-41  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 401-2

Employment contracts and company-specific labour regulations implement the provisions of the collective labour agreement and guarantee the appropriate minimum wage. At Jelmoli too, pension benefits are above the statutory minimum for full and part-time employees alike.

### Development and promotion

Training and education programmes are a key factor in long-term retention of company employees. There is a «Welcome Day» for new Jelmoli recruits when they come aboard, which is also used to impart company values and operational methods. All personnel subsequently undergo basic training. Training in service and quality orientation is mandatory for sales staff. Sales training programmes are in part organised as long-term courses taking place alongside regular work, and last up to one year. Individual opportunities to participate in language and other training courses are also provided. A two-year junior staff training programme is conducted to promote young talent. At the same time, a mentor provides support to potential management candidates, who receive specific assignments and milestones to be fulfilled. Participation in a talent programme run by IGDS, the industry association for leading department stores, is offered as an incentive for high-potential individuals among junior staff. The «50+» programme launched two years ago is about explicitly hiring salespeople whose seasoned experience and knowledge represents significant added value for customers. Personal development and training goals are defined as part of all employees' annual performance reviews.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 404-1  
GRI 404-2  
GRI 404-3

### Workplace health and safety

Jelmoli employees are exposed to different risks depending on their area of work. For example, there are specific safety requirements for kitchen staff. The City of Zurich Labour Inspectorate checks compliance with workplace health and safety regulations at regular intervals. In 2016 Jelmoli was attested as having contributed significantly to avoidance of occupational accidents and diseases through constant attention to protecting workplace safety and health protection. Its annual hazard assessment review, a well-prepared emergency organisation and the active inclusion of employees were particularly important factors in this regard. Protecting workplace health and safety can also be understood in the context of flexible operational planning with timely communication. Along with the Integrity Line, Jelmoli provides employees with a further neutral point of contact in cases of personal problems. Promoting employee health and safety is a responsibility of the line and HR managers concerned.

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GRI 103-1  
GRI 103-2  
GRI 103-3

Company-internal safety regulations clarify and supplement the industry-standard rules and regulations. Safety training, such as evacuation drills, act as reinforcement to behaviour-based safety.

A free-of-charge flu vaccination is among preventative measures offered.

## **TERTIANUM GROUP**

Support and care of the elderly is very personnel-intensive and demands high levels of professionalism and empathy on the part of employees. Recruiting qualified professionals is therefore an important factor. Staff recruitment and retention is a responsibility of local management, aided by the group through a unified process and specific measures. Since workloads in the health and care sector are generally very high, Tertianum Group faces high absenteeism and employee turnover rates. To reduce the workload and negative effects, Tertianum Group relies on promoting nursing skills in tandem with continuous training. In 2016, about 1% of annual payroll was invested in employee education and training. In addition, Tertianum Group has a system of corporate health management.

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GRI 102-41  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 401-2

Regional HR business partners are the primary contacts for managers and employees on all personnel issues. Support and advice to managers is being continuously expanded. The objective is to lower employee turnover rates and absenteeism as well as raise employee satisfaction at all levels. Tertianum has several complaints bodies in the event of problems: line managers, HR business partners and the personnel committee. Moreover, there exist possibilities for contacting an independent Ombudsman's Office with a female and male lawyer to tackle issues, as well as the Integrity Line for anonymous counselling and complaint handling. AXA Care Management's advisory services are additionally there to be drawn on.

Employees' different life situations and planning are taken into account in appropriate work-time models, which offer attractive employment opportunities for parents of preschool as well as school-age children. Most locations operate with individual employment agreements certified as equivalent to the national collective labour agreement (CLA). In certain instances, such as the canton of Vaud and in Western Switzerland, the prevailing CLA is used. Concerning second pillar pension rights, basic plans with a reduced coordination deduction apply. There is also a separate management pension plan and plans with additional savings models for managing directors and senior management. There is no difference in the scope of social benefits available to full-time and part-time employees.

### **Development and promotion**

Due to demographic developments, the geriatric care sector will continue to grow and with it, the need for correspondingly qualified professionals. The supply of skilled labour in the care sector is limited, however. In-house training and qualifications together with workforce retention by means of a supportive and attractive working environment are therefore increasingly important. Accordingly, Tertianum Group offers employees a broad range of training and further education opportunities. Personal development as well as training and education are discussed across the entire workforce as part of annual performance reviews. In addition to providing internal training at the local and group-wide levels, further training programmes are also offered at team-leader level with educational partner Careum. Training programmes such as CAS Dementia and CAS Geriatric Psychiatry are currently being set up to meet the increasing need in these specialisations. The Tertianum training centre offers numerous mandatory courses in various areas of expertise. In addition to the comprehensive training programme, the training centre is the contact point for individual training requests. It also runs specific, customised workshops. Moreover, the centre provides advice and support for basic training as well as personality assessments for recruitment and personal development. 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 teaches around 300 trainees annually in the areas of nursing, catering, facility management and administration.

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GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 404-1  
GRI 404-2  
GRI 404-3

**Workplace health and safety**

Good health management is especially important for employees in nursing professions due to the high physical and mental stress involved. Long working and presence times, shift work, lifting and carrying of persons are typical physical stress factors. Then there are psychological factors, such as emotional attachment to care recipients and constant losses due to deaths. Time recording, care management and supporting systems see to employees' well-being. Supplementing these in the care sector are medical examinations of night workers. Vaccinations against hepatitis also count among the standard countermeasures for minor needlestick and laceration injuries that are frequent and characteristic within the profession. Compliance with hygiene and safety requirements is essential for all employees. In order to ensure safety in all the business operations, each facility has a responsible person for reviewing and optimising the respective processes with the personnel.

GRI 103-1  
GRI 103-2  
GRI 103-3

**INFORMATION ON SUSTAINABILITY REPORTING**

Sustainability reporting in 2016 is compliant with the standards of the Global Reporting Initiative (GRI) – Core option. The principles for determining the report's content and quality were applied to the entire reporting process. The report was submitted to the GRI Materiality Disclosures Service and passed successfully (see GRI icon, page 88). An external audit was dispensed with. Because this marks the first report under the GRI, a materiality analysis was conducted in 2016 across all group companies.

GRI 102-10  
GRI 102-45  
GRI 102-46  
GRI 102-47  
GRI 102-48  
GRI 102-49  
GRI 102-50  
GRI 102-51  
GRI 102-52  
GRI 102-53  
GRI 102-54  
GRI 102-56

The primary sustainability issues derive from the sustainability roadmap and reflect industry standards or best practices. An initial stakeholder dialogue to be conducted in early 2017 will provide a position determination from an external stakeholder viewpoint. «Local procurement» and «land degradation, contamination and remediation» issues excepted, the following issues are material for all group companies. «Local procurement» is material only for Tertianum Group; «land degradation, contamination and remediation» is significant only for Swiss Prime Site. The respective issue limits were determined for all group companies and their value chain.

**LIST OF SIGNIFICANT TOPICS**

<b>ECONOMY</b>	<ul style="list-style-type: none"> <li>&gt; Business performance</li> <li>&gt; Indirect economic effects</li> <li>&gt; Local procurement</li> <li>&gt; Tackling corruption</li> </ul>
<b>ENVIRONMENT</b>	<ul style="list-style-type: none"> <li>&gt; Energy</li> <li>&gt; Evaluation of suppliers regarding environmental aspects</li> <li>&gt; Water</li> <li>&gt; Emissions</li> <li>&gt; Wastewater and waste</li> <li>&gt; Land degradation, contamination and rehabilitation</li> <li>&gt; Environmental compliance</li> </ul>
<b>SOCIETY</b>	<ul style="list-style-type: none"> <li>&gt; Employment</li> <li>&gt; Occupational health and safety</li> <li>&gt; Training and further education</li> <li>&gt; Diversity and equal opportunity</li> <li>&gt; Equality</li> <li>&gt; Protection of privacy of customers</li> <li>&gt; Local communities</li> <li>&gt; Evaluation of suppliers regarding social aspects</li> <li>&gt; Customer health and safety</li> <li>&gt; Labelling and marketing</li> <li>&gt; Compliance</li> </ul>

Apart from adjustments to design, there has been no restatement compared to last year's reporting. The six dimensions of the sustainability compass were described as core issues in the 2015 Annual Report, which was published in March 2016. Swiss Prime Site will publish a separate sustainability report every two years in future.

Structural changes to business activities concern the acquisition of immoveris by Wincasa and the acquisition of BOAS Senior Care by Tertianum Group. In addition, Tertianum Group opened four new locations in the year under review. In 2016 Swiss Prime Site carried out investments amounting to CHF 500.2 million. Real estate sold during the same period totalled CHF 75.2 million. The scope of consolidation can be found on page 75 in part 3 of the Financial Report.

The contact for questions on the «Corporate responsibility» section of the report is Urs Baumann, Head of Sustainability & Innovation, Swiss Prime Site, [urs.baumann@sps.swiss](mailto:urs.baumann@sps.swiss).

