NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OF AMERICA OR OTHERWISE OTHER THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED—THIS OFFERING IS AVAILABLE ONLY TO ADDRESSEES OUTSIDE OF THE UNITED STATES, SUBJECT TO CERTAIN RESTRICTIONS

IMPORTANT: You must read the following before continuing. The following disclaimer applies to the attached prospectus (the "**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. IN PARTICULAR, ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OF AMERICA OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, CANADA, JAPAN, AUSTRALIA OR ITALY OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION. YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED PROSPECTUS, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH PROSPECTUS IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OF AMERICA OR APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: By accessing the attached document you reconfirm your representation to Swiss Prime Site AG (the "**Issuer**"), Credit Suisse AG, UBS AG and Bank Vontobel AG (the "**Joint Bookrunners**", each a "**Joint Bookrunner**") that (1) you are outside the United States of America, as defined in Regulation S under the Securities Act, not acting on behalf of a person within the United States of America and, to the extent you purchase the securities described in the attached Prospectus, you will be doing so pursuant to Regulation S under the Securities Act, that (2) the electronic mail (or e-mail) address to which the attached Prospectus 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 that (3) you consent to delivery of the attached Prospectus and any amendments or supplements thereto by electronic transmission. The attached Prospectus has been made available to you in electronic form.

You are reminded that documents transmitted via electronic means may be altered or changed during the process of transmission and consequently none of the Issuer, the Joint Bookrunners and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling the Issuer, the Joint Bookrunners or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the Prospectus distributed to you in electronic format and the hard copy version. If permitted by law, we will provide a hard copy version to you upon your request.

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. No action has been or will be taken in any jurisdiction by the Joint Bookrunners or the Issuer that would or is intended to, permit a public offering of the securities, or possession or distribution of the Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Joint Bookrunner or any affiliate of the Joint Bookrunners is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Bookrunner or such affiliate on behalf of the Issuer in such jurisdiction.

For other sales restrictions, see "Important Information" and "Sales Restrictions" in the Prospectus. You are reminded that you have accessed the attached Prospectus on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this Prospectus, electronically or otherwise, to any other person. If you have gained access to this Prospectus contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein. If you receive this Prospectus by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. If you receive this Prospectus by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

SWISS PRIME SITE

CHF 300 million
0.325 per cent
Senior Unsecured Convertible Bonds due 2025

convertible into registered shares of

Swiss Prime Site AG

(incorporated in Switzerland with limited liability)

This prospectus (the "**Prospectus**") relates to an offering (the "**Offering**") of 0.325 per cent bonds due 2025 (the "**Bonds**", and each a "**Bond**") of Swiss Prime Site AG (the "**Issuer**" and, together with its Subsidiaries (as defined in the Terms of the Bonds), the "**Swiss Prime Site Group**" or the "**Group**") in the aggregate principal amount of Swiss francs ("**CHF**") 300 million, conferring a conversion right with reference to registered shares of the Issuer with a nominal value of CHF 15.30 each as of the date hereof (the "**Shares**"). Unless defined otherwise herein, the words and expressions defined in the "Terms of the Bonds" below shall have the same meaning in this Prospectus.

Issuer	Swiss Prime Site AG, Olten, Switzerland ("**SPS**" or the "**Issuer**")
Issue Price	100 per cent of the Principal Amount (as defined herein) (CHF 5'000 per Bond)
Issue Size	CHF 300 million
Coupon	0.325 per cent per annum, payable annually in arrears on 16 January of each year, for the first time on on 16 January 2019, calculated on a 30E/360 basis.
Payment Date	On or around 16 January 2018 (the "**Payment Date**")
Maturity Date	16 January 2025 (7 years)
Assurances	Pari passu clause, negative pledge clause, events of default provisions, and cross default clause (with a materiality threshold of 2% of the Issuer's consolidated shareholders' equity attributable to shareholders of Swiss Prime Site AG "Eigenkapital, den Aktionären der Swiss Prime Site AG zuzurechnen"), all as provided in the Terms of the Bonds
Rating	The Bonds are not expected to be rated.
Form of the Bonds	The Bonds will be issued as uncertificated securities (Wertrechte) in accordance with article 973c of the Swiss Code of Obligations and registered in the main register (Hauptregister) with SIX SIS Ltd ("**SIS**"). Once the uncertificated securities are registered in the main register with SIS and entered into the accounts of one or more participants of SIS, the Bonds will constitute intermediated securities (Bucheffekten) within the meaning of the Swiss Federal Act on Intermediated Securities. Printing and physical delivery of individually certificated Bonds is excluded.
Denomination	CHF 5'000 ("**Principal Amount**")
Redemption Price	100 per cent of the Principal Amount (CHF 5'000 per Bond)
Reference Share Price	CHF 90.3186, being the volume weighted average price of the Shares on the SIX Swiss Exchange Ltd (the "**SIX Swiss Exchange**") between launch and pricing on 9 January 2018 (the "**Share Reference Price**")
Conversion Premium	12.5 per cent above the Reference Share Price
Initial Conversion Price	CHF 101.61 per Share
Conversion Right	Holders who convert their Bonds receive Shares and/or a cash amount (for details see Condition 3 of the Terms of the Bonds)
Conversion Period	The Bonds may be converted at any time at the option of a holder of the Bonds (the "**Holder**", collectively the "**Holders**") commencing forty-one (41) days after the Payment Date up to and including the earlier of the 40th Business Day before the Maturity Date or 20 Business Days prior to early redemption
Source of Shares	Conditional share capital of the Issuer
Lock-up	90 calendar days from the Payment Date, subject to customary exceptions
Listing and Trading	Application for the listing and trading of the Bonds according to the Standard for Bonds of the SIX Swiss Exchange will be made. The Bonds are expected to be provisionally admitted to trading on the SIX Swiss Exchange as of 15 January 2018. The last Trading Day is expected to be 14 January 2025. The Shares are listed on the SIX Swiss Exchange.
Sales Restrictions	The Bonds are being offered and sold only outside the United States in accordance with Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended ("**Securities Act** "). Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Bonds or passed upon the adequacy or accuracy of this Prospectus. The Bonds and the Shares to be delivered upon conversion of the Bonds are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration thereunder or exemption therefrom. For a more complete description of restrictions on offers, sales and transfers, see "Sales Restrictions".
Swiss Tax Classification	The Bonds are qualified by the Swiss Federal Tax Administration as "non-classical" according to the Circular No. 15 issued by the Swiss Federal Tax Administration on 3 October 2017 (Kreisschreiben Nr. 15); for further information see "Information on the Offering—Swiss Taxation".
Risks	See "Risk Factors"
Joint Bookrunners	Credit Suisse AG, UBS Investment Bank and Bank Vontobel AG
Governing Law / Jurisdiction	Swiss Law / Zurich

Credit Suisse   UBS   Vontobel

	Swiss Security Number	ISIN	Common Code
Bonds	39764277	CH0397642775	175118896
Shares	803 838	CH0008038389	010892945

Prospectus dated 9 January 2018

IMPORTANT INFORMATION

Prospective Holders are expressly advised that an investment in the Bonds entails financial risks (including, without limitation, the risks that (a) the market price of the Shares into which the Bonds are convertible may be volatile, that (b) there is no prior market for the Bonds and no active trading market may develop, and that (c) the Bond prices may be volatile). Prospective Holders should therefore carefully review the entire content of this Prospectus. For a description of certain further risks see "Risk Factors".

The distribution of this Prospectus and the offering or sale of the Bonds in certain jurisdictions is restricted by law. Persons into whose possession this Prospectus may come are required by the Issuer and the Joint Bookrunners to inform themselves about and to observe such restrictions.

This Prospectus may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful. In making an investment decision, prospective Holders must rely on their own examination of the Issuer and the terms and conditions of the Offering, including the merits and risks involved. Prospective Holders should not construe anything in this Prospectus as legal, business or tax advice. Each prospective Holder should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Bonds under applicable laws and regulations.

Further, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

No dealer, salesman or any other person has been authorised to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Bookrunners. No representation or warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Bookrunners or any of their affiliates or advisors or selling agents as to the accuracy or completeness of any information contained in this Prospectus and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Joint Bookrunners or any of their affiliates or advisors or selling agents as to the past or the future.

Neither the delivery of this Prospectus nor any sale of Bonds shall under any circumstances create any implication that there has been no change in the information contained herein or in the affairs of the Issuer since the date hereof.

All references in this document to "Swiss francs" and "CHF" are to the lawful currency of Switzerland.

Availability of Documents

Copies of this Prospectus and any supplement thereto, if any, will be available free of charge in Switzerland, for 12 months following the First Day of Trading on SIX Swiss Exchange at Bank Vontobel AG, Zurich, Switzerland (e-mail: prospectus@vontobel.com, telephone: +41 58 283 70 03), Credit Suisse AG, Zurich, Switzerland (e-mail: equity.prospectus@credit-suisse.com), at UBS AG, Zurich, Switzerland (e-mail: swiss-prospectus@ubs.com, telephone: +41 44 239 47 03) and at Swiss Prime Site AG, Olten, Switzerland (e-mail: info@sps.swiss, telephone: +41 (0)58 317 17 17), during regular business hours.

Copies of the Issuer's articles of association ("**Articles of Association**"), the investment regulations in German (*Anlagereglement*), annual reports, financial statements and information on the historical price of the Shares can be downloaded from the Issuer's website (https://www.sps.swiss). The contents of the Issuer's website are not incorporated by reference into this Prospectus, and investors should not rely on it in making their decision to invest in Bonds.

NOTICE TO PROSPECTIVE HOLDERS

This Prospectus has been prepared by the Issuer for the purpose of making offers and sales of Bonds outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**"). Each prospective Holder will be deemed to have represented and agreed that such prospective Holder understands that the Bonds and the Shares have not been and will not be registered under the Securities Act, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or in a transaction that is exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them in Regulation S.

INFORMATION TO DISTRIBUTORS FOR THE PURPOSE OF MiFID II PRODUCT GOVERNANCE REGIME

Solely for the purposes of the product governance requirements contained within (a) Directive 2014/65/EU (as amended, "**MiFID II**"), (b) *Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Bonds have been subject to the* product approval process, which has led to the conclusion that: subject to a public offering of the Bonds in Switzerland, which may include offerings to non-professional investors, (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds, as permitted by MiFID II are permissible *(the "**Target Market Assessment**")*. Any person offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, distributors are responsible for undertaking their own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Notwithstanding the Target Market Assessment, distributors should note that: an investment in the Bonds is compatible only with investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to Bond or any other securities.

SALES RESTRICTIONS

The Issuer has represented and warranted that it has not made and will not make any application for listing the Bonds on an exchange outside Switzerland.

The Offering consists of a public offering of Bonds in Switzerland and of private placements of Bonds to prospective Holders in certain jurisdictions outside of Switzerland, other than the United States or other jurisdictions where an offering would be prohibited by applicable law. The Bonds are being offered outside the United States in reliance on Regulation S, and in accordance with applicable securities laws.

No action has been or will be taken by the Issuer or the Joint Bookrunners that would, or is intended to, permit a public offering of the Bonds, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction other than Switzerland where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Bonds, in all cases at their own expense.

Each prospective Holder must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Bonds or possesses or distributes this Prospectus and must obtain any consent, approval or permission required for the purchase, offer or sale by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the Issuer nor the Joint Bookrunners shall have any responsibility therefor.

Switzerland

The offering constitutes a public offering of Bonds in Switzerland to any prospective investor domiciled in Switzerland, which may include non-professional investors.

United States

The Bonds and the Shares to be delivered upon conversion of the Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Issuer and the Joint Bookrunners have not offered or sold, and will not offer or sell any Bonds and Shares except in accordance with Rule 903 of Regulation S.

Accordingly, neither the Issuer, the Joint Bookrunners nor their affiliates, nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds or the Shares, and they have complied and will comply with the offering restrictions requirement of Regulation S.

United Kingdom

This Prospectus is only being distributed to and is only directed at: persons who (1) are outside the United Kingdom; (2) have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FPO**"); (3) are persons falling within article 49(2)(a) to (d) of the FPO (high net worth companies, unincorporated associations, etc); or (4) are persons to whom this Prospectus may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Persons who are not Relevant Persons should not act or rely on this Prospectus or any of its contents.