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Specific standard disclosures	Page(s)	Significant/relevant for Swiss				Reason for omission
		Prime Site	Wincasa	Jelmoli	Tertianum	
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103-1	Explanation and limitations	64	x	x	x	x
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103-1	Explanation and limitations	67, 68, 69	x	x	x	x
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203-1	Infrastructure investments and supported services	67, 68, 69	x	x	x	x
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103-1	Explanation and limitations	66	x	x	x	x
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205-2	Training in anti-corruption policies and procedures	66	x	x	x	x
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<b>Energy</b>						
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103-2	Management approach and management tools	76	x	x	x	x
103-3	Evaluation of management approach	76	x	x	x	x
302-1	Energy consumption within the organisation	77	x	x	x	x
302-3	Energy intensity	77	x	x		
302-4	Energy efficiency	77	x	x	x	x

Specific standard disclosures		Page(s)	Significant/relevant for Swiss				Reason for omission
			Prime Site	Wincasa	Jelmoli	Tertianum	
<b>Water</b>							
103-1	Explanation and limitations	78	x	x	x	x	
103-2	Management approach and management tools	78	x	x	x	x	
103-3	Evaluation of management approach	78	x	x	x	x	
303-1	Water consumption	77	x	x	x	x	
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103-1	Explanation and limitations	76	x	x	x	x	
103-2	Management approach and management tools	76	x	x	x	x	
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305-2	Energy-based indirect greenhouse gas emissions (scope 2)	77	x	x	x	x	
305-4	Intensity of greenhouse gas emissions	77	x	x			
305-5	Reduction of greenhouse gas emissions	77	x	x	x	x	
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103-1	Explanation and limitations	78	x	x	x	x	
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306-2	Waste		x	x	x	x	
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CRE5	Land degradation, contamination and rehabilitation	78	x				
<b>Environmental compliance</b>							
103-1	Explanation and limitations	66	x	x	x	x	
103-2	Management approach and management tools	66	x	x	x	x	
103-3	Evaluation of management approach	66	x	x	x	x	
307-1	Sanctions due to violations of environmental laws	66	x	x	x	x	
<b>Evaluation of suppliers regarding environmental aspects</b>							
103-1	Explanation and limitations	71, 72, 73, 75	x	x	x	x	
103-2	Management approach and management tools	71, 72, 73, 75	x	x	x	x	
103-3	Evaluation of management approach	71, 72, 73, 75	x	x	x	x	
308-1	Review of suppliers regarding environmental aspects		x	x	x	x	
<b>Employment</b>							
103-1	Explanation and limitations	82, 84, 85	x	x	x	x	
103-2	Management approach and management tools	82, 84, 85	x	x	x	x	
103-3	Evaluation of management approach	82, 84, 85	x	x	x	x	
401-1	Employee turnover	81	x	x	x	x	
401-2	Exclusive social benefits for full-time employees	82, 84, 85	x	x	x	x	



Specific standard disclosures	Page(s)	Significant/relevant for Swiss				Reason for omission	
		Prime Site	Wincasa	Jelmoli	Tertianum		
<b>Occupational health and safety</b>							
103-1	Explanation and limitations	82, 83, 84, 85	x	x	x	x	
103-2	Management approach and management tools	82, 83, 84, 85	x	x	x	x	
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403-2	Accidents, illness and absence	81	x	x	x	x	
403-3	Working activities that especially pose a hazard to health	81				x	
CRE6	Safety and health standards	82	x				
<b>Training and further education</b>							
103-1	Explanation and limitations	82, 83, 84, 85	x	x	x	x	
103-2	Management approach and management tools	82, 83, 84, 85	x	x	x	x	
103-3	Evaluation of management approach	82, 83, 84, 85	x	x	x	x	
404-1	Scope of training and further education	82, 83, 84, 85	x	x	x	x	
404-2	Programme for skills management and lifelong learning	82, 83, 84, 85	x	x	x	x	
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405-1	Diversity in supervisory bodies and workforce	80, 81	x	x	x	x	
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103-1	Explanation and limitations	79	x	x	x	x	
103-2	Management approach and management tools	79	x	x	x	x	
103-3	Evaluation of management approach	79	x	x	x	x	
406-1	Cases of discrimination	79	x	x	x	x	
<b>Local communities</b>							
103-1	Explanation and limitations	71, 74	x			x	
103-2	Management approach and management tools	71, 74	x			x	
103-3	Evaluation of management approach	71, 74	x			x	
413-1	Effects on community	71, 74	x			x	
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103-2	Management approach and management tools	71, 72, 73, 75	x	x	x	x	
103-3	Evaluation of management approach	71, 72, 73, 75	x	x	x	x	
414-1	Review of suppliers by means of social criteria		x	x	x	x	
<b>Customer health and safety</b>							
103-1	Explanation and limitations	71, 72, 73, 74	x	x	x	x	
103-2	Management approach and management tools	71, 72, 73, 74	x	x	x	x	
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416-1	Health and safety reviews	71, 72, 73, 74	x	x	x	x	4b

Specific standard disclosures	Page(s)	Significant/relevant for Swiss				Reason for omission
		Prime Site	Wincasa	Jelmoli	Tertianum	
<b>Labelling and marketing</b>						
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103-3	Evaluation of management approach	73, 74	x	x	x	x
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103-1	Explanation and limitations	66, 67	x	x	x	x
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103-3	Evaluation of management approach	66, 67	x	x	x	x
418-1	Complaints of data protection violations	66, 67	x	x	x	x
<b>Compliance</b>						
103-1	Explanation and limitations	66	x	x	x	x
103-2	Management approach and management tools	66	x	x	x	x
103-3	Evaluation of management approach	66	x	x	x	x
419-1	Sanctions due to compliance violations	66	x	x	x	x

**Reasons for omission**

<sup>1</sup> not applicable

<sup>2</sup> confidentiality constraints

<sup>3</sup> legal prohibitions

<sup>4a</sup> information unavailable

<sup>4b</sup> currently unavailable

# OPPORTUNITIES AND RISKS

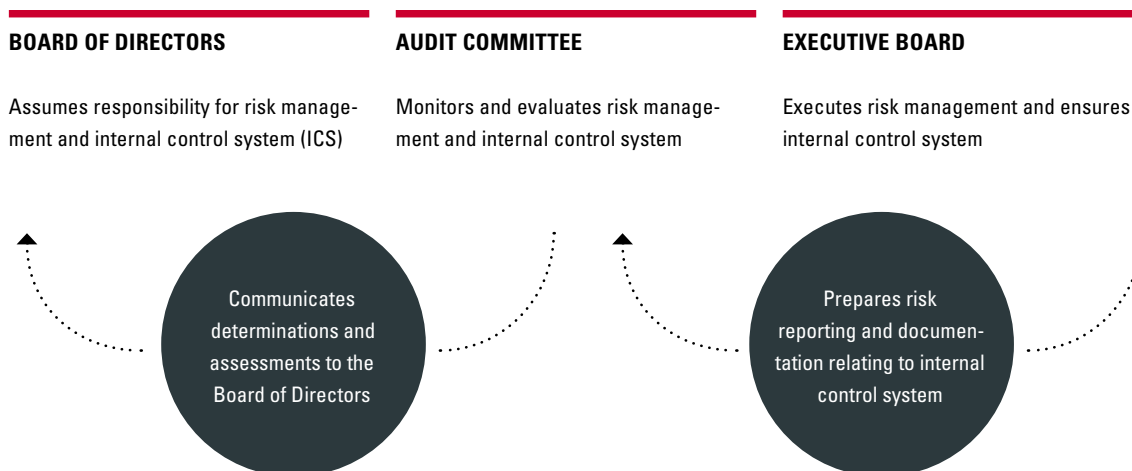
**Swiss Prime Site's opportunity and risk profile is marked by the balanced and market development-adapted diversification of real estate investments, in terms of regional allocation as well as type of use and tenant structure. Additional opportunities emanate from real estate-related business fields.**

Swiss Prime Site pursues the 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

**For 2017, Swiss Prime Site forecasts a persistently solid trend for the Swiss economy and a constantly low interest rate level. Amid this environment, real estate stocks continue to remain attractive for investors as returns generators.**

Swiss Prime Site believes it is very well positioned for 2017 to sustainably secure profitability at the operating level with its high-quality real estate portfolio. The real estate-related business fields in particular harbour significant potential for achieving robust earnings-driven and transformative growth.

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## BUSINESS FIELD FOCAL POINTS IN 2017

### CORE BUSINESS

#### REAL ESTATE

- > Project pipeline development
- > Conversions and modernisations
- > Acquisitions/divestments
- > Reduction of vacancy rate to 5.5%–6.0%

### REAL ESTATE-RELATED BUSINESS FIELDS

#### REAL ESTATE SERVICES

- > Expansion of range of services
- > Establishment as «digital master»
- > Intensification of client retention
- > Enhancement of employee satisfaction

#### RETAIL

- > Expansion of locations to Zurich Airport
- > Extension of OMNI channel activities
- > Acquisition of market share (premium segment)
- > Realisation of economies of scale-driven revenues

#### ASSISTED LIVING

- > Concluding integration of SENIOcare and BOAS Senior Care
- > Project executions
- > Forging Private Public Partnership (PPP) projects
- > Expanding the range of services through vertical/horizontal integrations

#### REAL ESTATE INVESTMENT MANAGEMENT

- > Onboarding additional asset management mandates
- > Launching proprietary products
- > Expanding services portfolio
- > Continuously improving market positioning

Swiss Prime Site's forecast for 2017 calls for rental income and total operating income that surpass the respective previous year's levels. The vacancy rate will be reduced below the 6.0% mark.

# ADDENDUM

## FINANCIAL CALENDAR

	Date	Location
Annual General Meeting financial year 2016	11 April 2017	Olten
Semi-Annual Report as at 30.06.2017 with financial results press conference	24 August 2017	Zurich
Annual Report as at 31.12.2017 with financial results press conference	01 March 2018	Zurich
Annual General Meeting financial year 2017	27 March 2018	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 indices (selected)	SMI Mid SMI Expanded SPI SPI Extra SPI ex SLI SXI Real Estate SXI Real Estate Shares SXI Swiss Real Estate SXI Swiss Real Estate Shares Swiss All Share Index FTSE EPRA/NAREIT Europe Index STOXX Europe 600 Index MSCI World Index

## **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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### **Consultation for sustainability chapter**

Sustainserv, Zurich and Boston

### **Graphics | realisation | execution**

ibl und partner ag, Solothurn

### **Translation**

RZG Anderson Language Services, Adliswil

### **Image material**

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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.

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# 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 (certification)

**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



**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 expenses**

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

Headquarters

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SWISS PRIME SITE

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# **CORPORATE GOVERNANCE & COMPENSATION REPORT**

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**2016**

# 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.sps.swiss](http://www.sps.swiss).

## PART 01

### STRATEGY & MANAGEMENT REPORT

- > Reports featuring strategy, business model, values-oriented corporate management, sustainability as well as opportunities and risks
- > Information about the real estate portfolio
- > Management Report with comprehensive information about business performance, earnings, financial and asset situation

## PART 02

### CORPORATE GOVERNANCE & COMPENSATION REPORT

- > Corporate Governance Report according to the guidelines of the SIX Swiss Exchange
- > Compensation Report according to the Swiss Ordinance Against Excessive Compensation in Listed Companies (Ordinance)

## PART 03

### FINANCIAL REPORT

- > Valuation Expert's Report
- > The audited consolidated financial statements of Swiss Prime Site AG comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholders' equity and notes.
- > The audited financial statements of Swiss Prime Site AG comprise the income statement, balance sheet and notes, as well as proposed appropriation of balance sheet profit
- > EPRA key figures
- > Five-year summary of key figures
- > Property details

## NOTES FOR READERS

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# **CORPORATE GOVERNANCE**

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# 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 AND SHAREHOLDER STRUCTURE**

### **1.1 Group structure**

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

- > Acquisition of 100% of the shares in BOAS Senior Care as at 29 February 2016
- > Acquisition of 100% of the shares in Résidence les Sources BOAS SA as at 1 July 2016
- > Acquisition of 100% of the shares in immoveris ag and immoveris properties ag as at 27 May 2016 and merger of immoveris properties ag in Wincasa AG as at 30 June 2016
- > Founding of Tertianum Management AG as at 18 March 2016
- > Merger of Ensemble artisanal et commercial de Riantbosson SA in SPS Immobilien AG as at 1 January 2016
- > Merger of WGDM Papillon AG in Perlavita AG as at 1 January 2016
- > Merger of SPS Beteiligungen Alpha AG in SPS Beteiligungen Beta AG as at 1 July 2016 and change of name to SPS Beteiligungen Alpha AG
- > Founding of Tertianum Gruppe AG as at 20 December 2016

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 securities number 803838 and ISIN number CH 0008038389. Swiss Prime Site AG reported market capitalisation of CHF 5957.8 million [CHF 5467.6 million] as at 31 December 2016.

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

		31.12.2015	Shareholding	31.12.2016	Shareholding
	Field of activity	Capital in CHF 1 000	in %	Capital in CHF 1 000	in %
Clos Bercher SA, Bercher <sup>5</sup>	Assisted living	–	–	100	100.0
Ensemble artisanal et commercial de Riantbosson S.A., Olten <sup>1</sup>	Real estate	1 000	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz <sup>5</sup>	Assisted living	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux <sup>5</sup>	Assisted living	–	–	100	100.0
immoveris ag, Berne <sup>2</sup>	Real estate services	–	–	200	100.0
Jelmoli AG, Zurich	Retail	6 600	100.0	6 600	100.0
La Fontaine SA, Court <sup>5</sup>	Assisted living	–	–	100	100.0
La Résidence des Marronniers SA, Martigny <sup>5</sup>	Assisted living	–	–	100	100.0
Le Manoir AG, Gampelen <sup>5</sup>	Assisted living	–	–	100	100.0
Leora S.à.r.l., Villeneuve <sup>5</sup>	Assisted living	–	–	140	100.0
Les Tourelles S.à.r.l., Martigny <sup>5</sup>	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 <sup>5</sup>	Assisted living	–	–	150	100.0
Résidence Bel-Horizon Sàrl, Ecublens <sup>5</sup>	Assisted living	–	–	20	100.0
Résidence de la Jardinerie SA, Delémont <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence du Bourg SA, Aigle <sup>5</sup>	Assisted living	–	–	50	100.0
Résidence Joli Automne SA, Ecublens <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence le Pacific SA, Etoy <sup>5</sup>	Assisted living	–	–	150	100.0
Résidence l'Eaudine SA, Montreux <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence les Sources Saxon SA, Saxon <sup>7</sup>	Assisted living	–	–	100	100.0
SENIOfcare AG, Wattwil <sup>3</sup>	Assisted living	2 400	100.0	2 400	100.0
SPS Beteiligungen Alpha AG, Olten <sup>8</sup>	Investments	650 000	100.0	450 000	100.0
SPS Beteiligungen Beta AG, Olten <sup>8</sup>	Investments	450 000	100.0	n/a	n/a
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 Gruppe AG, Zurich <sup>9</sup>	Investments	–	–	50 000	100.0
Tertianum Management AG, Zurich <sup>4</sup>	Services	–	–	500	100.0
Tertianum Romandie Management SA, Crissier <sup>5</sup>	Services	–	–	100	100.0
Vitadomo AG, Zurich	Assisted living	100	100.0	100	100.0
WGDM Papillon AG, Winterthur <sup>6</sup>	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 <sup>3</sup>	Assisted living	1 000	51.0	1 000	51.0

<sup>1</sup> increase in shareholding interest to 100% as at 17.12.2015; merged with SPS Immobilien AG as at 01.01.2016

<sup>2</sup> acquisition as at 27.05.2016

<sup>3</sup> acquisition as at 01.10.2015

<sup>4</sup> founded as at 18.03.2016

<sup>5</sup> acquisition as at 29.02.2016

<sup>6</sup> acquisition as at 01.07.2015, merged with Perlavita AG as at 01.01.2016

<sup>7</sup> acquisition as at 01.07.2016

<sup>8</sup> SPS Beteiligungen Alpha AG merged with SPS Beteiligungen Beta AG as at 01.07.2016, rebranded in SPS Beteiligungen Alpha AG

<sup>9</sup> founded as at 20.12.2016

### 1.1.2 Investments in associates valued according to the equity method

Field of activity	31.12.2015 Capital in CHF 1 000	Shareholding in %	31.12.2016 Capital in CHF 1 000	Shareholding in %
Parkgest Holding SA, Geneva	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	5 160	27.1	5 160	27.1

### 1.2 Business fields

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

## SWISS PRIME SITE GROUP

### REAL ESTATE BUSINESS FIELD

- > immoveris ag, Berne
- > SPS Beteiligungen Alpha 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
- > Wincasa AG, Winterthur

### RETAIL BUSINESS FIELD

- > Jelmoli AG, Zurich

### ASSISTED LIVING BUSINESS FIELD

- > Clos Bercher SA, Bercher
- > Home Médicalisé Vert-Bois SA, Val-de-Ruz
- > Hôtel Résidence Bristol SA, Montreux
- > La Fontaine SA, Court
- > La Résidence des Marronniers SA, Martigny
- > Le Manoir AG, Gampelen
- > Leora S.à.r.l., Villeneuve
- > Les Tourelles S.à.r.l., Martigny
- > Perlavita AG, Zurich
- > Perlavita Rosenau AG, Kirchberg
- > Quality Inside SA, Crissier
- > Résidence Bel-Horizon Sàrl, Ecublens
- > Résidence de la Jardinerie SA, Delémont
- > Résidence du Bourg SA, Aigle
- > Résidence Joli Automne SA, Ecublens
- > Résidence le Pacific SA, Etoy
- > Résidence l'Eaudine SA, Montreux
- > Résidence les Sources Saxon SA, Saxon
- > SENIOcare AG, Wattwil
- > Tertianum AG, Zurich
- > Tertianum Gruppe AG, Zurich
- > Tertianum Management AG, Zurich
- > Tertianum Romandie Management SA, Crissier
- > Vitadomo AG, Zurich
- > Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden

### 1.3 Shareholder structure as at 31.12.2016

#### 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 % <sup>1</sup>
1 to 5 000	9 678	94.6	5 489 926	7.7
5 001 to 50 000	425	4.2	6 318 452	8.8
50 001 to 500 000	117	1.1	17 752 823	24.8
500 001 to 1 800 349	13	0.1	11 559 050	16.2
1 800 350 and above	2	–	5 947 740	8.3
<b>Total registered shareholders/shares</b>	<b>10 235</b>	<b>100.0</b>	<b>47 067 991</b>	<b>65.8</b>
Unregistered shares			24 410 926	34.2
<b>Total shares issued</b>			<b>71 478 917</b>	<b>100.0</b>

<sup>1</sup> 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	9 500	92.8	33 509 967	71.2
Europe (excluding Switzerland)	553	5.4	10 544 203	22.4
Other countries	182	1.8	3 013 821	6.4
<b>Total registered shareholders/shares</b>	<b>10 235</b>	<b>100.0</b>	<b>47 067 991</b>	<b>100.0</b>

## 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	9 145	89.4	7 639 785	16.2
Legal entities	453	4.4	16 793 996	35.7
Pension funds	217	2.1	9 694 673	20.6
Insurance companies	35	0.3	1 917 635	4.1
Funds	211	2.1	8 527 899	18.1
Other	174	1.7	2 494 003	5.3
<b>Total registered shareholders/shares</b>	<b>10 235</b>	<b>100.0</b>	<b>47 067 991</b>	<b>100.0</b>

## 1.4 Major shareholders

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

Major shareholders (shareholding interest > 3%)	31.12.2015 Shareholding interest in %	31.12.2016 Shareholding interest in %
BlackRock Inc., New York	>3.0	>3.0
State Street Corporation, Boston	4.0	3.7
Credit Suisse Funds AG, Zurich	3.5	3.2

## 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<sup>1</sup>/<sub>3</sub>, 50 or 66<sup>2</sup>/<sub>3</sub> 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 120 of the Swiss Financial Market Infrastructure Act (FMIA) and the provisions of the Swiss Financial Market Infrastructure Ordinance (FMIO) – can be viewed on the reporting and disclosures platform of the SIX Swiss Exchange.

## Cross-investments

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

## 2 CAPITAL STRUCTURE

### 2.1 Capital structure as at 31.12.2016

Capital	Number of registered shares	Nominal per share in CHF	Total in CHF 1 000
<b>Share capital</b>	<b>71 478 917</b>	<b>15.30</b>	<b>1 093 627</b>
<b>Authorised capital</b>	<b>4 172 617</b>	<b>15.30</b>	<b>63 841</b>
<b>Conditional capital</b>	<b>4 172 617</b>	<b>15.30</b>	<b>63 841</b>
of which for exercising options and/or conversion rights granted with bonds or similar issues	2 662 617	15.30	40 738
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 71 478 917 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. According to articles 3a and 3b of the Company's overall effective Articles of Association (authorised and conditional capital), share capital may be increased by a maximum CHF 63.841 million.

### 2.3 Authorised capital

The Board of Directors is authorised to increase the share capital within the aforementioned limits at any time until 12 April 2018. 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 (download at [www.sps.swiss](http://www.sps.swiss)).

### 2.4 Conditional capital

The conditional capital of 4 172 617 [4 142 910] registered shares amounting to CHF 63.841 million [CHF 63.387 million] is divided into the following amounts:

- > CHF 40.738 million [CHF 40.284 million] (2 662 617 [2 632 910] shares) for exercising options and/or conversion rights granted in connection with bonds or similar issues, and
- > an amount of up to 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 149.650 million [CHF 203.035 million] were converted to shareholders' equity (1 827 383 [2 860 803] shares). The precise wording regarding authorised capital can be found in article 3b of Swiss Prime Site AG's Articles of Association (download at [www.sps.swiss](http://www.sps.swiss)).