This Prospectus has not been delivered for approval to the Financial Conduct Authority in the United Kingdom or to an authorised person within the meaning of the Financial Services and Markets Act 2000 (the "**FSMA**"). No approved prospectus within the meaning of Section 85 of FSMA has been published or is intended to be published in relation to the Offering. The Prospectus does not constitute a prospectus for the purposes of FSMA.

Each Joint Bookrunner has represented, warranted and agreed that it has not offered or sold and, prior to the expiry of a period of six months from the Payment Date of the Bonds, will not offer or sell, any Bonds to persons in the United Kingdom except to Relevant Persons.

Canada

No securities commission or similar regulatory authority in Canada has reviewed this Prospectus nor has it in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

These Bonds have not been and will not be qualified for sale under the securities laws of Canada or any province or territory thereof. The distribution of the Bonds in Canada is being made only on a private placement basis exempt from the requirement that the Issuer prepare and file a prospectus with the applicable regulatory authorities and in compliance with the registration requirements or in accordance with exemptions from registration requirements of all applicable securities laws. Each of the Joint Bookrunners has represented and agreed:

- that it has not offered, sold, distributed, or delivered, and that it will not offer, sell, distribute, or deliver, any Bonds, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof; and
- not to distribute or deliver this prospectus, or any other offering materials relating to the Bonds, in Canada;

in either case, in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. If the Bonds may be offered, sold or distributed in Canada, the issue of the Bonds will be subject to such additional selling restrictions as the issuer and the relevant Joint Bookrunner may agree, as specified in the applicable final terms and Canadian offering memorandum relating to such Bonds. Each of the Joint Bookrunners will be required to agree that it will offer, sell and distribute such Bonds only in compliance with such additional Canadian selling restrictions.

The Issuer currently has no intention of filing a prospectus with any securities regulatory authority in Canada to qualify the resale of the Bonds to the public in Canada. Accordingly, any resale of the Bonds in Canada must be made under available statutory exemptions from prospectus requirements in Canada and in compliance with the registration requirements or in accordance with exemptions from registration requirements of all applicable securities laws. Canadian purchasers are advised to seek legal advice prior to any resale of the Bonds.

Japan

The Bonds and the Shares have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the "**FIEL**"). Each Joint Bookrunner has represented and agreed that, in connection with the initial offering of the Bonds and the Shares, it has not, directly or indirectly, offered or sold, and shall not, directly or indirectly, offer or sell, any Bonds and the Shares in Japan or to, or for the account or benefit of, any resident of Japan or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan, except pursuant to an exemption available from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and governmental guidelines in Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

Australia

The distribution of this Prospectus (including electronically) in Australia may be restricted by the Corporations Act 2001 (Cth) (the "**Corporations Act**"). Persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer in Australia to any person to whom it would not be lawful to make such an offer, including investors who are not sophisticated investors or professional investors as these terms are defined in section 708 of the Corporations Act.

European Economic Area

1) Restrictions on Offering to the Public

In relation to each Member State of the European Economic Area ("**EEA**") which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Bookrunner has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the Offering to the public in that Relevant Member State other than to any legal entity which is a qualified investor as defined in the Prospectus Directive, provided that no such offer of Bonds shall require the Issuer or any Joint Bookrunner to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

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

In the case of any Bonds being offered to a financial intermediary as that term is used in article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented, acknowledged and agreed that the Bonds acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Bonds to the public, other than their offer or resale in a Relevant Member State to qualified investors as so defined. The Issuer, the Joint Bookrunners and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement.

2) Prohibition of Sales to EEA Retail Investors

*The Bonds are not intended, to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA is unlawful under the PRIIPS Regulation.*

Italy

The offering of the Bonds has not been registered pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Bonds be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("**Regulation No. 11971**"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Bonds or distribution of copies of the Prospectus or any other document relating to the Bonds in the Republic of Italy under (i) or (ii) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

In accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies, Bonds which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are systematically (*sistematicamente*) distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Bonds being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

Other Jurisdictions

Applicable laws may restrict the distribution of this Prospectus in certain other jurisdictions. No action has been taken by the Issuer that would permit any offer of the Bonds or possession or distribution of this Prospectus or any other publicity material or documentation regarding the Bonds or the Shares in any jurisdiction where action for that purpose is required. Persons into whose possession this Prospectus or such other publicity material or documentation comes must inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such jurisdiction.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and information relating to the Swiss Prime Site Group, including statements of future financial and operational developments and results as well as other projections and statements that are based on the subjective expectations, assessments, estimates and projections of its Management (as defined below) and information currently available to the Swiss Prime Site Group. These forward-looking statements include the statements under the captions "Risk Factors", "Information on the Offering", "Information on the Issuer and the Group—Business Activities", and elsewhere in this Prospectus that are not historical facts or which may not otherwise be provable by reference to past events. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, financial condition or achievements of the Swiss Prime Site Group to be materially different from those expressed or implied by such forward-looking statements contained in this Prospectus. Terms and phrases such as "will", "believe", "expect", "anticipate", "intend", "plan", "predict", "estimate", "project", "may" and "could", and variations of these words and similar expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

These statements reflect current views of the Issuer's management (the "**Management**") with respect to future events and are not a guarantee of future performance. Various factors could cause the actual results, performance, financial condition or achievements to differ materially from the expectations reflected in the forward-looking statements in this Prospectus. These factors include, but are not limited to, risks and others described under "Risk Factors".

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Prospective investors should refer to the section "Risk Factors" for a discussion of important factors that may cause the Swiss Prime Site Group's actual results to differ materially from those expressed or implied by the Group's forward-looking statements in this Prospectus will prove to be accurate. Therefore, no undue reliance should be placed on forward-looking statements. The Issuer undertakes no obligation to update any forward-looking statement, even if new information, future events or other circumstances have made them incorrect or misleading. All subsequent written and oral forward-looking statements attributable to the Issuer or any other entity of the Swiss Prime Site Group are qualified in their entirety by the foregoing factors.

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RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for all information contained in this Prospectus and hereby confirms that to the best of its knowledge the information stated herein, or incorporated herein by reference, is correct and no material facts or circumstances have been omitted herefrom.

Olten, Switzerland
as of 9 January 2018 **Swiss Prime Site AG**

INFORMATION ON THE OFFERING

The following description should be read in conjunction with the other sections of this Prospectus, including but not limited to the "Cautionary Statement Regarding Forward-Looking Statements" and section "Risk Factors", respectively, and the annual financial statements of the Issuer included in Annexes A and B to this Prospectus and the half-year financial statements of the Issuer for the six months ended 30 June 2017 included in Annex C.

Authorisation

By way of board of directors' resolution, the board of directors of the Issuer (the "**Board of Directors**") authorised on 8 January 2018 the issue of a maximum of CHF 300 million Bonds due 2025 and the allocation of a maximum of 290'250 Shares out of the existing conditional capital to Holders upon conversion of the Bonds. The advance subscription rights of existing shareholders (*Vorwegzeichnungsrechte*) for the Bonds were excluded in order for the Bonds to be issued on international capital markets (see also section "Information on the Issuer and the Group—Capital—Conditional Share Capital"). Holders who convert their Bonds will receive Shares and/or a cash amount pursuant to the Terms of the Bonds.

Subscription and Sale

On 9 January 2018, the Issuer entered into a bond purchase agreement with respect to the Bonds with the Joint Bookrunners (the "**Purchase Agreement**"), and expects to enter on or around 9 January 2018, into a paying and conversion agency agreement with Credit Suisse (the "**Agency Agreement**", and together with the Purchase Agreement the "**Agreements**").

Pursuant to the terms and conditions of the Purchase Agreement, each Joint Bookrunner severally and not jointly has agreed to purchase and the Issuer has agreed to sell to the Joint Bookrunners Bonds in the aggregate Principal Amount of CHF 300 million, divided between them as follows:

Joint Bookrunner	Principal Amount in CHF m	Percentage of aggregate Principal Amount	Number of Bonds	Corresponding to voting rights upon conversion*
Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland	96	32	19,200	1.32%
UBS AG, Bahnhofstrasse 45, 8001 Zürich, Switzerland	96	32	19,200	1.32%
Bank Vontobel AG, Gotthardstrasse 43, 8002 Zurich, Switzerland	108	36	21,600	1.49%
Total	300	100%	60,000	4.13%

* Based on an offer size of CHF 300 million and a Conversion Ratio (as defined in the Terms of the Bonds) of 49.208 and based on the Issuer's share capital of 71'478'917 Shares recorded in the Commercial Register of the Canton of Solothurn on the date of this Prospectus. The Bonds have been provisionally allocated on 9 January 2018.

The Purchase Agreement provides for the undertaking of each Joint Bookrunner to offer the Bonds to prospective investors in a public offering in Switzerland and in private placements in certain jurisdictions outside of Switzerland, other than the United States or other jurisdictions where an offering would be prohibited by applicable law.

The Purchase Agreement provides that all of the Joint Bookrunners' obligations are subject to certain conditions precedent. The Purchase Agreement also entitles the Joint Bookrunners to terminate the Purchase Agreement in certain circumstances prior to the Payment Date. If the right to terminate the Purchase Agreement is exercised by the Joint Bookrunners, the Offering will terminate and any previous purported purchase or subscription of the Bonds will be deemed not to have been made. As is more fully set out in the Purchase Agreement, the Issuer has agreed to pay the Joint Bookrunners certain commissions and certain costs and expenses incurred in connection with the Offering and to indemnify the Joint Bookrunners for, *inter alia*, losses as a result of breaches of certain representations and undertakings made in connection with the Offering.

Lock-up

The Issuer agreed that it will not, and that it will procure that none of its Subsidiaries will, during the period commencing on the date of the Purchase Agreement and ending ninety (90) calendar days following the Payment Date, without the prior written consent of the Joint Bookrunners, (i) issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares or any securities convertible or exchangeable into or exercisable for or otherwise representing a right to acquire Shares, (ii) enter into any swap or other agreement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or warrants or other rights to purchase Shares representing the right to receive any such securities (except for the issuance by the Issuer of i) shares or entitlements in respect of shares to employees of the SPS Group or ii) of shares pursuant to conversions of outstanding bonds), or (iii) announce its intention to do any of the foregoing. The Issuer will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances where such offer, sale, pledge, contract or disposition would cause the safe harbour of Regulation S to cease to be applicable to the offer and sale of the Bonds.

Net Proceeds

The net proceeds from the Offering, amounting to approximately CHF 296,970,000, will be used for (i) general corporate purposes, (ii) the refinancing of outstanding (short-term) financial indebtedness and (iii) the discretionary repayment of credit facilities the issuer has outstanding with the Joint Bookrunners.

Listing Agent and Listing of the Bonds

In accordance with article 43 of the listing rules of the SIX Swiss Exchange, Credit Suisse has been appointed by the Issuer as representative to lodge the listing application for the Bonds with SIX Swiss Exchange.

Paying and Conversion Agent

Credit Suisse will be acting as paying and conversion agent (the "**Paying and Conversion Agent**") for the Bonds.

Foreign Investment and Exchange Control Regulations in Switzerland

Other than in connection with government sanctions imposed on certain persons and organisations from the Republic of Iraq, the Islamic Republic of Iran, the Central African Republic, Lebanon, Libya, Sudan, the Democratic Republic of Congo, Myanmar (Burma), Somalia, Syria, Guinea, Guinea-Bissau, Eritrea, Zimbabwe, Belarus, the Democratic People's Republic of Korea (North Korea), Yemen, Burundi, the Republic of South Sudan, the Republic of Mali, persons and organizations with connections to Osama bin Laden, the "Al-Qaeda" group or the Taliban and certain persons in connection with the assassination of Rafik Hariri as well as measures to prevent the circumvention of international sanctions in connection with the situation in Ukraine, there are currently no government laws, decrees or regulations in Switzerland that restrict the export or import of capital, including, but not limited to, Swiss foreign exchange controls on the payment of dividends, interest or liquidation proceeds, if any, to non-resident holders of the Shares.

Publications

Information about the Issuer is available on its website under https://www.sps.swiss. In addition, the articles of association of the Issuer ("**Articles of Association**"), the Investment Regulations (as defined below) in German *(Anlagereglement)*, annual reports, financial statements and information on the historical price of the Shares can be downloaded on the same website. The contents of the Issuer's website are not incorporated by reference in this Prospectus. Such information does not form part of this Prospectus.

RISK FACTORS

The Offering and any investment in the Bonds and the Shares are subject to a number of risks. Accordingly, prospective Holders should carefully read and consider the risks and uncertainties described below together with all other information in the entire Prospectus, including (i) the "Consolidated Financial Statements of Swiss Prime Site AG for the years ended 31 December 2015 and 2016" and the Notes thereto (audited) as contained in Annex A and B to this Prospectus, (ii) the "Half-year Consolidated Financial Statements of Swiss Prime Site AG for the six months ended 30 June 2017" and the Notes thereto (audited) as contained in Annex C of this Prospectus.

The following is a disclosure of risk factors that may affect the Issuer's ability to fulfil its obligations under the Bonds. Prospective Holders should consider these risk factors and consult with their own professional advisors before deciding to purchase Bonds. The risk warnings set out below cannot serve as a substitute for individual advice and information which is tailored to the individual requirements, objectives, experience, knowledge and circumstances of each prospective Holder. In addition, prospective Holders should be aware that the risks described may combine and thus intensify. In any such case, the market price of the Bonds and the Shares may be materially adversely affected and an investor could lose all or part of its original investment. Investment decisions should not be made solely on the basis of the risk warnings set out below, since such risk information does not purport to be an extensive and comprehensive list of all possible risks associated with an investment in the Bonds. Accordingly, the risks described below are not the only ones the Group is facing.

The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their economic consequences or importance. Additional investment considerations not currently known or which are currently deemed immaterial may also impair the Group's business operations. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks.

Risks Relating to the Swiss Prime Site Group

Risks Relating to the Real Estate Industry

The Group may be adversely affected by economic and other developments in the commercial real estate market

Commercial real estate markets tend to fluctuate, with investment property prices and rents reflecting actual or expected economic and other developments affecting the economy in general and/or the particular markets in which the investment properties are located. Factors such as changes in industrial activity and taxation policies, levels of economic growth, unemployment, consumer confidence and other factors, including the willingness and ability of investors to invest or stay invested in the real estate sector, all directly or indirectly affect the local levels of supply and demand for investment properties.

Changes in supply and demand may cause fluctuations in the market prices of investment properties, in rent levels and in occupancy rate levels. In particular, an oversupply of real estate in national or regional markets in Switzerland can result in declining rental revenues and market prices for investment properties. Such fluctuations can have a significant influence on the revenue or profit generated from such investment properties and on the value of the underlying investment property in general.

The Group's portfolio comprises commercial real estate with office and retail investment properties in Switzerland. General economic or other developments may affect office and retail investment properties in different ways, to a different extent and not necessarily at the same time. Many of the factors that could result in an adverse development are beyond the Group's control. While the Group attempts to counteract fluctuation risks in the rental market through long-term rental agreements, such long-term rental agreements may on the other hand also limit the Group's ability to take advantage of rising markets.

Declining revenues or profit, declining revenue or profit potential or a decline in the fair value of investment properties resulting from a fall in demand, an anticipated fall in demand or any of the other factors mentioned above in the markets in which the Group operates could have material adverse effects on the valuation of the Group's investment property portfolio and on the Group's business, assets and liabilities, financial condition and results of operations.

The Group is exposed to significant competition in the markets in which it operates with respect to the acquisition and the leasing of investment properties, which may intensify in the future

The Group's business model depends on its continuing ability both to acquire investment properties (including investment property portfolios) and lease them to tenants under conditions that are beneficial for the Group. With respect to both the acquisition and the leasing of investment properties, the Group is exposed to competition from other listed and non-listed real estate companies, domestic and international institutional investors, such as pension funds, private equity companies and insurance companies, and from wealthy private investors and individual owners of investment properties in the Swiss real estate market. The strategy of industrial and financial groups as well as public entities to divest their real estate holdings and to focus on their core business operations has increased the availability of Swiss real estate thus attracting new investors to the market. Entry barriers for competitors are generally low in real estate markets, which means the Group is exposed to intense competition at all locations. There are not only regional investors with in-depth knowledge of the local markets in Switzerland, but also national and international institutional investors, such as open- and closed-end real estate funds, insurance companies, pension funds, private equity companies and other listed and unlisted real estate companies competing in the market. Compared to the Group, institutional investors and international investors in particular often have considerably greater resources to finance their acquisitions and may be willing to pay higher prices for strategic investments, due to fewer constraints resulting from their investment regulations or on the basis of an advantageous asset-liability structure. The high demand for investment properties in Switzerland, in particular at central locations, might have result in the past or may result in the future in excessive purchase prices for investment properties, and thus in declining returns on investments.

The Group competes with other real estate companies, developers and individual owners of commercial investment properties to attract and retain suitable tenants at favorable conditions for the Group. In a competitive environment with respect to the supply of rentable space, the Group may be forced to accept rents that are lower than originally planned in order to attract potential tenants or to retain its current tenants. If the Group has not been or will no longer be able to purchase investment properties or to lease premises on terms and conditions that are economically beneficial for the Group, this inability could have a material adverse effect on the Group's strategy, business, assets and liabilities, financial condition and results of operations.

For competition risks relating specifically to the assisted living business see the risk factor "The Group is exposed to risks relating to the assisted living business segment".

The Group may be adversely affected by changes in interest rates or inflation

The value of the Group's investment properties may be materially adversely affected by actual or expected changes in interest rates, in particular mortgage interest rates, and/or inflation. Interest rate and inflation levels in Switzerland are currently at historically low levels. It is possible that interest rates for real estate financing in Switzerland and elsewhere will increase significantly in the future. Any such development could negatively affect the capacity of investors to finance investments in real estate and this in turn could in turn depress demand for and market prices of investment properties generally. This could have material adverse effects on the valuation of the Group's investment property portfolio. Moreover, inflation may erode the real value of rental income, in particular from long-term rental agreements that are not fully or effectively indexed to inflation, and, to the extent the costs of the Group are exposed to inflationary pressure, the profit generated from such investment properties, which all may have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

The Group's investment properties may be adversely affected by local economic and other factors

The Group's investment properties are concentrated in the main business centers of Switzerland, with currently more than a third of the properties in terms of value in the Zurich region. As part of its strategy, the Group intends to continue to focus its portfolio on office properties in Switzerland in the main economic areas, such as the Zurich region (42% of the fair value of the portfolio) and the Geneva region (22% of the fair value of the portfolio) as well as the Northwestern Switzerland (13% of the fair value of the portfolio, all figures as of 30 June 2017). Accordingly, the Group is not only dependent on economic market trends in Switzerland in general, but, in particular, also on local economic and other developments in those regional markets. The general conditions in and development of the Swiss national and regional markets are important to the Group's success. The main factors affecting performance and valuation of the Group's investment portfolio also flow from the economic environment of these national and regional real estate markets. Performance and valuation of investment properties are dependent on various factors, including demand, tenant creditworthiness, purchasing power of the population, attractiveness of the particular location, the labor market situation, infrastructure, social structure, as well as the supply and demand for investment properties in the respective locations and markets, which may differ from general macroeconomic trends.

Because the national and regional markets do not develop uniformly, the Group's dependence on only a few regional markets can put the Group at a disadvantage as compared with competitors that have a more internationally or nationally diversified real estate portfolio. A downturn or decline in the attractiveness of one or several of the markets in which the Group's investment properties are located can have a material adverse effect on the business, assets and liabilities, financial condition and results of operations of the Group.

Changes in general economic and business conditions could have a material adverse effect on the Group's business; in particular, the unavailability of debt financing or refinancing on reasonable terms could impair the Group's ability to implement its business plan or force the Group to sell investment properties at unfavorable terms

The Group relies to a significant extent on debt financing and the Investment Regulations of SPS allow up to 65% of the total real estate portfolio to be financed by debt. The Group intends to finance future purchases of investment properties to a certain extent with bank loans and other debt instruments. As a result, the Group depends on the ability and willingness of financial institutions to extend loans to the Group on reasonable terms, including terms regarding collateral requirements.

This could adversely impact the Group's ability to borrow from banks or in the capital markets and/or may significantly increase the costs of such borrowings. The attractiveness of different financing options depends on a variety of variable factors, many of which are outside the Group's control. Such factors include interest rates, the amount of financing required, general legal and tax conditions, the assessment by financial institutions of the value and the recoverability of the investment properties to be used as collateral for loans, or their evaluation of the general economic environment. In particular, a significant increase in interest rates could result in a shortage of credit available to finance investment property purchases. If the Group were to become unable to secure new debt financing, or to secure such debt financing on favorable terms, it may not be able to make new investments. In addition, if the Group were unable to maintain or replace existing financing on equally favorable terms, it may be forced to sell investment properties on unfavorable terms in order to meet its payment obligations, even though the Group's strategy were to keep such investment properties or even though the reported fair value of such investment properties were above the market price at which a sale could be concluded at the time. This could have material adverse effects on the Group's business, assets and liabilities, financial condition and results of operations.

Risks Relating to the Business Operations of the Group

A breach of covenants under financing arrangements of the Group or the failure to renew financing arrangements upon expiration could entail a forced sale of investment properties or a suspension of dividend payments, and cross-default provisions may exacerbate existing risks

The Group's current financing arrangements including outstanding capital markets instruments contain certain customary covenants that limit the discretion of the Group in operating its business and financial covenants, such as loan-to-value ratios, debt service coverage ratios, interest cover ratios and minimum equity ratios. As part of the implementation of its strategy, the Group may also enter into additional financing arrangements which may contain similar covenants. In the event that the Group breaches any such covenant, including as a result of events beyond its control, such as severe economic downturns or a change of control of SPS, and fails to remedy such breach within the applicable cure period, if any, it may face a significant increase in financing costs and/or may be required to immediately repay the outstanding debt in whole or in part, together with any attendant costs. In addition, the Group may not be able to renew financing arrangements when they expire. In such a situation, the Group may be forced to sell some or all of its investment properties unless it has sufficient cash resources or other credit facilities available to make such repayments. In addition, a lender may be able to sell investment properties of the Group or procure their sale to the extent that such investment properties serve as collateral for borrowings. Any of the foregoing could have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

Such financing arrangements may also contain cross-default or cross-acceleration provisions. The existence of such cross-default or cross-acceleration provisions could, following a default or an acceleration under one financial arrangement, trigger defaults under other arrangements. If such cross-default or cross-acceleration provisions were triggered, the Group could face a significant increase in financing costs and/or may be required to immediately repay all affected borrowings, which could result in substantial liquidity shortages of the Group, significantly reduce its access to financing, and therefore could have a material adverse effect on its business, assets and liabilities, financial condition and results of operations.

The valuations of the Group's properties are subjective and may prove to be inaccurate

Real estate investment properties are inherently difficult to value. Valuations done by the independent external appraiser are to a certain extent subjective and made on the basis of assumptions about the future which may not necessarily materialize. Since the measurement of fair value implies maximized utilization, the highest and best use can deviate from the actual or planned use of a property. In addition, in Switzerland, the amount of available data on current real estate sales prices and the value development of real estate is rather limited in comparison to other European countries which can make the valuation of investment properties more difficult. Additionally, the inspections of the Group's properties and other work undertaken in connection with a valuation exercise may not identify all material defects, breaches of contracts, laws and regulations, and other deficiencies and factors that could affect the valuation. In particular, decontamination costs are not quantified in the valuation of specific properties. A valuation carries the risk that in case of a sale the determined value of a property cannot be realized. When valuing real estate in connection with a sale, such valuation always assumes an appropriate time span to market the property in question. In case of a forced sale of the property within a very short time, it is possible that the estimated value may not be achieved, resulting in corresponding negative consequences for the Group. There can be no assurance that the Group's investment in its properties will be realized at the property values recorded in its financial statements.

The Group applies fair value accounting for its investment properties, except for residential units under construction and intended for sale which are accounted for at cost. The Group's external appraiser, Wüest Partner, values the properties of the Group using the discounted cash flow method on 31 December and on 30 June (review of annual valuation) each year. It cannot be excluded that a valuation by another valuation expert or a subsequent valuation of these properties at a different point in time would lead to a higher or lower valuation due to different or changing assumptions and/or changes in the prevailing market conditions. The Group assesses the valuation of its properties to ensure that the carrying amount of each investment property reflects the market conditions at the relevant financial reporting date. The value of the properties in the Group's portfolio may fluctuate from time to time due to changes in market and other conditions, resulting in an adjustment to the carrying amount in the Group's financial statements. A lower valuation could lead to revaluation losses, which could have an adverse effect on the Group's net asset value and profitability. It may also affect the Group's ability to obtain more borrowings, or result in the Group having to reduce debt, if the financial covenants in the Group's financing and other agreements require the Group to maintain a level of debt relative to asset value, and such covenants are triggered as a result of adjustments made to the fair value of the Group's properties. Any of the foregoing could have a material adverse effect on the business, assets and liabilities, financial condition and results of operations of the Group.