### 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
<b>Share capital as at 31.12.2013</b>	<b>60 503 081</b>	<b>15.30</b>	<b>925 697</b>
Conversion of 4 507 units of the CHF 300 million convertible bond	317 521	15.30	4 858
<b>Share capital as at 31.12.2014</b>	<b>60 820 602</b>	<b>15.30</b>	<b>930 555</b>
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
<b>Share capital as at 31.12.2015</b>	<b>69 651 534</b>	<b>15.30</b>	<b>1 065 668</b>
Conversion of 29 930 units of the CHF 190.35 million convertible bond	1 827 383	15.30	27 959
<b>Share capital as at 31.12.2016</b>	<b>71 478 917</b>	<b>15.30</b>	<b>1 093 627</b>

Additional details on the changes to share capital can be found in Note 25 «Shareholders' equity» of the consolidated financial statements, on page 68 of the Financial Report (part 3). Swiss Prime Site AG has no other equity instruments (for example, 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. The Articles of Association are available for download on the website at [www.sps.swiss](http://www.sps.swiss). 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

	in	CHF 190.35 m 2016	CHF 250 m 2023
Issuing volume, nominal	CHF m	190.350	250.000
Nominal value as at 31.12.2016	CHF m	0.000	250.000
<b>Book value as at 31.12.2016</b>	<b>CHF m</b>	<b>0.000</b>	<b>243.241</b>
Book value as at 31.12.2015	CHF m	189.589	0.000
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)

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.

Conversions took place in 2016 with a volume amounting to nominal CHF 149.650 million [CHF 203.035 million], resulting 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 an addition to capital reserves of CHF 119.752 million [CHF 155.976 million]. The residual amount of the CHF 190.35 million convertible bond of CHF 40.700 million was redeemed on 21 June 2016. Further information on convertible bonds is included in Note 22 «Financial liabilities», on page 61 of the Financial Report (part 3).

## 3 BOARD OF DIRECTORS

As at the balance sheet date, the Board of Directors of Swiss Prime Site AG comprised eight members. All members are non-executive members of the Board of Directors in the context of the Swiss Code of Best Practice for Corporate Governance. None of the members of the Board of Directors maintain 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
Mario F. Seris	Vice-Chairman	CH	2005
Dr. Elisabeth Bourqui	Member	CH/F/CA	2016
Christopher M. Chambers	Member	CH/UK	2009
Markus Graf	Member	CH	2016
Dr. Bernhard Hammer	Member	CH	2002
Dr. Rudolf Huber	Member	CH	2002
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.) Hans Peter Wehrli 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 of 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

#### **Mario F. Seris**, 1955, Klosters-Serneus

Vice-Chairman of the Board of Directors

> **Education:** lic. phil. I; Mario F. Seris 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 advisor.

> **Other mandates:**

Mandates within Swiss Prime Site:

Member of the board of directors of Wincasa AG, Winterthur

Mandates outside Swiss Prime Site:

None

#### **Dr. Elisabeth Bourqui**, 1975, Zurich

Member of the Board of Directors

> **Education:** Dr. sc. math. ETH Zurich; Dipl. Math. ETH Zurich



> **Professional activity:** Dr. Elisabeth Bourqui has held various risk management positions, including at Credit Suisse Group in Switzerland and Société Générale in New York (USA) and Montréal (Canada), as well as at consulting firm Mercer in Montréal (Canada). In 2012, she departed Canada and returned to Switzerland, where she holds the position of Head of Pension Management at ABB Group.

> **Other mandates:**

Mandates outside Swiss Prime Site:

Stock exchange-listed companies: member of the board of directors and member of the Risk and Audit Committee of Bank Vontobel AG, Zurich

Unlisted companies: none

**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: chairman of the Supervisory Board of Moneta Money Bank, Prague, Czech Republic; 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

**Markus Graf**, 1949, Feldbrunnen

Member of the Board of Directors

> **Education:** graduated as 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:

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; delegate to the board of directors of Wasserstadtsolothurn AG, Solothurn; member of the university council of the University of Zurich

**Dr. Bernhard Hammer**, 1950, Kammersrohr

Member of the Board of Directors

> **Education:** Dr. Bernhard 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 Tertianum 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:** PhD (oec. publ.); licentiate 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 Geberit Group, Rapperswil-Jona, from 1992 to 2004. He works as an independent business consultant and lecturer at the University of 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: member of the board of directors of Arbonia AG, Arbon

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

**Klaus R. Wecken**, 1951, Bürgenstock

Member of the Board of Directors

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

**> Professional activity:** since 1974, Klaus R. Wecken has been the 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 a member of the board of directors of Jelmoli Holding AG, Zurich. Since 2007, he has built up more than 40 investments 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 a major shareholder in Deutsche Mittelstands Real Estate AG (DEMIRE), Frankfurt/Berlin, Germany, as well as Adler Real Estate AG, Berlin, 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. Since end-2015, Adler also acquired 25% of the shares in Conwert Immobilien Invest SE, Vienna – a stock exchange-listed company in Austria and Germany – which, in turn, was sold to Vonovia AG Bochum at end-2016.

**> 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 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.

**3.3 Departures from and additions to the Board of Directors during the reporting period**

Departure: Dr. Thomas Wetzel, additions: Markus Graf, Dr. Elisabeth Bourqui

**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, Nomination and 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 Nomination 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 controlling 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 Nomination 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 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 Nomination 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 Nomination 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, which were expanded with a process landscape in 2016. By means of a risk inventory, the risks are identified, analysed, evaluated and managed according to the Company's targets and sustainability roadmap. 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:

- > The Audit Committee 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.
- > The Audit Committee 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.
- > The Audit Committee monitors and assesses the independence and activities of the valuation experts and 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, five meetings and three 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 Nomination and Compensation Committee**

Swiss Prime Site's Nomination and Compensation Committee assumes the relevant responsibilities 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 Nomination and Compensation Committee are set out in separate rules and essentially comprise the following areas:

- > The Nomination and Compensation Committee 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 AG and its group companies, the real estate asset managers, the property/facility managers, related persons and the external valuation experts.
- > The Nomination and Compensation Committee monitors compliance with the compensation and nomination policy determined by the Board of Directors, the Committee itself and the Executive Board.

The Nomination and 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 Nomination and Compensation Committee has the right to submit proposals to the full Board of Directors.

The Nomination and Compensation Committee implemented a generally envisaged upgrade within the body in 2016 with the nominations of two new Board of Directors members – Elisabeth Bourqui and Markus Graf – and already initiated additional future active measures. Further relevant upgrades are envisaged for the coming years, with the focus to be directed at competencies in the realms of the healthcare industry and digitalisation. During the reporting period, two meetings and one conference call of the Nomination and Compensation Committee took place.

The Nomination and 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:

- > The Investment Committee monitors compliance with the investment guidelines defined in the investment regulations.
- > The Investment Committee reviews the acquisition and divestment of properties and submits the proposal for the purchase or sale of properties to the Board of Directors and Executive Board.

The Investment 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, one meeting and three conference calls of the Investment 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	NOMINATION AND COMPENSATION COMMITTEE	INVESTMENT COMMITTEE
<b>HANS PETER WEHRLI</b> Prof. Dr. oec. publ. Member since 29.04.2002 <b>Chairman</b>			
<b>MARIO F. SERIS</b> Lic. phil. I Member since 27.04.2005 <b>Vice-Chairman</b>		●	●
<b>KLAUS R. WECKEN</b> Member since 22.10.2009			●
<b>RUDOLF HUBER</b> Dr. oec. publ. Member since 29.04.2002	●		
<b>CHRISTOPHER M. CHAMBERS</b> Member since 22.10.2009	●	●	
<b>BERNHARD HAMMER</b> Dr. iur., attorney at law and notary Member since 29.04.2002	●		●
<b>ELISABETH BOURQUI</b> Dr. sc. math. ETH Zurich; Dipl. Math. ETH Zurich Member since 12.04.2016		●	
<b>MARKUS GRAF</b> Member since 12.04.2016			
<b>RENÉ ZAHND<sup>1</sup></b> CEO since 01.11.2015			●

● Member    ● Chairman

<sup>1</sup> 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 Nomination 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
René Zahnd	Chief Executive Officer	CH	2015
Markus Meier	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

### 4.2 Members of the Executive Board

**René Zahnd**, 1966, Berne

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

> **Education:** attorney at law

> **Professional activity:** Chief Executive Officer of Swiss Prime Site AG since 1 January 2016. René Zahnd began his professional career at Bratschi Emch & Partner Attorneys at Law in Berne and Zurich from 1994 to 1996. Thereafter, he held the following positions: co-head of Legal Services at BEKB and Dezenium AG from 1996 to 1998; head of Legal Services as well as director of Project Development and member of the Executive Management at general contractor Losinger/Marazzi from 1998 to 2009; Implenia AG from 2009 to 30 October 2015 – as member of the Executive Management from 2010 and member of the Group Executive Board of Implenia AG from 2013 – first as director of Implenia Real Estate and thereafter as director of Modernisation & Development from February 2014.

> **Other mandates:**

Mandates within Swiss Prime Site:

Chairman of the board of directors of the following group companies: Jelmoli AG, Zurich; SPS Beteiligungen Alpha 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; Tertianum 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 Gamma AG, Olten; SPS Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Group AG, Olten; Tertianum AG, Zurich; Wincasa AG, Winterthur; member of the foundation board of SPS and Jelmoli pension fund, Zurich; member of the foundation board of 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 Financial Officer since 1 March 2002

**> Education:** graduated as a 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: SPS Beteiligungen Alpha 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: member of the Investment Committee of SPS/Jelmoli pension fund; 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 from 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 of 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 SPS and Jelmoli pension fund, Zurich; member of the foundation board of the SPS and Jelmoli charitable foundation, Zurich; chairman of the board of directors of immoveris ag, Berne

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 and member of the Swiss Prime Site AG Executive Board since 1 April 2012. From 2001 to 2012, he was a member of the management of Brunshwig & 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 SPS and Jelmoli pension fund, Zurich; member of the foundation board of the SPS and Jelmoli charitable foundation, 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. 2013 Certificate from the Executive School of Management, Technology and Law from the University of St. Gallen (ES HSG) in Advanced Management.