The Group is exposed to risks arising from the illiquidity of its property portfolio

In certain segments, the Swiss real estate market is characterized by limited liquidity both in the acquisition and the divestiture of investment properties. Such illiquidity may affect the Group's ability to vary the size and mix of its investment portfolio or its ability to liquidate part of its investment properties in response to changes in economic, real estate market or other conditions. If the Group were required to liquidate parts of its investment property portfolio on short notice for any reason, including raising cash to support its operations, there is no guarantee that it would be able to sell any portion of its investment property portfolio on favorable terms or at all. In the case of an accelerated sale, it is likely that there would be a significant shortfall between the fair value of an investment property and the price that the Group would be able to achieve upon the sale of such investment property. Any of the foregoing could have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

The Group may err in its assessment of an investment property's appeal to suitable tenants and may not realize planned rental revenues as a result

The Group estimates the expected rental income from the investment properties that it acquires to a large extent based on their location and actual or intended use. If the Group misjudges the current or future attractiveness of an investment property or its location, or the demand for it, it may be difficult to find suitable tenants (including anchor tenants) that are willing to rent at the rent levels anticipated by the Group. This risk is particularly marked with regard to development projects to the extent the Group does not succeed in pre-renting the projects prior to completion. If the Group is required to reduce the rent of an investment property to attract suitable tenants, or if the investment property remains wholly or partially vacant for an extended period of time, the fair value of the investment property could significantly decline and the Group's revenues and results of operations could be adversely affected. If rental income failed to materialize as planned, due to, for example, changes in the tenant structure, lack of demand or oversupply in the market for investment properties in a particular location or of a particular use, this could have material adverse effects on the Group's business, assets and liabilities, financial condition and results of operations.

The Group is exposed to rental risks and may not be able to find and retain suitable and solvent tenants on beneficial terms or at all. The Group is also exposed to credit risks with respect to its tenants

The Group's business depends to a large extent on its ability to generate sufficient rental income, which can be influenced by several factors, including general economic conditions, the ability to renew existing rental agreements at similar and favorable terms, the solvency of current tenants and the attractiveness of the premises for suitable tenants that are willing to enter into rental agreements on terms favorable to the Group.

The Group's rental income would be adversely affected if one or more of its tenants terminate or do not renew their existing rental agreements. Although the real estate portfolio of the Group is rented principally on long-term rental agreements, there is no certainty that expiring agreements can be renewed at the same conditions or at all. Furthermore, the Group, on the basis of statutory or contractual provisions, may be forced to compensate the tenant for refurbishment costs upon termination of the rental agreement. In addition, in the event of a dispute, tenants are permitted under Swiss law to deposit rent amounts in an escrow account pending the resolution of the dispute. SPS may experience difficulties in letting larger rental properties that become vacant. In particular, possible interior furnishings required by the tenant (e.g., cinema or bank) may make a lease even more difficult or subject to rebuilding at the cost of the Group. If tenants cannot be replaced, the Group cannot rule out that parts of its investment properties remain temporarily or permanently vacant. In case of vacancy, the Group, in addition to the rent loss, must also bear those costs that, if the property were rented, it would normally charge to the tenant in the form of ancillary costs. This could have a material adverse effect on the business, assets and liabilities, financial condition and results of operations of the Group.

The Group is also exposed to credit risks with respect to its tenants. The creditworthiness of a tenant may decline for various reasons, including as a result of a decline in the tenant's business or as a result of changing economic and/or market conditions, both of which would entail a risk that the tenant will become insolvent or otherwise unable to meet its obligations under the rental agreement. In the past, the Group experienced insolvencies of a number of smaller tenants. If the Group's tenants temporarily or permanently failed to meet their obligations under their existing rental agreements with the Group, the rental income generated from leasing the investment property could be significantly lower than originally estimated, while the Group's operating costs would remain largely fixed or could even increase as a result of other factors. This could have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

The Group is exposed to the loss of anchor tenants

If the Group loses an anchor tenant, i.e. a tenant who is of special importance for the attractiveness of a commercial or retail investment property, or several smaller tenants in one of its investment properties, the investment property may become less attractive for other tenants, which could make it even more difficult for the Group to renew expiring rental agreements or find new tenants. Especially in the retail segment, a high vacancy rate may result in a decrease in visitor traffic, which, in turn, would likely increase the vacancy rate further. Lower visitor traffic may also affect the solvency of the remaining tenants and, in some cases, result in insolvencies of tenants. In addition, in cases where the Group enters into rental agreements, which provide for a rental fee that is tied to the tenant's revenue, a decline in the tenant's revenue resulting from lower visitor traffic would directly adversely affect the Group's rental income from the relevant investment property. All of the above factors could have a material adverse effect on the business, assets and liabilities, financial condition and results of operations of the Group.

The Group faces concentration risks regarding its tenants

The Group is also facing concentration risks regarding its tenants. As of 30 June 2017, the five largest external tenant groups accounted for 20.2% of the future rental income of the real estate segment of the Group, whereby 6.2% and 5.0% of the future annual rental income can be attributed to the two largest retail operators in Switzerland, Coop and Migros, respectively. If one or more of those large tenants terminated or did not renew their existing rental agreements, or became insolvent or otherwise unable to meet their contractual obligations, this could have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

The Group may incur unexpected or higher-than-expected maintenance costs for investment properties or unexpected operating expenses

Rental premises must be maintained in an appropriate condition in order to keep facilities serviceable, to meet the conditions set out in the relevant rental agreements or under applicable planning laws and regulations as well as to generate a continuous long-term revenue stream. The costs of maintaining real estate properties and the risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages. The Group is unable to recover maintenance expenses from its tenants to a great extent, as such expenses are typically borne primarily by the investment property owner, not the tenant. If the actual costs of maintenance exceed the Group's estimates or if the Group is not able to raise its rents due to legal or market constraints, the Group's profit generated from the related investment property could be adversely affected. Furthermore, any failure by the Group to undertake necessary maintenance work could entitle tenants to withhold or reduce rental payments or even to terminate an existing rental agreement and could adversely affect the rental income and value of affected investment properties. In addition, physical damage to the properties resulting from fire or other causes related to design, construction or other latent defects in the properties may lead to additional capital expenditure, special repair or maintenance expenditure requirements, business interruption, or payment of damages or other obligations to third parties. All of these factors could have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

Most operating expenses of an investment property are customarily allocated to the tenants. However, a tenant is only obligated to bear the operating expenses that have been allocated to the tenant under the applicable rental agreement as ancillary costs. If certain operating expenses either have inadvertently not been allocated to the tenant in the Group's rental agreements or arise only after the execution of a rental agreement, such as new public dues that are imposed on investment property owners, the tenant will not be obligated to bear or reimburse such expenses. In addition, the Group may incur unexpected expenses if a court were to hold invalid certain provisions in the Group's rental agreements, such as provisions regarding lease end obligations, the allocation of renovation costs at lease end, the allocation of ancillary costs or the allocation of ancillary costs for common areas. Furthermore, the operating expenses corresponding to rentable areas which are not rented cannot usually be allocated to other tenants in the same investment property and consequently are to be borne by the Group. As a consequence, the Group may incur expenses that are higher than expected, which could have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

The Group may incur unexpected or higher-than-expected costs or unplanned vacancies due to necessary refurbishment of investment properties

Due to the ageing of buildings, technological change, changed market expectations, changes in the legal requirements governing the use of the investment properties (including labor law) or specific tenant requirements that differ from the requirements of a previous tenant, certain investment properties of the Group could require refurbishment in the future. After the expiration of the pertinent rental agreements, such premises may require refurbishment in order to meet then-current standards and market expectations. Any refurbishments may require the Group to incur significant expenses and may result in extended vacancies in investment properties under refurbishment. If the actual costs of, or the time period needed for, refurbishments exceed the Group's estimates, the Group's revenues and profit generated from an affected investment property could be adversely affected, which could have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

Furthermore, the Group may not be able to fully or partially translate refurbishments into higher rental income. If tenants were not willing to pay additional rent following the refurbishment, the expected upside potential in rental income would not materialize, which would have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

Furthermore, the Group may be exposed to risks in connection with renovation or conversion projects. Projects for the renovation or conversion of the Group's investment properties may require considerable funds over several years, and these projects may not immediately realize any profit once completed. In addition, delays in renovation or conversion projects cannot be excluded, which may have a material adverse effect on the results of the Group. Moreover, the realization of renovation or conversion projects is connected to all risks inherent in the planning and construction processes. Estimates regarding the duration and scope of a renovation or conversion project may prove to be incorrect and the costs of a project may exceed those determined in the planning phase. An erroneous choice of construction methods or technologies can lead to considerable time delays, increased material costs and accidents on the construction site, which in turn may have an adverse effect on the reputation of the Group. In addition the Group may bear the costs of the consequences of events involving force majeure (e.g. natural disasters such as earthquakes, storms, etc.) or armed conflict, terrorist attacks or acts of sabotage at least in part. Unforeseeable geological events may also give rise to costs to be borne by the Group. All of these factors can have a material adverse effect on the business, financial condition and operating results of the Group.

The Group is subject to reputational risks

The reputation of the Group can be damaged by a number of factors, some of which may be outside its control, for example, location factors, property defects, the conduct of tenants, press speculation, negative press coverage, threatened or actual litigation. There is no assurance that the Group will manage to respond adequately and in time to such threats to its reputation. Damage to its reputation could have a material adverse effect on the business, financial condition and operating results of the Group.

The Group's business could suffer as a result of current or future litigation

The Group is subject to numerous risks relating to legal, governmental and regulatory investigations or proceedings to which it is currently a party or to which the Group may become a party in the future. The Group becomes from time to time subject to legal, governmental and regulatory investigations and proceedings. There can be no assurance that the results of any such investigations or proceedings will not materially harm the Group's business, reputation or brand. Moreover, even if the Group ultimately prevails on the merits in any such investigations or proceedings, it may have to incur substantial legal fees and other costs defending itself against the underlying allegations. The Group maintains liability insurance for certain legal risks at levels its management believes are appropriate and consistent with industry practice. The Group's insurance policy, however, does not protect it against reputational damage. Moreover, the Group may incur losses relating to investigations or proceedings beyond the limits, or outside the coverage, of such insurance. Finally, there can be no assurance that the Group will be able to maintain adequate insurance coverage on commercially reasonable terms in the future. Each of these risks may have a material adverse effect on the business, financial condition and operating results of the Group, and its provisions for legal proceedings-related losses may not be sufficient to cover its ultimate losses or expenditures.

The Group is exposed to risks related to the acquisition of investment properties

In line with its strategy, the Group intends to acquire additional investment properties. Each acquisition project entails uncertainties and risks, including the risk that the acquisition may not be completed after the Group has invested significant amounts of time and money. Only a relatively small percentage of the investment properties that the Group considers for investment are ultimately purchased by the Group. Consequently, projects that the Group is currently considering as suitable investment properties for acquisition in accordance with its investment policy may not be executed at all or may not be executed in the scope or for the consideration currently contemplated by the Group.

In addition, there can be no guarantee that the due diligence examination carried out by the Group in connection with the investment properties that it considers acquiring has or will reveal all of the risks associated with such investment properties or the full extent of those risks. Although the Group seeks to obtain warranties from the seller of an investment property with respect to certain legal and factual issues, these warranties, if at all granted, may have not or may not cover all of the risks that may arise following the purchase or may not fully compensate the Group for a diminution in the value of the investment property or other loss. In addition, it may be difficult or impossible to enforce warranties against a seller for various reasons, including the insolvency of the seller or the expiration of such warranties.

In the course of an acquisition of an investment property, a variety of factors must be considered in valuing potential investment opportunities, and there can be no guarantee that any valuation method has been or will be reliable. In addition, some of the criteria used in the valuations are subjective in nature and may be assessed differently by different persons. The Group might have relied or may rely on a valuation method or valuation criteria that result in an erroneous assessment of the value of the investment property. In addition, the expert opinions on which any investment decision made by the Group is based may be flawed. Flawed assessments of valuation factors could lead to an inaccurate analysis by the Group in respect of an investment decision.

If the Group is able to complete acquisitions in the future, the Group will need to integrate any acquired investment properties into its existing portfolio. The Group cannot guarantee that all acquired investment properties will effectively assimilate to those in its portfolio at any given time. In particular, acquired investment properties with existing tenants may have tenancy agreements in place that deviate from the Group's standard tenancy agreements and contain more tenant favorable lease clauses.

All of the factors described above could have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

The Group could fail to carry out real estate transactions on reasonable terms or at all

In order to achieve a satisfactory return on equity, it is necessary for the Group to make ongoing investments in investment properties on reasonable terms and to realize the value potential of such investment properties. The success of the Group's business depends on various factors such as the availability of suitable investment properties, favorable purchase terms, reasonable financing options, demand for rental space, the competitive situation and market timing, but also certain public legal matters such as the issuance of required building permits.

A lack of investment opportunities in commercial investment properties on reasonable terms could have a material adverse effect on the business, assets and liabilities, financial condition and results of operations of the Group.

The Group may be exposed to potential warranty claims relating to its leasing of investment properties or to investment properties disposed of in the past

The Group could be subject to warranty claims due to defects in quality or title relating to the leasing and selling of investment properties. This applies in particular to the defects in investment properties that were unknown to the Group, but could have or should have been discovered. Any claims for recourse the Group may have against parties from which the Group has purchased such an investment property may fail because of the expiration of statute of limitations, lack of proof that the previous seller knew or should have known of the defect, the insolvency of the previous seller or for other reasons. The Group bears the risk of the burden of proof, the risk that claims are time-barred due to the statute of limitations and that the contractual partners from which it acquired the investment property may be insolvent. Warranty risks and other risks from leasing or selling investment properties could have a material adverse impact on the business, assets and liabilities, financial condition and results of operations of the Group.

The Group may incur certain risks in connection with new development, rebuilding and renovation projects

Pursuant to its Investment Regulations, the Group can either realize in real estate development projects (including large projects) on its own or participate including new constructions and renovations of existing buildings. Construction of new development properties entails significant risks, including shortages of materials or skilled labor, unforeseen engineering, environmental or geological problems, work stoppages, litigation, adverse meteorological conditions and unforeseen increases in cost, any of which could give rise to delays or cost overruns. Difficulties in obtaining any requisite licenses, permits, allocations or authorizations from regulatory authorities could also increase the cost, or delay or prevent the construction or opening of, new development properties. The realization of construction projects is connected to all risks inherent to construction planning and the building process. For example, due to an incorrect estimate regarding the duration and scope of a project, the costs of a project may be higher than originally determined. Using the wrong construction method or technology can lead to considerable time delays, increased material costs and accidents on the construction site which in turn may have an adverse effect on the reputation of the Group. All of these factors may have a material adverse impact on the business, assets and liabilities, financial condition and results of operations of the Group.

Until completion of the projects, the investment properties may require considerable funds and it may be some time before these real estate projects realize any profit. Even if SPS assumes that the ongoing projects will be completed within the set timeframe, delays cannot be excluded. Any such delays could have an adverse effect on the reputation and business, assets and liabilities, financial condition and results of operations of the Group.

No guarantee can be given that the occupancy rate will be sufficient to realize the budgeted rental income, and there is a possibility that after completion there will be a large number of vacancies. In particular, a change in the attractiveness of a location during the time lapsing from the initiation of a project, including after the completion of a project can result in the planned profit not being generated. Such events can have a material adverse effect on the business, financial condition and operating results of the Group.

After completion of the construction activities, there is no assurance of maintenance and operating costs of the newly developed, rebuilt or renovated properties corresponding to the budgeted costs, thereby resulting in corresponding adverse impact on the business, assets and liabilities, financial condition and results of operations of the Group.

The Group is exposed to risks relating to the retail business segment

Following the Jelmoli acquisition in 2009, the Group has been operating, in addition to its real estate activity, a retail business, including the department store Jelmoli—The House of Brands, focused on high-quality products and brands. The retail business and corresponding revenues are subject to inherent business risks, many of which are beyond the Group's control, such as counterparty risks, fluctuations in prices, interest rates and currencies. Additional risks include liquidity risks and the growing significance of online shopping as well as economic downturns and related loss of purchasing power. These risks could have a material adverse effect on the business, asset and liabilities, financial condition or results of operations of the Group.

The Group is exposed to risks relating to the assisted living business segment

The assisted living business composed of Tertianum faces increased competition not only from other companies in the private sector but also from the public sector. At the same time, the public sector determines the payment contributions by each canton (residual financing) on an annual basis. Such determination, as well as new rules imposed by the competent authorities, may lead to disadvantages for Tertianum compared to its competitors from the public sector. In addition, competitors, in particular from the public sector, may have access to resources or opportunities which are not available to Tertianum.

Tertianum, like other service providers in the area of care and support, faces a foreseeable shortage of personnel, particularly in the area of care and support, which is intensified further by political developments. At the same time, Tertianum is exposed to significant public scrutiny of incidents and therefore to high reputation risks. Moreover, the increasing regulation in the assisted living industry also results in higher personnel and administrative expenses and bears an increased risk of non-compliance.

In addition to the properties owned by the Group, Tertianum leases additional properties. There is no assurance that these leasing contracts will be extended in the future. If contracts are not extended, Tertianum would have to look for alternatives which it may not be able to locate or which may only be available at less favorable conditions. Furthermore, a substantial part of the costs accrued by Tertianum are fixed costs which it may not be able to adjust to fluctuations in capacity utilization.

Changing lifestyle preferences of customers such as a potential trend towards in-home care may lead to losses in customers and a corresponding loss in income. The cost structure, on the other hand, is largely fixed and could only be adjusted with significant delays to any decrease in turnover.

All of these factors described above, together or individually, may have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

The Group is exposed to risks associated with the real estate services business

Wincasa AG, the Group's subsidiary active in the real estate services business, is subject to risks emanating particularly from the still-impending optimization of the client structure, stepped-up competition and changing procurement policy on the part of existing clients disbursed among several providers. Wincasa is also facing concentration risks due to a lack of diversification of its customer base. If one or more of its largest customers terminated or did not renew their existing services agreements, or became insolvent or otherwise unable to meet their contractual obligations, this could have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

The Group is exposed to risks associated with real estate asset management activities

In 2015, the Group has initiated activities in the field of real estate asset management for third parties, in particular for Swiss pension funds. To this end, it has established the Swiss Prime Investment Foundation and sold real estate assets to the Swiss Prime Investment Foundation in 2015, comprising eight properties at a fix price of CHF 411.5 million and an earn-out of roughly CHF 10 million, totalling a price of roughly CHF 421.5. 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 approved by the Board of Directors and was based on estimates from three independent appraisal experts.

The Group's revenues deriving from real estate asset management activities are secured through mandates and can be negatively affected if such mandates are not renewed or terminated (whether or not for cause). In particular, the Group is facing concentration risks regarding real estate asset management contracts from single clients, e.g. Swiss Prime Investment Foundation (*Swiss Prime Anlagestiftung*).

Transactions conducted by the Group on behalf of the Swiss Prime Investment Foundation in the context of its real estate asset management activity are inherently subject to potential conflicts of interests. While this is obvious for asset transfers between the Group and the foundation, potential conflicts may also occur in the context of the purchase of real estate assets from third parties or the initiation of development projects. The Group believes it has and will have measures in place to avoid adverse consequences for the Group and its shareholders resulting from such potential conflicts. However, it cannot be excluded that any such conflict or perceived conflict may result in reputational problems or even losses for the Group.

The Group's activity in the real estate asset management is subject to regulation and hence subject to regulatory risks including the loss of licenses to carry on the business or breaches of law. Furthermore, the foundation is ultimately governed by an independent board of trustees which may terminate the Group's services as asset manager. Any such termination will result in a loss of income and related termination costs to the Group.

The Group is exposed to risks arising from environmental liabilities

The Group's investment properties may contain hazardous materials (e.g. asbestos) or the Group's investment properties may be contaminated or otherwise affected by environmental risks or liabilities, such as pre-existing pollution and soil contamination. The remediation and disposal of such hazardous substances, other soil and/or groundwater contamination or other environmental liabilities associated with an investment property could entail significant costs and expenses. Furthermore, even if the Group may have claims for compensation against the seller of affected investment properties or against the party responsible for pollution or contamination, such compensation may be unrecoverable for reasons such as the insolvency of the seller or third party or the expiration of the applicable statute of limitations. Following the sale of investment properties, the Group may continue to be subject to liability claims for several years pursuant to representations and warranties made to the purchasers of the properties.

Moreover, tenants may refuse to pay part or all of the agreed rent until any contamination has been remediated or may extraordinarily terminate their rental agreements or assert damage claims, including in connection with an interruption of their business. More generally, environmental factors can have a direct influence on the value of the property and its profit situation. Environmental factors may have an external or internal source (noise pollution from the outside, pollution through operational activities, non-ionizing radiation, flooding etc.). As owner of the land, the Group can be held liable by third parties for pollution originating from the operation of the properties.

The incurrence of unforeseen costs to remove or dispose of substances or hazardous materials or to remediate environmental contamination or other environmental liabilities associated with the Group's real estate portfolio could materially adversely affect the Group's business, assets and liabilities, financial condition and results of operations.

The Group may be insufficiently insured against losses and damage, including cases of force majeure

Insurance policies taken out by the Group, including such against natural disasters, operational interruptions and third-party liability, are subject to exclusions and limitations of liability both in amount and with respect to the insured events. The Group's insurance coverage may, therefore, turn out not to be sufficient. Floods, fires, storms, earthquakes and similar natural disasters as well as certain acts of terrorism or other events may cause damages which are not or only partly covered by insurance and may thus lead to significant losses and costs in connection with remediation and repair work that must be borne by the Group. In addition, significant costs could result if tenants terminate their rental agreements or withhold part or all of the agreed rent payments as a consequence of any of the foregoing events. If the Group suffers a loss or incurs a liability against which it is uninsured or insufficiently insured, this could have material adverse effects on its business, assets and liabilities, financial condition and results of operations.

Force majeure events (e.g., natural disaster such as earthquakes or storms, war or terrorist attacks, sabotage or unforeseeable geological events that cannot be influenced by the Group) can have a negative influence on the business, asset and liabilities, financial condition or results of operations of the Group. As a result of their quality as a landmark or their high affluence, certain investment properties of the Group may constitute targets for terrorist attacks. In addition, it cannot be excluded that the Group must pay at least in part for the consequences of events involving force majeure for which there may not exist adequate insurance coverage or for which such insurance coverage may only be obtained at unreasonably high costs to the Group. Any of the foregoing could have material adverse effects on its business, assets and liabilities, financial condition and results of operations.

The Group is dependent on a limited number of key members of its management and its ability to attract and retain qualified employees

The Group's success depends to a large extent on the continued involvement of the current members of the Board of Directors and Management (see "Board of Directors, Management and Employees"). If the Group is unable to retain the key members of its management, this could result in a significant loss of expertise and could have a material adverse effect on business, assets and liabilities, financial condition and results of operations of the Group.

In order to achieve the Group's strategy, the Group will also be required to attract and retain a sufficient number of qualified employees. If the Group is not successful in retaining its current staff and hiring additional qualified personnel, this could negatively affect the Group's business development, and therefore may have material adverse effects on the business, assets and liabilities, financial condition and results of operations of the Group.

The Group bears risks in connection with possible acquisitions and investments such as greater indebtedness, higher interest expenses, challenges in the integration of the business and in achieving the anticipated synergies

Business acquisitions and investments, such as the ones undertaken by the Group, could involve considerable risk. In addition to the risks from the investments themselves, acquisitions (successful or unsuccessful) tie up management resources that then cannot be deployed elsewhere in the Group. Business acquisitions and investments can lead to greater indebtedness and higher interest expenses. Additionally, the integration of management and employees from the newly acquired company could fail. Anticipated synergies, economies of scale and cost savings might not be realized in whole or in part or might occur only later. This could result in higher administrative and management costs and have could have material adverse effects on its business, assets and liabilities, financial condition and results of operations.