**> Professional activity:** Luca Stäger has been Chief Executive Officer of Tertianum Group since 1 March 2010 and a member of the Swiss Prime Site AG Executive Board since 1 January 2014. He began his professional career at Price Waterhouse as a consultant with a focal point 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; chairman of the board of directors of Les Tourelles S.à.r.l., Martigny (VS); chairman of the board of directors of Résidence des Marronniers SA, Martigny (VS); chairman of the board of directors of Résidence Les Sources BOAS SA, Saxon (VS); chairman of the board of directors of Clos Bercher SA, Bercher (VD); chairman of the board of directors of Résidence du Bourg SA, Aigle (VD); chairman of the board of directors of Résidence Bel-Horizon SA, Ecublens (VD); chairman of the board of directors of Résidence le Pacific SA, Etoy (VD); chairman of the board of directors of Résidence Joli Automne SA, Ecublens (VD); chairman of the board of directors of Leora S.à.r.l., Villeneuve (VD); chairman of the board of directors of Hôtel Résidence Le Bristol SA, Montreux (VD); chairman of the board of directors of Le Manoir AG, Gampelen (BE); chairman of the board of directors of La Fontaine SA, Court (BE); chairman of the board of directors of Home Médicalisé Vert-Bois SA, Val-de-Ruz (NE); chairman of the board of directors of Résidence la Jardinerie SA, Delémont (JU); chairman of the board of directors of Quality Inside SA, Crissier (VD); chairman of the board of directors of Tertianum Romandie Management SA, Crissier (VD)

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, Zurich

**4.3 Additions to the Executive Board during the reporting period**

None.

**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 on page 30 (part 2): Articles of Association provisions regarding the basic principles governing profit-based compensation and the allocation of shareholdings, as well as additional amounts 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.sps.swiss](http://www.sps.swiss) 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, paragraph 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 et seq.), 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:

«<sup>1</sup> Each share entitles its holder to one vote.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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) amendment of the Company's purpose;
- b) creation of shares with increased voting power;
- c) transfer restrictions on registered shares;
- d) authorised or conditional capital increase;
- e) capital increases from shareholders' equity, against contribution in kind or for the purpose of acquiring assets as well as granting of special rights;
- f) restriction or exclusion of pre-emptive rights;
- g) change of the Company's registered office;
- h) dissolution of the Company without liquidation;
- i) dissolution of the Company with liquidation;
- j) conversion of bearer shares into registered shares;
- k) 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:

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

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> 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, paragraph 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:

«<sup>1</sup> 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 a shareholder if such person is entered in the share register. The Company acknowledges only one beneficiary per share.

<sup>2</sup> 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.

<sup>3</sup> 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.

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

<sup>5</sup> 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 of 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 Fees

The following fees were booked for the current reporting period: audit fees in the amount of CHF 1.160 million [CHF 1.167 million], fees for tax advisory services of CHF 0.017 million [CHF 0.085 million] and fees for property sales of CHF 0.430 million [CHF 0 million].

### 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 towards 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, as required, for appropriate solutions and monitors the implementation of measures.

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 the Swiss Stock Exchange Act, Listing Rules of the SIX Swiss Exchange and International Financial Reporting Standards (IFRS) regulations.

Swiss Prime Site presents the Semi-Annual and Annual Reports at the half-yearly and annual financial results press conference as well as at the Annual General Meeting.

Swiss Prime Site conducts its reporting within the scope of the disclosure obligations according to the Financial Market 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.sps.swiss](http://www.sps.swiss).

## **9 SIGNIFICANT CHANGES SINCE THE BALANCE SHEET DATE**

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

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# COMPENSATION REPORT

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# Report of the Statutory Auditor

To the General Meeting of Shareholders of Swiss Prime Site AG, Olten

We have audited the accompanying compensation report of Swiss Prime Site AG for the year ended 31 December 2016. 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 of the Board of Directors, 6.2 Compensation of the Executive Board, 6.3 Loans and credits to members of the Board of Directors and Executive Board and 6.4 Compensation, loans and credits to former members and related persons on pages 36 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 compensation 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 Dezember 2016 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, 24 February 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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# COMPENSATION REPORT 2016 OF SWISS PRIME SITE AG

The Compensation Report is written in accordance with the provisions of the Swiss Ordinance Against Excessive Compensation in Listed Companies (hereinafter referred to as «Ordinance»), the standard relating to information on corporate governance of the SIX Swiss Exchange and the principles of the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

The Compensation Report describes governance framework, the compensation principles and programmes as well as the compensation awarded to the members of the Board of Directors and of the Executive Board in the financial year 2016.

## 1 LETTER OF THE CHAIRMAN OF THE NOMINATION AND COMPENSATION COMMITTEE

Dear Shareholders,

On behalf of the Board of Directors and of the Nomination and Compensation Committee, I am pleased to introduce the Compensation Report 2016.

Following the election of the Nomination and Compensation Committee members at the 2016 Annual General Meeting, we welcomed Elisabeth Bourqui as a new member of the Nomination and Compensation Committee.

Swiss Prime Site succeeded in realising another boost in earnings in the financial year 2016 as well as favourably positioning itself for achieving future profitable growth. The Compensation Report clarifies how the business performance impacted the compensation of the Executive Board members in the reporting year.

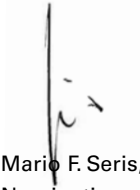
Following the appointment of our new CEO and CFO to the Executive Board at the end of 2015, the Nomination and Compensation Committee felt that it was the right opportunity to conduct a thorough review of the compensation system in order to ensure that it is still aligned with our business strategy and the long-term interests of our shareholders, while complying with the various regulatory requirements. This thorough review of the compensation system had been planned and announced in 2015 and was carried out in 2016. As a result, the compensation system for the Executive Board has been revised as follows:

- > From the financial year 2017, the compensation structure will be readjusted in order to emphasise the variable compensation. Concretely, part of the fixed compensation will be converted into variable compensation, which means that the fixed compensation will decrease while the variable compensation will increase, in line with the pay-for-performance principle.
- > From the financial year 2017, 62.5% of the variable compensation will be effected as a short-term incentive (STI) in cash while 37.5% of the variable compensation will be effected as performance share awards within the scope of a newly introduced long-term incentive plan (LTI). The STI will reward the annual financial performance of the business under responsibility and individual performance, while the LTI will reward the performance of Swiss Prime Site over a multi-year performance period. Therefore, the variable compensation will recognise the achievement of annual performance goals and the sustainable, long-term success of Swiss Prime Site in a well-balanced manner.
- > All performance targets will be defined on the basis of the mid-term financial planning of Swiss Prime Site, which ensures a robust, transparent and sustainable measurement of performance. From the financial year 2016, there will be no possibility for the Board of Directors to apply management discretion in the determination of the variable compensation effectively paid out.

Further details regarding these amendments and the compensation plans can be found in section 7: Outlook: Compensation changes for 2017, on page 39 and following. As a shareholder, you will have the opportunity to express your opinion on the compensation system by way of consultative vote on this Compensation Report.

Going forward, we will continue to assess and refine our compensation system to ensure that it is still suitable for its purpose. We welcome shareholders' feedback on compensation matters and would like to thank you for sharing your views with us. We trust that you will find this report interesting and informative.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mario F. Seris', is written over a light grey rectangular background.

Mario F. Seris,  
Nomination and Compensation Committee Chairman  
mario.seris@sps.swiss

## 2 GOVERNANCE

The determination of compensation of the Board of Directors and the Executive Board follows the governance principles described in this section.

The role of shareholders in compensation matters has been strengthened in recent years. Shareholders approve the maximum amount of compensation of the Board of Directors and the Executive Board by way of a binding vote at the Annual General Meeting. Furthermore, they also approve the Articles of Association that outline the principles of compensation.

### 2.1 Provisions on compensation in the Articles of Association

The Articles of Association can be found in their entirety on the Company's corporate governance website ([www.sps.swiss](http://www.sps.swiss)). The provisions on compensation are summarised in the following figure.

<b>PRINCIPLES OF COMPENSATION OF THE BOARD OF DIRECTORS</b> article 28	The members of the Board of Directors receive fixed compensation for their activities. Additional compensation may be paid for memberships in committees and for assuming special tasks or assignments. The compensation may be paid entirely in cash or in restricted or unrestricted shares of the Company.
<b>PRINCIPLES OF COMPENSATION OF THE EXECUTIVE BOARD</b> articles 30 & 31	The members of the Executive Board receive fixed annual compensation for their activities as well as variable performance-based compensation. The variable compensation is based on quantitative and individual objectives that are determined annually by the Board of Directors in the Company's and the shareholders' long-term interests. The variable compensation may be paid in cash or partly in restricted or unrestricted shares of the Company.
<b>APPROVAL OF COMPENSATION BY THE SHAREHOLDERS</b> articles 29 & 32	<p>The Annual General Meeting annually approves with binding effect the maximum amount of compensation of the Board of Directors for the current financial year and the maximum amount comprising both the fixed and variable compensation of the Executive Board for the current financial year.</p> <p>The compensation effectively paid to the Board of Directors and the Executive Board is disclosed in the Compensation Report, which is subject to consultative vote by the shareholders.</p>
<b>ADDITIONAL AMOUNT FOR NEW MEMBERS OF THE EXECUTIVE BOARD</b> article 32	In case of appointment of new members of the Executive Board after the approval of the maximum amount of compensation by the Annual General Meeting, the maximum additional amount available for each new member corresponds to 150% of the highest compensation paid to a member of the Executive Board in the financial year preceding the last ordinary Annual General Meeting.

The proposed maximum amounts of compensation submitted to shareholders' vote are maximum figures that would be paid out in case of substantial over-achievement of all relevant performance objectives. Therefore, the effective compensation paid out is likely to be below the approved maximum amounts. The effective compensation is disclosed in the Compensation Report, which is subject to a consultative vote by the shareholders at the Annual General Meeting. The combination of the prospective binding vote on the maximum amounts of compensation and retrospective consultative vote on the Compensation Report provides a true say-on-pay to shareholders.

## 2.2 Nomination and Compensation Committee

The Board of Directors has appointed a Nomination and Compensation Committee (CC) to provide support in compensation matters. In accordance with the Articles of Association (article 22), the Nomination and Compensation Committee consists of at least three members of the Board of Directors who are elected individually by the Annual General Meeting for a period of one year until the conclusion of the subsequent ordinary Annual General Meeting. Re-election is permitted. Mario F. Seris (Chairman), Elisabeth Bourqui and Christopher M. Chambers are the current members of the Nomination and Compensation Committee.