SPS owns real estate through its Subsidiaries and does not directly own any investment properties

SPS owns real estate through its Subsidiaries and does not directly own any investment properties. The investment properties of SPS's Subsidiaries might be charged in favor of lenders to such Subsidiaries. Accordingly, any proceeds in case of a winding up or liquidation of a Group Subsidiary must first be used to cover claims of creditors of such Subsidiaries. As a result, shareholders of SPS may suffer difficulties or delays in realizing any proceeds from the sale of investment properties by Group companies in the case of a winding up, liquidation or similar events.

The Group is exposed to a number of operational risks

The Group is exposed to various operational risks, such as agreements containing unfavorable or unenforceable terms for the Group or fraudulent behavior of management or employees. Such operational risks may have a material adverse effect on the Group's business, financial condition and results of operations.

Risks Relating to the Legal and Regulatory Environment

The Group is dependent on governmental and political developments

The value of the Group's investment properties, and therefore of SPS and its Subsidiaries, may be materially adversely affected by political events and/or changes in laws and regulations. In the event that regulations change in respect of the condition or operation of its investment properties, the Group may be required to incur capital expenditure to comply with new regulations. The Group may be unable to finance required alterations on reasonable terms, which could result in its investment properties being unsuitable for their current purposes. Changes in law and regulations could also result in its properties being unsuitable for their current purposes or adversely affect the profitability of the tenants of the Group's investment properties by substantially increasing their operational costs. Increased operational costs may affect the tenants' ability to make rental payments, which, in turn, may have material adverse effects on the Group's business, assets and liabilities, financial conditions and results of operations.

The Group is exposed to restrictions under existing private and public laws, potential claims resulting from encroachment under existing civil law and the risk of changes in applicable laws or regulations

The Group is subject to various restrictions under existing applicable public law, including, but not limited to, public planning regulations and public building restrictions affecting, among other things, the use of the Group's investment properties and buildings. Changes in construction laws and regulations applicable to new developments, rebuilding and renovations can lead to additional costs (approval procedures, time delays) or influence the value of the property. The amendment of regional planning orders may lead to a change in the qualification of the zone in which the property was originally located (*Nichteinzonung, Um-/Ab-/Auszonung*), in turn resulting in a loss in fair value of the properties located in the affected zones. The non-compliance with any of these restrictions or the invalidity of any permit, certificate of protection or any other required consent that the Group obtained as well as the assertion of claims against the Group due to the violation of public planning and building regulations or encroachments could have a material adverse effect on the Group's business, assets and liabilities, financial conditions and results of operations.

Additional risks may arise as a result of the expansion of the Group's business activities to new business fields, including in relation to the assisted living business and the real estate asset management business (see "The Group is exposed to risks relating to the assisted living business segment" and "The Group is exposed to risks associated with real estate asset management activities").

In addition, the Group's long-term business planning assumes that the laws and regulations concerning the development, use, leasing and taxation of investment properties will remain generally unchanged. However, changes in economic or political conditions may lead to changes in landlord-tenant legislation, building and construction laws and regulations, environmental laws and regulations, tax laws and other laws affecting the real estate industry or the Group's business. The enactment of stricter laws and regulations governing, for example, the presence of asbestos and other hazardous construction materials in existing structures or the remediation of existing environmental contamination, access for disabled people or other matters could increase the Group's costs of maintaining, refurbishing, owning and leasing investment properties, which could have a material adverse effect on its business, assets and liabilities, financial condition and results of operations.

The Group is primarily subject to the Swiss law. Changes in Swiss law may have negative consequences on the Group, the rights of SPS as shareholder in its Subsidiaries and on the rights of SPS's shareholders.

The Group may be affected by laws and regulations restricting property investments by non-Swiss residents (Lex Koller)

The Federal Act on the Acquisition of Real Estate by Persons Abroad dated 16 December 1983, as amended (also referred to as "Lex Koller", "BewG") restricts the acquisition of residential real estate by non-residents of Switzerland. Under the current legislation, the acquisition of commercial real estate is not subject to authorization. Moreover, the acquisition of shares in a listed company, and thus of the Shares (in case of a conversion of Bonds or otherwise), is not subject to authorization pursuant to this legislation. However, should SPS become controlled by non-Swiss nationals, the Group may be restricted in acquiring new properties that are subject to the legislation, although it would not be required to divest any existing properties. To ensure compliance with requirements of Swiss federal laws regarding the shareholders, such as the requirements of Lex Koller regarding Swiss control, the Articles of Association empower the Board of Directors to decline the registration of non-Swiss persons as shareholder with full voting rights, if and to the extent their registration by SPS may prevent it from satisfying the requirements under Swiss federal law regarding the shareholders of SPS.

On 10 March 2017, the Federal Council published its explanatory report as well as a draft bill to amend the "Lex Koller". Inter alia the draft bill intends to restrict the acquisition of commercial real estate by non-residents of Switzerland. Also, accordingly to the draft bill the acquisition of shares in Swiss listed real estate companies, such as SPS, and thus of the Shares (in case of a conversion of Bonds or otherwise), by investors resident abroad, is subject to authorization. However, it rests unclear how the "Lex Koller" finally will be amended. The restriction of acquisition of commercial real estate and shares by non-residents could have a material adverse effect on the real estate market in Switzerland, as well as on the Group and its shareholders.

Further, it cannot be excluded that new parliamentary motions or popular initiatives will result in additional restrictions or that other changes in laws, other regulations or administrative practice are implemented which may hinder or prohibit foreign investors from investing in real estate in Switzerland (especially commercial real estate) or in real estate companies. The implementation or reintroduction of such restrictions may have severe implications on the demand in the real estate market and, accordingly, may lead to a loss in value of current real estate investments.

The Group is exposed to liability risks resulting from damages of third persons due to deficiencies of its investment properties

Possible defects of the Group's investment properties may result in damage to life, health or moveable or immoveable assets of third persons. This applies particularly with regard to publicly accessible investment properties. The Group could be held liable for such damage, against which it may be insufficiently insured. In addition, the reputation of the Group could be adversely affected even if such occurrences were not due to any fault on the part of the Group. Any such event could have a material adverse effect on the Group's business, assets and liabilities, financial condition and results of operations.

The Group is exposed to tax risks

Unfavorable interpretations or changes in tax laws, judicial practice or of any rules established in the tax practice could materially adversely affect the Group's business, assets and liabilities, financial condition and results of operations. Such changes could e.g. relate to the deductibility of interest expenses or depreciation for tax purposes, to the refusal of tax deductible losses or to currently applicable tax exemptions for certain types of income. The changes could relate to the current fiscal year or two prior years if they have not yet been finally assessed for tax purposes. Moreover, such changes can have adverse effects not only on the Group and its real estate investment properties but also a general negative impact on local business and consequently the real estate market in general.

SPS and some of its Subsidiaries benefit from a favorable tax status (e.g. holding privilege, which, if the respective conditions are met, leads to income tax exemption on the control level) or rulings with the tax authorities. In case the conditions for such favorable tax status or tax rulings are no longer met, this could have material adverse effects on the Group's business, assets and liabilities, financial condition and results of operations with respect to the current and/or prior business years and/or future business years. In particular, it is expected that the tax privileges for holding companies, such as the Group, may no longer be available following Swiss corporate tax legislative reforms which are anticipated to come into force in 2019 or 2020 at the earliest.

The Group companies have not been finally assessed for all fiscal years up to the date hereof. The tax authorities may add additional items to the taxable income of the Group companies or disallow tax deductions and allowances with respect to any open assessment so that the tax liabilities of the Group companies may be increased. Tax issues related to the Group cannot always be negotiated with the tax authorities and resolved. A different assessment of the Group companies' tax situation by tax authorities could have material adverse effects on the results of the Group.

With respect to real estate located in certain Cantons such as Vaud and Valais, there is the risk that the tax authorities of these Cantons already consider the sale of one Share of SPS as an economic transfer of ownership for the properties located in the two Cantons. For natural persons this would mean that a possibly realized tax-free capital gain would be qualified at least in part as a taxable real property gain. Real estate is valued at fair value in the consolidated financial statements and taxes have been deferred. The deferred taxes, depending for cantonal/communal taxes on the Canton where the real estate is located and the duration of ownership, can constitute up to approximately 70% of the real property gains. The Group generally assumes for the calculation of deferred taxes a holding period of 20 years. The actual tax rate may be higher if properties were sold at an earlier point in time.

The Group may be involved in legal and other proceedings arising from its operations from time to time

The Group may be involved from time to time in disputes with various parties involved in the development and leasing of its properties such as contractors, sub-contractors, suppliers, construction companies, purchasers, tenants and clients (including Wincasa, real estate asset management service providers, etc.). These disputes may lead to legal or other proceedings, and may cause the Group to incur additional costs and experience delays. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavorable orders, directives or decrees that result in financial losses and delay the construction or completion of its projects and therefore have material adverse effects on the Group's business, assets and liabilities, financial condition and results of operations.

Risks relating to the Bonds and the Shares

The specific risks of investing in the Bonds can only be assessed on the basis of a thorough and detailed assessment and analysis of the Terms of the Bonds and the individual situation of the prospective Holder. To understand the risks associated with an investment in the Bonds, each prospective Holder has to thoroughly and in detail assess and analyse the Terms of the Bonds and the implications the various features of the Bonds have for the prospective Holder in its individual situation. For example, among other features, the Terms of the Bonds provide that the Bonds are redeemable prior to their scheduled maturity at the Issuer's option in certain circumstances.

The Bonds are unsecured, structurally subordinated and subordinated to secured indebtedness

The Issuer is a holding company. Its main assets are participations in its Subsidiaries (see section "Information on the Issuer and the Group—Corporate Information—The Swiss Prime Site Group"). Business transactions are carried out via the Subsidiaries. Therefore, the Issuer is dependent on receiving sufficient dividend and interest payments from its Subsidiaries to fulfil its own obligations, including the entitlements of Holders. In the event of the liquidation of a Subsidiary it must be expected that certain claims of the Issuer against the respective Subsidiary are subordinated to the claims of the creditors of such Subsidiary resulting in corresponding negative consequences for the Swiss Prime Site Group.

The Bonds will be unsecured and will rank equally in right of payment with all of the Issuer's existing and future unsecured indebtedness. The borrowed capital of the Group amounts to CHF 6'096.5 million as of 30 June 2017. Future bank borrowings or leasing commitments (as this is the case for existing borrowing and leasing commitments) will likely be incurred on the level of Subsidiaries and would therefore be structurally privileged compared to the Bonds. In case of bankruptcy of one or more of the Issuer's Subsidiaries, the respective Subsidiaries' creditors will have preference over the Issuer, as the Issuer provides the Subsidiaries' equity and/or intra-group shareholder loans; intra-group loans which might be re-qualified as equity in case of bankruptcy of a Subsidiary (structural subordination). Furthermore, Holders will have no direct claims against the Issuer's direct or indirect Subsidiaries. In addition, debt or leasing commitments incurred by the Issuer and/or by its Subsidiaries may be secured by the Issuer and/or its Subsidiaries by pledging freely disposable assets or by guarantees. Any such pledged assets are primarily for the benefit of the pledgees and the pledgees will have priority over the other creditors, including, in case of debt or leasing commitments of the Issuer, the Holders, with respect to the distribution of the enforcement proceeds of such pledged assets. Only the balance not required in order to fulfil the obligations towards the pledges will be allocated to the remaining creditors of the Issuer (including the Holders) and/or its Subsidiaries. In case of guarantees issued by Subsidiaries, such guarantees are structurally privileged compared to the Bonds. Furthermore, the Terms of the Bonds do only partially limit the Issuer's right to grant securities in relation to certain capital markets indebtedness. There is no guarantee that the Issuer and/or its Subsidiaries do not pledge or otherwise encumber their freely disposable assets in favour of other creditors.

The Issuer can incur additional debt

Although the Terms of the Bonds impose certain restrictions on the amount of indebtedness that the Issuer and/or its Subsidiaries can create, there is no guarantee that the Issuer or its Subsidiaries will not create, incur, assume or guarantee additional indebtedness and that such debt may not be privileged, either by virtue of securities granted by the Issuer and/or its Subsidiaries or by way of structural subordination of the Bonds.

No prior market for the Bonds

Prior to this Offering, there has been no public market for the Bonds. Application will be made for the listing and trading of the Bonds according to the Standard for Bonds on the SIX Swiss Exchange. The Issuer cannot be certain that an active and liquid trading market for the Bonds will develop or be sustained or that the market price of the Bonds will not decline.

The liquidity of any market will depend upon the number of Holders, the market for similar securities, the interest of securities dealers in making a market in the Bonds and other factors.

Volatility of the market price of the Shares or of the Bonds

The market price of the Bonds and/or the Shares into which the Bonds are convertible in accordance with the Terms of the Bonds may be subject to substantial fluctuations. The market price of the Bonds and/or the Shares has experienced volatility in the past, and may continue to fluctuate substantially, depending upon many factors, including, but not limited to:

- market expectation concerning the Swiss Prime Site Group's performance or financial condition;
- fluctuations in the Swiss Prime Site Group's financial position or operating results;
- fluctuations of interest rates in general;
- general market and economic conditions;
- a downgrade or potential downgrade of the Issuer's unofficial credit ratings by banks' fixed income research departments;
- announcements by the Swiss Prime Site Group and developments affecting the Swiss Prime Site Group, its business, customers and suppliers and the markets in which the Swiss Prime Site Group competes;
- changes in senior management and/or the Board of Directors;
- price and volume of the markets where the Shares are traded;
- investor perception of the success and impact of the Offering;
- the conversion of Bonds into Shares;
- future offerings of equity securities or conversion rights into equity securities of the Swiss Prime Site Group; and/or
- the factors listed herein under "Risk Relating to the Swiss Prime Site Group".

As a result of these or other factors, the Bonds and/or the Shares may trade at prices significantly below their market price at the commencement of the Offering.

In addition, security markets in general have from time to time experienced significant price and volume fluctuations. Such fluctuations, as well as the economic situation of the financial markets as a whole, can have a substantial negative effect on the market price of the Shares and/or of the Bonds, regardless of the operating results or the financial position of the Swiss Prime Site Group. Developments in, and changes to recommendations by securities analysts regarding the Swiss Prime Site Group's industry segments may also influence and introduce volatility to the price of the Bonds and/or the Shares in the market. Any such market fluctuations may adversely affect the trading price of the Shares.

No assurance can be given that the public trading market price of the Bonds and/or the Shares will reach or exceed the Conversion Price.

The Holders' anti-dilution protection is limited and upon conversion of the Bonds, the shareholders may be diluted through further issuances of equity securities or securities that are convertible into equity

The Conversion Price at which the Bonds may be converted into a combination of cash and Shares in accordance with the Terms of the Bonds will be adjusted only in the situations and to the extent provided in the Terms of the Bonds. There is no requirement that there must be an adjustment for every corporate or other event that may affect the value of the Conversion Rights (as defined in the Terms of the Bonds). Events in respect of which no adjustment must be made may adversely affect the value of the Conversion Rights and the Bonds.

Upon conversion of the Bonds, investors holding Shares may be diluted if the Issuer raises additional capital through the issuance of equity or other securities that are convertible into equity of the Issuer.

The Holders have no shareholder rights prior to exercising their conversion rights

An investor in the Bonds will not automatically be a shareholder of the Issuer. No Holder (in his capacity as such) will have any right to participate in the shareholders' meeting, any voting rights, rights to receive dividends or other distributions or any other rights with respect to the Shares until such time, if any, when he receives Shares upon exercising his Conversion Rights and becomes a shareholder of the Issuer. The Bonds confer a Conversion Right into Shares, but only pursuant to the Terms of the Bonds. In addition, expenses, taxes as well as stamp, issue, registration, documentary, transfer and other duties may be due by the Holders upon the conversion of a Bond.

Sale of shares by major shareholders of the Issuer can depress share price

As of the date of this Prospectus, the three (3) largest shareholders of the Issuer together held 16.06% of the issued Shares. Should major shareholders of the Issuer sell substantial numbers of Shares of the Issuer held by them or should rumours to this effect circulate, an adverse effect could result from this on the share price of the Shares and the ability of the Issuer to raise further capital in the future.

The net asset value may not be indicative of the trading price of the shares

The Shares of the Issuer traded on the SIX Swiss Exchange may trade at a discount or a premium to the net asset value ("**NAV**"). The difference of the share price of the Shares to the NAV has fluctuated in the past and may continue to do so in the future. The influence of this Offering on the relation of the share price to the NAV as well as the future development of the share price and the NAV cannot be predicted.

Future sales of a substantial number of Shares could negatively affect the market price of the Shares and the Bonds

The Issuer has, subject to certain exceptions, agreed that, without the prior written consent of the Joint Bookrunners, it will not and will procure that its Subsidiaries will not, during the period commencing on the date of the Purchase Agreement and ending on the date which is 90 calendar days after the Payment Date, sell Shares of the Issuer and it will refrain from certain other transactions in the Shares or related to the Shares. After expiration of the lock-up period, the Issuer and its Subsidiaries may sell their Shares in the public market. Future sales of a substantial number of Shares following the expiry of the lock-up period could negatively affect the market price of the Shares and, consequently, the market price of the Bonds. No assurance can be given that the public trading market price of the Shares will reach or exceed the Conversion Price.

Future sales, or the possibility or perceived possibility of sales, of substantial numbers of Shares by current shareholders could have an adverse effect on the market trading price of Shares.

Payments on or with respect to the Bonds may be subject to U.S. withholding under FATCA

Pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code (the "**Code**"), an agreement entered into with the U.S. Internal Revenue Service (the "**IRS**") pursuant to such sections of the Code, an intergovernmental agreement concluded by the United States with another country (such as the country of residence of the Issuer or the Paying and Conversion Agent or an intermediary), or any laws enacted by such other country in furtherance of an intergovernmental agreement (collectively referred to as "**FATCA**"), the Issuer, the Paying and Conversion Agent, an intermediary or a payor may, under certain circumstances, be required to withhold at a rate of 30 per cent on payments, including principal or proceeds of sales, made to Holders, payees or intermediary financial institutions unless such Holders, payees or intermediary financial institutions are FATCA compliant or exempt, whether through registration with the IRS and fulfilment of other FATCA obligations application to financial institutions or through an applicable exemption from such obligations.

In order to be FATCA compliant, Holders generally will be required to provide tax certifications and identifying information about themselves and certain of their beneficial owners, and, if applicable, a waiver of any laws prohibiting the disclosure of such information to a taxing authority. A payee financial institution generally would be required to enter into an agreement with the IRS and agree, among other things, to disclose the tax status of the account holders at the institution (or the institution's affiliates) and annually to report certain information about such accounts. However, payee financial institutions that are resident in a country that has entered into an intergovernmental agreement (an "**IGA**") with the United States in connection with FATCA may be required to comply with such country's FATCA implementing laws, either in lieu of or in addition to entering into an agreement with the IRS. Switzerland has entered into an IGA with the U.S. in respect of FATCA. Under the Swiss IGA, the Paying and Conversion Agent will be required to register with the IRS and to comply with the reporting and withholding obligations imposed under an "FFI agreement", as modified by the applicable IGA.

If the Issuer, the Paying and Conversion Agent or an intermediary is required to withhold pursuant to FATCA on payments on or in respect of the Bonds, including the redemption or proceeds of a sale of Bonds, neither the Issuer nor the Paying and Conversion Agent or any other person is required to compensate such a deduction so that such a potential tax withholding would be to the expense of a Holder.

Investors should consult their own advisors about the application of FATCA, and should determine their status under the FATCA rules, in any case.

Change of law

The conditions of the Bonds are based on Swiss law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to Swiss law or administrative practice after the date of this Prospectus.

TERMS OF THE BONDS

The terms and conditions (each a "**Condition**", and together the "**Terms of the Bonds**") of the 0.325 per cent senior unsecured convertible bonds due 2025 (the "**Bonds**", and each a "**Bond**"), conferring a conversion right with reference to registered shares with the then applicable nominal value of Swiss Prime Site AG, Frohburgstrasse 1, 4601 Olten, Switzerland (the "**Issuer**"), in the aggregate principal amount of Swiss francs ("**CHF**") 300 million, are established pursuant to a Bond Purchase Agreement (the "**Agreement**") among the Issuer on the first part, and Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland ("**CS**"), and UBS AG, Bahnhofstrasse 45, 8001 Zurich, Switzerland ("**UBS**") and Bank Vontobel AG, Gotthardstrasse 43, 8002 Zurich, Switzerland ("**Vontobel**"), on the second part.

The Terms of the Bonds govern the rights and obligations of the Issuer and of each holder of Bonds (a "**Holder**", collectively the "**Holders**") in relation to the Bonds and are as follows (defined terms used herein have the meaning ascribed to them in Condition 17):

1 Denomination, Form and Delivery of the Bonds

a) The aggregate principal amount of the Bonds of CHF 300 million (three hundred million) is divided into Bonds with denominations of CHF 5'000 (five thousands) each (the "**Principal Amount**").

b) The Bonds and all rights in connection therewith are issued in uncertificated form in accordance with article 973c of the Swiss Code of Obligations of 30 March 1911, as amended (the "**CO**") as uncertificated securities (*Wertrechte*) that will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtebuch*). Such uncertificated securities (*Wertrechte*) will then be entered into the main register (*Hauptregister*) of SIX SIS Ltd ("**SIS**") or any other intermediary in Switzerland recognised for such purposes by the Relevant Exchange (SIS or any such other intermediary, the "**Intermediary**"). Once the uncertificated securities (*Wertrechte*) are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Bonds will constitute intermediated securities (*Bucheffekten*) (the "**Intermediated Securities**") in accordance with the provisions of the Swiss Intermediated Securities Act of 3 October 2008, as amended (*Bucheffektengesetz*) (the "**FISA**").

c) So long as the Bonds are in the form of Intermediated Securities, the Bonds may only be transferred or otherwise disposed of in accordance with the provisions of the FISA.

d) The records of the Intermediary will determine the number of Bonds held through each participant of the Intermediary. In respect of Bonds held in the form of Intermediated Securities, the Holders will be the persons holding the Bonds in a securities account (*Effektenkonto*) which is in their own name or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries holding the Bonds for their own account in a securities account which is in their name.

e) The conversion of the uncertificated securities (*Wertrechte*) into a permanent global certificate (*Globalurkunde auf Dauer*) or individually certificated bonds (*Wertpapiere*) is excluded. Neither the Issuer nor the Holders nor CS as principal paying and conversion agent (the "**Paying and Conversion 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 certificate (*Globalurkunde auf Dauer*) or individually certificated securities (*Wertpapiere*).

2 Interest

The Bonds bear interest from (but excluding) the Payment Date at the rate of 0.325 per cent per annum of their Principal Amount, payable annually in arrears on each Coupon Amount Payment Date (the CHF amount in respect of each Bond so calculated being the "**Coupon Amount**"). Interest on the Bonds is computed on a 30E/360 basis, i.e., on the basis of a year consisting of twelve (12) months of thirty (30) days each.

Each Bond will cease to bear interest (i) if the Conversion Right with respect to such Bond is exercised by the respective Holder pursuant to Condition 3, from the Coupon Amount Payment Date (or, if none, the Payment Date) immediately preceding the Conversion Date, or (ii) in all other circumstances from the due date for redemption or repayment of such Bond, provided that if, upon due presentation, delivery of the Shares or payment of any amount due is improperly withheld or refused, such Bond shall, to the extent not redeemed, repaid, or purchased and cancelled, continue to bear interest as provided in these Terms of the Bonds. In such case, interest will accrue until the day on which all Shares and/or all sums due in respect of such Bond are received by the Paying and Conversion Agent for delivery and/or payment to the relevant Holder.

3 Conversion

a) Conversion Right, Conversion Ratio and Conversion Price

i) Each Bond in the Principal Amount of CHF 5,000 (five thousand Swiss Francs) is convertible on any Business Day during the Conversion Period at the Conversion Ratio.

ii) Subject to para. iii) below, Holders who convert their Bonds will receive:

- if the Conversion Value is lower than or equal to the aggregate Principal Amount of the Bonds converted by the same Holder at any one time, the Cash Conversion Amount; or
- if the Conversion Value is greater than the aggregate Principal Amount of the Bonds converted by the same Holder at any one time:

a) the Cash Conversion Amount; and

b) the Net Shares.