The responsibilities of the Nomination and Compensation Committee are defined in a separate regulation and include in summary:

- > Preparation of proposals to the Board of Directors regarding the compensation principles, including the design of variable compensation
- > Preparation of proposals to the Board of Directors regarding the maximum amounts of compensation of the members of the Board of Directors and the Executive Board to be submitted to shareholders' vote at the Annual General Meeting
- > Preparation of proposals to the Board of Directors regarding the individual compensation of the members of the Board of Directors and the Executive Board within the limits approved by the shareholders
- > Preparation of proposals to the Board of Directors on the performance objectives relevant for the determination of the variable compensation
- > Evaluation of the achievement of the performance objectives for the calculation of the variable compensation and preparation of the corresponding proposals to the Board of Directors
- > Monitoring compliance of the compensation principles with the law, the Articles of Association and internal regulations as well as the resolutions of the Annual General Meeting regarding compensation
- > Preparation of the Compensation Report
- > Preparation of the guidelines and proposals for the nomination (including authority to sign) and for the compensation payable to the Board of Directors, the Executive Board, the employees of Swiss Prime Site AG and its group companies, the real estate asset managers, the property/facility managers, related persons and the external valuation experts
- > Monitoring compliance with the compensation and nomination policy determined by the Board of Directors, the Committee itself and the Executive Board
- > Any other activities assigned by law or by the Board of Directors

The Nomination and Compensation Committee acts in an advisory capacity while the Board of Directors retains the decision-making authority on compensation matters, except for matters concerning the maximum amounts of compensation of the Board of Directors and Executive Board, which are subject to the approval of shareholders at the Annual General Meeting. The authority levels of the different bodies on compensation matters are detailed in the following table.

### AUTHORITY LEVELS IN COMPENSATION MATTERS

	CEO	CC	BoD	AGM
Compensation principles and variable compensation design		Proposes	Approves	
Maximum amounts of compensation of Board of Directors and Executive Board		Proposes	Reviews	Approves (binding vote)
CEO compensation		Proposes	Approves	
Individual compensation of the members of the Executive Board	Proposes	Reviews	Approves	
Performance target setting and assessment of the CEO		Proposes	Approves	
Performance target setting and assessment of the members of the Executive Board	Proposes	Reviews	Approves	
Individual compensation of the members of the Board of Directors		Proposes	Approves	
Compensation Report		Proposes	Approves	Consultative vote

In 2016, the Nomination and Compensation Committee held two meetings and one conference call. All members attended all meetings and conference calls. The Nomination and Compensation Committee focused its efforts on redefining the compensation system that is applicable to the members of the Executive Board, including the re-adjustment of the compensation structure towards a stronger focus on the variable compensation, the introduction of a long-term incentive plan (LTI) and the redefinition of the performance indicators for the purpose of calculating the variable compensation. These changes are described in detail in section 7: Outlook: compensation changes for 2017. Furthermore, the Nomination and Compensation Committee performed its regular activities throughout the year, such as the performance goal setting at the beginning of the year and the performance assessment following the year-end, the annual review and determination of the individual compensation of the members of the Board of Directors and the Executive Board, as well as the preparation of the Compensation Report and of the say-on-pay compensation votes for the Annual General Meeting.

The Chairman of the Nomination and Compensation Committee reports the activities of the committee to the Board of Directors after each meeting. The minutes of the committee meetings are available to the members of the Board of Directors. As a general rule, the Chairman of the Board of Directors and the CEO attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

The Nomination and Compensation Committee may decide to consult an external advisor from time to time for specific compensation matters. In 2016, no such external advisor was mandated.

### **2.3 Method of determination of compensation**

#### **Periodic benchmarking**

Swiss Prime Site regularly reviews the compensation of its Board of Directors and Executive Board. This includes regular benchmarking analysis – for example, every two to three years – of the compensation of similar functions in other stock exchange-listed companies that are comparable in size (market capitalisation, revenues, headcount), including real estate companies such as PSP Swiss Property, Mobimo, Allreal and Intershop. However, Swiss Prime Site's business model – with operating group companies in real estate-related business fields and a total workforce of roughly 5 621 employees – implies a higher degree of complexity than pure real estate companies. Therefore, for the comparison of the compensation of members of the Executive Board who manage operating group companies, the composition of the benchmark is determined according to the respective areas of activity: in other words, real estate services or retail and assisted living business.

The last benchmarking analysis was conducted in 2016 and served as the basis for the annual review and the determination of compensation of the members of the Board of Directors and Executive Board for the financial year 2017.

#### **Performance management**

The actual compensation paid to the individual members of the Executive Board in a given year depends on the Company and individual performance. Individual performance is assessed through the annual performance management process, which aims to align individual and collective objectives, to stretch performance and to support personal development. The Company and individual objectives are determined at the beginning of the financial year and achievement against these objectives is assessed at year-end. In discussing the individual performance of the members of the Executive Board, the Nomination and Compensation Committee considers the achievement of the individual performance objectives pre-determined during the performance management process as well as the extent to which the executives have conducted themselves in line with Swiss Prime Site's DNA. The Company's DNA includes Swiss Prime Site's vision, the corporate culture, the Company's values and its commitment towards sustainability. The performance assessment is the basis for the determination of the actual compensation, as illustrated in the following figure.



**3 COMPENSATION PRINCIPLES**

Swiss Prime Site’s compensation principles reflect the Company’s commitment to attract, develop and retain qualified and talented executives. Compensation drives performance, rewards for the achievement of business and individual objectives as well as supports the long-term creation of value for the shareholders. In order to ensure market competitiveness, the compensation structure and levels are subject to regular reviews. Compensation decisions are fair and transparent. The compensation principles are outlined in the following figure.

<p><b>PAY FOR PERFORMANCE</b></p>	<p>Compensation of the Executive Board is directly linked to Company and individual performance. Both the annual performance and sustainable success of Swiss Prime Site are rewarded through a well-balanced combination of performance objectives.</p>
<p><b>ALIGNMENT TO SHAREHOLDERS’ INTERESTS</b></p>	<p>A portion of compensation is delivered in the form of shares in order to align the interests of the members of the Executive Board with those of the shareholders.</p>
<p><b>COMPETITIVENESS</b></p>	<p>Compensation is regularly benchmarked against that of comparable companies in order to ensure market competitiveness.</p>
<p><b>INTERNAL EQUITY AND FAIRNESS</b></p>	<p>Compensation decisions are based on objective factors such as scope of function, external value of role and performance of the individual and are communicated in an open and transparent manner.</p>

**4 COMPENSATION SYSTEM OF THE BOARD OF DIRECTORS**

In order to ensure their independence in exercising their supervisory duties towards the Executive Board – and to strengthen their focus on the long-term strategy and good corporate governance of the Company – the members of the Board of Directors receive a fixed compensation only, including an annual retainer reflecting the respective member’s role on the Board of Directors and on the boards of group companies, as well as a lump-sum expense allowance.

Half of the compensation of the members of the Board of Directors is paid in cash and the other half is paid in the form of Swiss Prime Site AG shares. This reinforces the alignment of their interests with those of the shareholders. The shares are allocated at the end of the financial year on the basis of the market value at the beginning of the financial year, less a 10% discount. Therefore, the value of the share-based compensation at the time of allocation may be more or less than 50% of the fixed compensation, depending on the share price performance during the financial year. The allocated shares are subject to blocking for a period of four years and are also blocked for members who are leaving the Board of Directors.

The compensation levels of the Board of Directors are shown in the following table.

## COMPENSATION LEVELS OF THE BOARD OF DIRECTORS

<b>Fixed annual retainer for members of the Board of Directors</b>		<b>CHF</b>
Chairman of the Board of Directors		350 000
Vice-Chairman of the Board of Directors		190 000
Member of the Board of Directors <sup>1</sup>		180 000
<b>Additional compensation</b>		<b>CHF</b>
Lump-sum expense allowance		6 000

<sup>1</sup> additional fee of CHF 10 000 for audit committee chairman

## 5 COMPENSATION SYSTEM OF THE EXECUTIVE BOARD (VALID UNTIL 31.12.2016)

The members of the Executive Board receive an annual base salary and variable compensation as well as benefits. The compensation structure of the Executive Board applicable to the financial year 2016 is outlined in the following table.

### COMPENSATION STRUCTURE OF THE EXECUTIVE BOARD

	<b>Element</b>	<b>Purpose</b>	<b>Drivers</b>	<b>Performance measures</b>
Base salary	Monthly cash payments	Pay for the role; attracting and retaining talent	Market value of role, as well as skills and experience	
Variable compensation	Cash bonus and restricted shares	Pay for performance and alignment with shareholders' interests	Achievement of annual business and individual objectives	NAV, EPS and individual goals
Benefits	Social contributions, retirement plans and fringe benefits	Provide a reasonable level of income in case of retirement, death or disability	Market practice and function	

The Board of Directors considers several factors when reviewing and setting the individual compensation of each member of the Executive Board:

- > Market value of the role (external benchmark)
- > Internal salary structure (internal benchmark)
- > Individual profile of the incumbent in terms of experience and skill set
- > Individual performance and potential
- > Affordability for the Company

#### 5.1 Annual base salary

The annual base salary reflects the scope of the role and its responsibilities, the experience and skills required to perform the role and the profile of the incumbent in terms of seniority and experience. The annual base salary is paid in cash, typically in monthly instalments and serves as the basis for determining the size of the variable compensation.

#### 5.2 Variable compensation

The variable compensation rewards for the business results of Swiss Prime Site and the operating group companies, as well as for the achievement of individual performance objectives. Therefore, it allows executives to participate in the Company's success while being rewarded for their individual contributions.



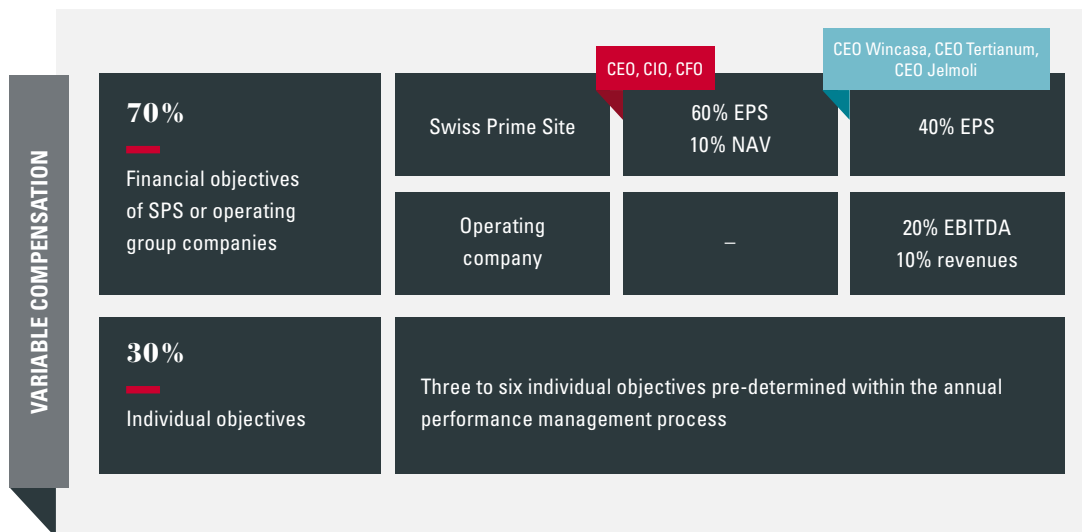
At target (for 100% achievement of all performance objectives), the variable compensation amounts to 25% of the annual base salary. At maximum, it amounts to 50% of the annual base salary. The variable compensation depends on the achievement of financial and individual objectives.

The financial objectives make up 70% of the variable compensation. For the members of the Executive Board employed by Swiss Prime Site, the business objectives of Swiss Prime Site include earnings per share (EPS) excluding revaluation effects, weighted at 60%, and net asset value (NAV) of Swiss Prime Site, weighted at 10%. For the members of the Executive Board who manage the operating group companies Jelmoli AG, Tertianum AG and Wincasa AG, financial objectives include EPS of Swiss Prime Site, weighted at 40%, earnings before interest, tax, depreciation and amortisation (EBITDA) of the respective operating company, weighted at 20%, and revenues of the respective operating company, weighted at 10%. This combination of objectives rewards the success of Swiss Prime Site as a whole and of the operating group companies in a balanced manner. In order to strengthen the Company's market position and continuously strive for superior performance, financial objectives are determined in line with the Company's ambitious financial plan.

The individual objectives make up 30% of the variable compensation, consisting of individual objectives that are determined and agreed upon within the annual performance management process. These objectives are set in the following three categories:

- > Standard objectives inherent to the scope of the function and including various operational measures such as external financing ratios, vacancy rates or the completion of strategic initiatives or projects
- > Innovation objectives determined in the context of the development of new services or new organisations
- > Development objectives including personal development and leadership goals

The following figure provides an overview of the performance objectives in 2016 for each member of the Executive Board.



The variable compensation is paid in March of the subsequent financial year. For members of the Executive Board employed by Swiss Prime Site Group AG, the variable compensation is paid half in cash and half in restricted shares. The other members of the Executive Board may decide to invest up to 25% of their variable compensation in shares. 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 shares are allocated on the basis of the market price at the beginning of the financial year minus a 10% discount. Therefore, the value of the share-based compensation at the time of allocation may be more or less than 25% or 50% of the fixed compensation, depending on the share price performance during the financial year. The shares are subject to a blocking period of three years during which they cannot be pledged, sold or transferred.

### **5.3 Benefits**

Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependents with respect to retirement, the risk of disability and death and risks to health. The members of the Executive Board are covered by the respective pension plans of the employing company. These pension plans contain no provisions for members of the Executive Board that deviate from the regulations valid for all other 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 separate insurance solution. The maximum contribution limits (maximum insured salary) range from CHF 0.3 million to CHF 0.5 million. The employer contributions depend on age and position and range between 10% and 14%.

Furthermore, all members of the Executive Board are entitled to a representation allowance in line with the regulations applicable to all members of the Executive Board approved by the tax authorities.

### **5.4 Contracts of employment**

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. 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 no more than the last effected fixed annual compensation in proportion to the duration.

The current employment contracts of the members of the Executive Board are of unlimited term and include notice periods of six to twelve months. These contracts contain no unordinary provisions, particularly no severance pay, no extraordinary clauses in the event of change of control over the Company and no non-competition clauses.

## **6 COMPENSATION AWARDED IN 2016**

The compensation is disclosed in gross terms and according to the accrual accounting principle: in other words, all compensation is reported in the respective period (in other words, financial year) in which it is recorded in the financial statements. Contributions made by the employer to pension funds are considered compensation and disclosed as such.

### **6.1 Compensation of the Board of Directors**

In 2016, the total compensation of the Board of Directors amounted to CHF 1.7 million [2015: CHF 1.5 million] in the form of cash payments of CHF 0.7 million [2015: CHF 0.6 million], restricted shares of CHF 0.8 million [2015: 0.7 million], social contributions of CHF 0.1 million [2015: CHF 0.1 million] and other forms of compensation of CHF 0.1 million [2015: CHF 0.1 million].

The total amount of compensation of CHF 1.7 million awarded to the Board of Directors in 2016 is within the maximum amount of compensation of CHF 1.8 million for the financial year 2016 approved by the shareholders at the Annual General Meeting on 12 April 2016.

This constitutes an increase of 13.3% compared with the previous year's figure, which is attributable to a different number of Board of Directors members versus the prior year.

The Board of Directors comprised seven members in 2015. At the Annual General Meeting of 2016, one existing member declined to seek re-election and two new members were elected to the Board of Directors. Consequently, the Board of Directors now comprises eight members since the Annual General Meeting of 2016.

## 01.01.–31.12.2016

in CHF 1 000	Compensation in cash	Share-based compensation <sup>1</sup>	Other compensation components <sup>2</sup>	Employer social security contributions OASI/DI	Gross compensation	Expense allowance
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	175	201	6	24	406	6
Dr. Thomas Wetzel, Vice-Chairman of the BoD <sup>3</sup>	34	41	–	5	80	2
Mario F. Seris, Vice-Chairman of the BoD	95	109	6	14	224	6
Dr. Elisabeth Bourqui, Member of the BoD <sup>4</sup>	60	69	6	9	144	4
Christopher M. Chambers, Member of the BoD	90	103	6	–	199	6
Markus Graf, Member of the BoD <sup>4</sup>	60	69	5	–	134	4
Dr. Bernhard Hammer, Member of the BoD	90	103	5	13	211	6
Dr. Rudolf Huber, Member of the BoD	95	109	6	14	224	6
Klaus R. Wecken, Member of the BoD <sup>5</sup>	–	–	6	–	6	12
<b>Total compensation to the Board of Directors 2016, gross</b>	<b>699</b>	<b>804</b>	<b>46</b>	<b>79</b>	<b>1 628</b>	<b>52</b>

<sup>1</sup> the shares are subject to blocking for four years, fair value upon transfer of shares

<sup>2</sup> services and benefits in kind (provision of Swiss Federal Railways (SBB) general pass, gross)

<sup>3</sup> until 12.04.2016

<sup>4</sup> since 12.04.2016

<sup>5</sup> waived the annual fee and received a CHF 12 000 lump-sum expense allowance

## 01.01.–31.12.2015

in CHF 1 000	Compensation in cash	Share-based compensation <sup>1</sup>	Other compensation components <sup>2</sup>	Employer social security contributions OASI/DI	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 <sup>3</sup>	–	–	6	–	6	12
<b>Total compensation to the Board of Directors 2015, gross</b>	<b>627</b>	<b>715</b>	<b>42</b>	<b>80</b>	<b>1 464</b>	<b>48</b>

<sup>1</sup> the shares are subject to blocking for four years, fair value upon transfer of shares

<sup>2</sup> services and benefits in kind (provision of Swiss Federal Railways (SBB) general pass, gross)

<sup>3</sup> waived the annual fee and received a CHF 12 000 lump-sum expense allowance

## 6.2 Compensation of the Executive Board

In 2016, the members of the Executive Board received total compensation of CHF 6.2 million [2015: CHF 6.7 million]. This amount comprises fixed salaries of CHF 3.5 million [2015: CHF 3.8 million], variable compensation in cash of CHF 1.1 million [2015: CHF 1.2 million], variable compensation in shares of CHF 0.6 million [2015: CHF 0.7 million], other expenses of CHF 0.01 million [2015: 0.1 million] and contributions to social security and post-employment benefits of CHF 1.0 million [2015: CHF 0.9 million].

The total amount of compensation of CHF 6.2 million awarded to the Executive Board in 2016 is within the maximum amount of compensation of CHF 7.0 million for the financial year 2016 approved by the shareholders at the Annual General Meeting on 12 April 2016.

### 01.01.–31.12.2016

in CHF 1 000	Total Executive Board	Of which René Zahnd (CEO) <sup>1</sup>
Fixed compensation in cash, gross	3 500	1 000
Variable compensation in cash, gross	1 082	235
Share-based variable compensation <sup>2</sup>	605	235
Other compensation components <sup>3</sup>	13	6
Pension fund contributions	591	96
Other social security contributions	395	107
<b>Total compensation to the Executive Board 2016, gross</b>	<b>6 186</b>	<b>1 679</b>
Expense allowance	105	18

<sup>1</sup> highest compensation to the Executive Board

<sup>2</sup> the shares are subject to blocking for three years, fair value upon transfer of shares

<sup>3</sup> 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, gross

### 01.01.–31.12.2015

in CHF 1 000	Total Executive Board	Of which Markus Graf (CEO) <sup>1</sup>
Fixed compensation in cash, gross	3 832	1 400
Variable compensation in cash, gross	1 214	350
Share-based variable compensation <sup>2</sup>	670	350
Other compensation components <sup>3</sup>	130	123
Pension fund contributions	473	–
Other social security contributions	423	148
<b>Total compensation to the Executive Board 2015, gross</b>	<b>6 742</b>	<b>2 371</b>
Expense allowance	72	6

<sup>1</sup> highest compensation to the Executive Board

<sup>2</sup> the shares are subject to blocking for three years, fair value upon transfer of shares

<sup>3</sup> 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, gross

This constitutes a decrease of 8.25% compared with the previous year's figure, which is attributable to the following factors:

- > The annual base salary of Executive Board members was raised for just one member by 6.7% compared with the previous year, while the other base salaries remained unchanged. Based on the new composition of the Executive Board (new CEO and CFO), the overall fixed compensation declined.
- > The payout factor for short-term compensation in cash for 2016 was higher on average than in 2015 due to the solid financial results in 2016. Swiss Prime Site's earnings per share (EPS) excluding revaluation effects and the NAV result significantly surpassed the previously set target values, while the operating group companies overall exceeded their financial targets as well. Consequently, the payout factor for the CEO corresponded to 47.0% [previous year: 50% for the previous CEO] of the annual base salary and for the other Executive Board members corresponded to 48.2% on average [average for 2015: 49.3%] of the annual base salary. Based on the new

composition of the Executive Board (new CEO and CFO), the absolute value of compensation in cash declined compared with the previous year.

- > The value of share-based compensation was somewhat lower versus the previous year's figure due to the new composition of the Executive Board (new CEO and CFO). The entitlement to Executive Board members employed by the operating group companies remained largely unchanged.

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 2016 other than that referred to in sections 6.1 and 6.2.

### **6.3 Loans and credits to members of the Board of Directors and Executive Board**

No loans or credits were granted to present or former members of the Board of Directors or the Executive Board in 2016, and there were no loans or credits outstanding as at 31 December 2016.

### **6.4 Compensation, loans and credits to former members and related persons**

No compensation was paid, nor loans or credits granted, to former members of the Board of Directors and the Executive Board or to persons related to members of the Board of Directors and the Executive Board, and there were no such loans or credits outstanding as at 31 December 2016.

### **6.5 Shareholdings of members of the Board of Directors and Executive Board**

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.

### **6.6 Business relations of members of the Board of Directors**

No member of the Board of Directors has any significant business relationship with Swiss Prime Site AG or its group companies.

## **7 OUTLOOK: COMPENSATION CHANGES FOR 2017**

Following the leadership changes in the Executive Board in 2015, the Nomination and Compensation Committee had announced that it would conduct a thorough review of the compensation policy applicable to the Executive Board to ensure that it is still aligned with the business strategy and long-term interests of the Company's shareholders, while complying with the various regulatory requirements. This review took place in 2016 and was driven by the strategic alignment of the compensation policy with the business strategy and the mid-term financial planning. The feedback received from shareholders on compensation matters in recent years has been taken into consideration as well. As a result of the review, the Nomination and Compensation Committee proposed the following fundamental changes that were approved by the Board of Directors:

- > Re-adjustment of the compensation structure in order to emphasise the variable compensation: part of the fixed compensation will be converted into variable compensation. Concretely, the fixed compensation portion will decrease while the variable compensation will increase, in line with the pay-for-performance principle.
- > Split of the variable compensation into two components: 62.5% awarded as a short-term incentive (STI) in cash and 37.5% delivered in the form of performance share awards under a new long-term incentive plan (LTI).
- > Refinement of performance objectives for the purpose of calculating the variable compensation: the STI will reward the annual financial performance of the business under responsibility and the individual performance, while the LTI will reward the performance of Swiss Prime Site as a whole over a performance period of several years. Therefore, the performance of Swiss Prime Site as a group and the performance of the individual operating group companies will be rewarded in a balanced manner.
- > Direct link to the mid-term financial planning: all performance indicators will be determined on the basis of the mid-term financial planning of the Company, which ensures a robust, transparent and sustainable measurement of performance. From the financial year 2016, there will be no possibility for the Board of Directors to apply management discretion in the determination of the effective variable compensation awarded.

The amended structure of compensation is summarised in the following table.

**COMPENSATION STRUCTURE OF THE EXECUTIVE BOARD AS AT THE FINANCIAL YEAR 2017**

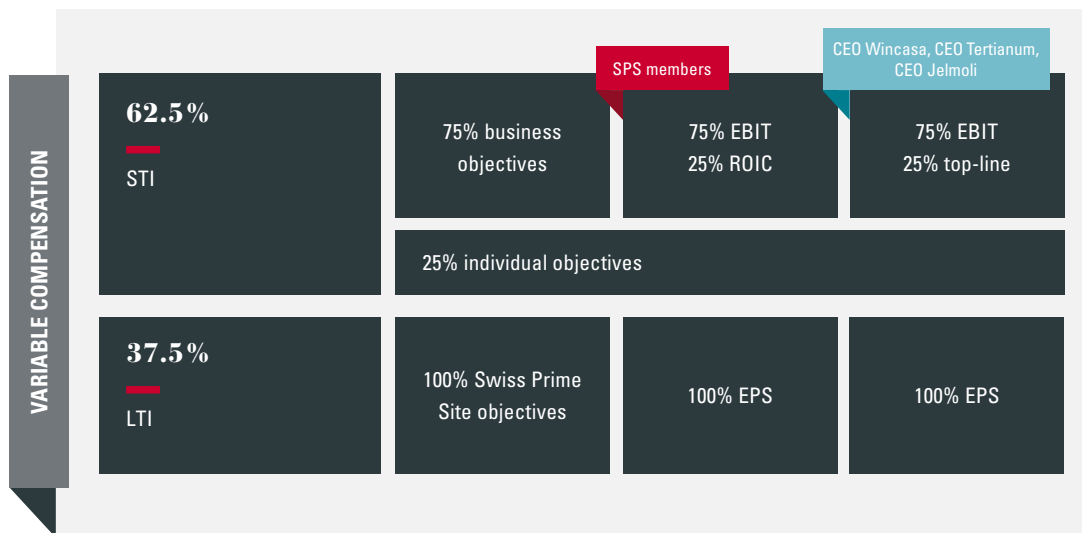
	Element	Purpose	Drivers	Performance measures
Base salary	Monthly cash payments	Pay for the role; attracting and retaining talent	Market value of role, as well as skills and experience	
Variable compensation	STI (cash bonus)	Pay for performance	Achievement of annual business and individual objectives	EBIT, ROIC and top-line performance
	LTI (performance share awards)	Pay for performance and alignment with shareholders' interests	Group performance over three years and continued employment	Earnings per share (EPS)
Benefits	Social contributions, retirement plans and fringe benefits	Provide a reasonable level of income in case of retirement, death or disability	Market practice, function and local regulations	

**7.1 Annual base salary**

Part of the annual base salary will be converted into variable compensation, in line with the pay-for-performance principle. Therefore, the annual base salary of Executive Board members will be reduced, with effect for the financial year 2017.

**7.2 Variable compensation**

The variable compensation amounts to 75% (target value) and a maximum of 100% of the annual base salary (at maximum payout level) and will be split into STI and LTI, as shown in the following figure.



**STI – cash bonus**

The STI will amount to 62.5% of the variable compensation and reward for the business and the individual performance over a time horizon of one year.

The business-related objectives will make up 75% of the STI. For the members of the Executive Board employed by Swiss Prime Site, business objectives will include earnings before interest and tax (EBIT) of Swiss Prime Site excluding revaluation effects weighted at 75%, and return on invested capital (ROIC) of Swiss Prime Site weighted at 25%.

For the members of the Executive Board who manage Jelmoli AG, Tertianum AG and Wincasa AG, and are employed by the respective operating company, business objectives will include EBIT of the respective operating company and a top-line performance indicator, such as assets under management or development of new businesses.

For each business objective, a target will be set corresponding to the expected level of performance that will generate a 100% payout if achieved. A threshold of performance, below which there will be no payout, and a maximum payout will be determined as well. The objectives and the target level of performance will be determined on the basis of the mid-term financial planning. Therefore, the target setting is very robust and ambitious.

The individual objectives are weighted with 25% of the STI, consisting of annual personal objectives that are determined and agreed upon within the performance management process. For the CEO, the individual objectives will include implementation of innovation and sustainability initiatives, strategic management of the operating group companies and perception of Swiss Prime Site as a leading real estate company in line with the Company's vision. For the other members of the Executive Board, individual objectives will be set in the areas of risk management, reduction of the fluctuation and vacancy rates, customer satisfaction, contract renewals and people management.

#### LTI – performance share awards

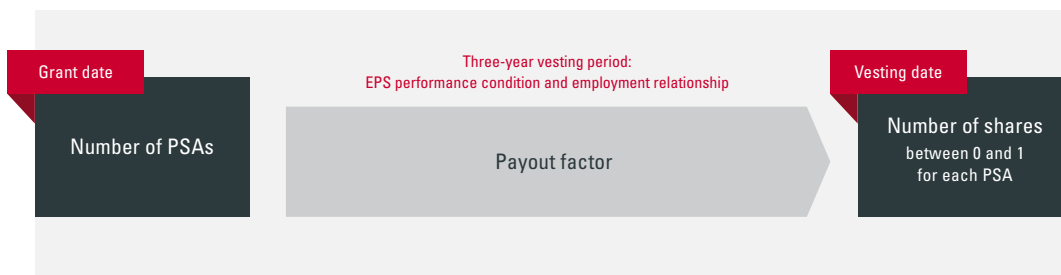
The LTI will amount to 37.5% of the variable compensation, to be delivered in the form of performance share awards that reward for the long-term performance of Swiss Prime Site and align the interests of the members of the Executive Board with those of the shareholders.

At the grant date, the LTI amount will be converted into a number of performance share awards based on the average volume-weighted share price during the last 60 trading days prior to the grant date.

The performance share awards will be subject to a three-year cliff vesting conditional upon the achievement of a performance condition and the continuous employment of the individual during the vesting period. The performance condition will be the earnings per share (EPS) excluding revaluation effects of Swiss Prime Site, predefined for the three-year vesting period based on Swiss Prime Site's ambitious mid-term financial planning.

At the vesting date, the performance share awards will vest and be converted into Swiss Prime Site shares on the basis of the payout factor, based on the achievement of the EPS performance condition. The payout factor ranges from 0% to 100%.

The mechanism of the performance share awards under the LTI plan is described in the following figure.



The performance share awards (PSAs) are subject to forfeiture clauses in case of termination of employment during the vesting period. In case of termination for cause, all PSAs are forfeited. In case of resignation or termination (not for cause), PSAs granted in the year of termination are forfeited. PSAs granted in previous years are subject to the regular vesting schedule. In cases of retirement, disability or death, the PSAs are subject to a pro-rata vesting for the number of full months of employment in the respective vesting period that have expired until the termination date. The determination of the payout factor and the vesting date remain unchanged (no acceleration of vesting). In case of change of control, the PSAs are subject to an accelerated pro-rata vesting for the number of full months of the respective

vesting period that have expired until the date of change of control, on the basis of the effective EPS performance at the date of change of control, as determined by the Board of Directors.

The new compensation system applicable to the members of the Executive Board is well balanced: it is performance oriented with a larger portion of variable compensation, and it reflects the business strategy by rewarding Swiss Prime Site's profitability as well as the top-line and bottom-line contributions of the operating group companies, while aligning with the shareholders' long-term interests by rewarding EPS of Swiss Prime Site over a three-year period.



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