"**Conversion Value**" means the product (rounded to the nearest whole multiple of CHF 0.01, with 0.005 being rounded upwards) of the Average VWAP and the Conversion Ratio.

"**Conversion Ratio**" means the ratio determined by dividing the Principal Amount by the Conversion Price in effect on the relevant Conversion Date. The Conversion Ratio shall be calculated to five decimal places, provided that if more than one Bond is converted at any one time by the same Holder, the Conversion Ratio will be determined by dividing the aggregate Principal Amount of the Bonds converted by the same Holder at any one time by the Conversion Price prevailing at the Conversion Date, such Conversion Ratio to be calculated to five decimal places.

"**Average VWAP**" means the arithmetic mean of the VWAPs of one Share on the Relevant Exchange with respect to each Trading Day in the Conversion Reference Period, provided that if on any such Trading Day:

(A) any Dividend (other than an Extraordinary Dividend) in respect of the Shares has been announced, whether on or prior to or after the relevant Conversion Date in circumstances where the Record Date or other due date for the establishment of entitlement in respect of such Dividend is on or after the relevant Conversion Date and if on any Trading Day in the Conversion Reference Period the VWAP on such Trading Day determined as provided above is based on a price ex-such Dividend, then such VWAP on such Trading Day shall be increased by an amount equal to the corresponding value of any such Dividend per Share as at the Ex Date in respect of such Dividend (or, if that is not a Trading Day, the immediately preceding Trading Day), determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit,

(B) the Share is quoted ex-any Extraordinary Dividend or other entitlement in respect of which (i) an adjustment to the Conversion Price is required (or would be required assuming for this purpose that Conversion Rights were exercisable on such day) pursuant to Condition 6 and (ii) the Conversion Price in effect on the Conversion Date has not been adjusted in respect thereof, the VWAP on such Trading Day shall be divided by the adjustment factor (determined in accordance with Condition 6) applied (or which would have been applied) to the Conversion Price, and

(C) the Share is quoted cum-any Extraordinary Dividend or other entitlement in respect of which an adjustment to the Conversion Price pursuant to Condition 6 is in effect on the Conversion Date, the VWAP on such Trading Day shall be multiplied by the adjustment factor (determined in accordance with Condition 6) applied to the Conversion Price,

all as determined by the Paying and Conversion Agent.

"**VWAP**" means with respect to any Trading Day, the volume-weighted average price of one Share (or one Put Option, Distribution or Purchase Right, as the case may be) on the

Relevant Exchange in respect thereof as published by (i) Bloomberg Page HP (setting "Weighted Average Line") (or any successor page or setting) in respect of such Share (and for the Relevant Exchange) and such Trading Day (such page being, as at the Payment Date, SPSN SW Equity HP) or, (ii) if such volume-weighted average price is not capable of being determined as provided above, such other source (if any) as shall be determined to be appropriate by the Common Expert in respect of such Trading Day, provided that in respect of any Trading Day for which such price cannot be determined as provided above, the VWAP of a Share (or Put Option, Distribution or Purchase Right) shall be (A) the volume-weighted average price, determined as provided above, in respect of the immediately preceding Trading Day for which the same can be so determined or (B) if such immediately preceding Trading Day as aforesaid falls earlier than the 5th day prior to the original date in respect of which the VWAP was required to be determined, such price as is determined to be appropriate by the Common Expert.

"**Conversion Reference Period**" means the thirty (30) consecutive Trading Days beginning on (and including) the third Trading Day following the Election Date.

"**Cash Conversion Amount**" means, in respect of each Bond converted:

- if the Conversion Value is lower than or equal to the aggregate Principal Amount of the Bonds converted by the same Holder at any one time, an amount (rounded to the nearest whole multiple of CHF 0.01, with 0.005 being rounded upwards) equal to the Conversion Value; or
- if the Conversion Value is higher than the aggregate Principal Amount of the Bonds converted by the same Holder at any one time, an amount equal to the Principal Amount.

"**Net Shares**" means, in respect of each Bond converted, a number of Shares to be determined by dividing (y) the balance of the Conversion Value minus the aggregate Principal Amount of the Bonds converted by the same Holder at any one time by (z) the Average VWAP, such number of Shares to be calculated to five decimal places.

iii) Upon conversion of a Bond by a Holder in the manner specified in Condition 3b)i) below, the Issuer may make an election (the "**Alternative Election**") by giving notice (the "**Alternative Election Notice**") to the Paying and Conversion Agent by not later than the date falling four (4) Business Days following the relevant Conversion Date (the "**Election Date**"). If the Issuer makes an Alternative Election, a Holder who converts its Bonds as of such Conversion Date will receive, in respect of each Bond so converted:

- a number of Shares, as determined by the Issuer in the relevant Alternative Election Notice (which number may be between zero and the Conversion Equivalent Shares) (the "**Settlement Shares**"); and
- in respect of a number of Shares equal to the Conversion Equivalent Shares minus the Settlement Shares (such balance being the "**Cash Settled Shares**"), the Cash Settlement Amount.

"**Conversion Equivalent Shares**", for each CHF 5,000 Principal Amount of Bonds, means a number of Shares equal to the Conversion Ratio, to be calculated to five decimal places. The number of Conversion Equivalent Shares to be delivered upon conversion of one Bond shall be calculated to five decimal places, provided that if more than one Bond is converted at any one time by the same Holder, the number of Conversion Equivalent Shares to be delivered upon conversion will be determined by dividing the aggregate Principal Amount of the Bonds converted by the same Holder at any one time by the Conversion Price prevailing at the Conversion Date, such number of Shares to be calculated to five decimal places.

"**Cash Settlement Amount**" means the product (rounded to the nearest whole multiple of CHF 0.01, with 0.005 being rounded upwards) of the Average VWAP and the Cash Settled Shares.

iv) Fractions of Shares (i.e. of Net Shares) will not be issued and delivered on conversion. Instead, in case of any delivery of Net Shares, a cash payment in CHF equal to the product of the relevant fraction of Net Shares and the Average VWAP will be made in respect thereof (the "**Cash**

Payment for Fractions"), except where any individual entitlement would be less than CHF 10.00 (ten), in which case no such payment shall be made.

v) A Conversion Right may not be exercised following the giving of a default notice by the Holder Representative pursuant to Condition 9 nor in respect of a Bond which has been redeemed pursuant to Conditions 5, 7 or 9.

vi) Where a Conversion Right is exercised during a Change of Control Period, the provisions in Condition 7 shall apply.

b) Conversion Procedures

i) Conversion Notices

To exercise the right to convert all or any of its Bonds pursuant to this Condition 3, a Holder must deposit with the Paying and Conversion Agent at its own expense during the Conversion Period a duly completed notice of conversion (the "**Conversion Notice**") in a form satisfactory to the Paying and Conversion Agent together with clearing instructions in a form satisfactory to the Paying and Conversion Agent allowing for the transfer of the relevant Bond(s) through the Intermediary to the Paying and Conversion Agent at the Specified Office. By depositing the Conversion Notice, the Holder authorizes the Paying and Conversion Agent to make, in its name and on its behalf, any such declarations to the Issuer as may be required or advisable under applicable law for the purpose of the determination of the number and creation and delivery of the Shares (if any) to be delivered to the Holder pursuant to these Terms of the Bonds upon conversion of its Bonds.

By depositing the Conversion Notice, a Holder is also deemed to represent and warrant that (x) it understands that the Shares to be issued upon conversion of the Bonds, if any, have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and (y) it is not a U.S. person (as defined in Regulation S under the Securities Act ("**Regulation S**")) and is located outside the United States within the meaning of Regulation S, is acquiring the Shares to be issued upon conversion of the Bonds in an offshore transaction (as defined in Regulation S) in accordance with Rule 903 or 904 of Regulation S and understands that the Shares may not be delivered within the United States upon conversion of the Bonds and may not be resold in the United States except pursuant to an exemption from the registration requirements of the Securities Act.

A Conversion Notice, once duly completed and deposited as aforesaid, shall be irrevocable. Each Bond duly presented and/or transferred for conversion shall be cancelled in their entirety by the Paying and Conversion Agent and, upon (i) the delivery of the Net Shares and/or the payment of the Cash Conversion Amount, as well as the Cash Payment for Fractions, if any, or (ii) in case of an Alternative Election, the delivery of the Settlement Shares and/or the payment of the Cash Settlement Amount shall be considered redeemed.

The Conversion Right can be exercised only in respect of the whole of the Principal Amount of a Bond.

A Conversion Notice shall be deemed to be presented on a Business Day if received in a form satisfactory to the Paying and Conversion Agent before 4.00 p.m. CET on that Business Day at the Specified Office. Any Conversion Notice presented after 4.00 p.m. CET will be deemed to have been received on the next following Business Day.

The conversion date in respect of a Bond (the "**Conversion Date**") shall be the date on which a Conversion Notice has been received or is deemed to have been received in accordance with this Condition 3b)i).

ii) Alternative Election Notice

The receipt of an Alternative Election Notice pursuant to Condition 3a)iii) by the Paying and Conversion Agent shall be communicated to the Holder which has submitted the respective Conversion Notice.

If the Issuer does not give an Alternative Election Notice on or before the Election Date, the Issuer shall satisfy its obligations pursuant to Condition 3a)ii) by delivering the Net Shares and/or the Cash Conversion Amount for all Bonds converted as of such Conversion Date.

iii) Delivery of Shares and Payment of Cash Amounts

The Shares to be delivered upon conversion of Bonds (i.e. the Net Shares or the Settlement Shares) in accordance with this Condition 3, if any, will be Shares to be issued from the conditional capital of the Issuer with the same entitlements as the other outstanding Shares, except that the Shares so delivered will not be entitled to any dividend or other distribution declared, paid or made by reference to a Record Date prior to the relevant Settlement Date and except that the voting rights may not be exercised unless the person designated in the Conversion Notice as recipient of the Shares is registered as the holder of the Shares in the Issuer's share register.

The number of Shares to be delivered, if any, and all cash amounts due pursuant to Condition 3a) upon conversion of Bonds will be determined by the Paying and Conversion Agent promptly after the end of the relevant Conversion Reference Period. The Issuer will (x) effect or procure the delivery of the Shares, if any, and (y) make payment to the relevant Holder of any cash amount due pursuant to Condition 3a) on a Business Day (the "**Settlement Date**") falling no later than the tenth (10^{th}) Business Day after the last day of the Conversion Reference Period (or if the Conversion Value is not capable of being determined in accordance with these Conditions at the latest on the 3^{rd} Business Day prior to such 10^{th} Business Day as aforesaid, as soon as practicable following the first date on which such determination can be made), in each case through the Intermediary in accordance with directions given by the relevant Holder in the relevant Conversion Notice.

At the time of the delivery of Shares, the then valid share registration rules of the Issuer will apply; the Issuer does not offer any assurance or guarantee that the exercising Holder will be accepted as a shareholder with voting rights in its share register.

iv) Taxes and other Costs

Any Swiss Federal Stamp Duty, if due, as well as the fee of the Relevant Exchange, if any, payable upon the delivery in Switzerland of Shares to the Holder upon the conversion of Bonds will be paid or reimbursed by the Issuer. The applicable Swiss withholding tax on any accretion of the Initial Bond Floor will be charged to the Holders. The Issuer will, however, not pay (a) any tax payable in connection with any subsequent sale or transfer of Shares by the respective Holder, or (b) any tax or other cost payable in connection with the sale, transfer or delivery of Share(s) in or to a country other than Switzerland.

4 Payments

The amounts required for the payment of the Coupon Amounts and the Principal Amount and any other payments in cash to be made under these Terms of the Bonds (after deduction of the Withholding Tax, if applicable) will be made available in good time in freely disposable CHF, which will be placed at the free disposal of the Paying and Conversion Agent in Switzerland. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and Holders will not be entitled to any additional sum in relation thereto.

Swiss withholding tax (of presently 35%, the "**Withholding Tax**") will be applicable to any payments of interest, including accrued interest upon early redemption or conversion. Furthermore, Withholding Tax will be applicable, upon the conversion, early redemption or redemption of the Bonds (but not on the sale of the Bonds) on the difference between the theoretical bond floor (calculated for income tax purposes) at the time of conversion, early redemption or redemption and the theoretical bond floor at issuance calculated for tax purposes (the "**Initial Bond Floor**", initially 98.2% of the nominal value of the Bonds). The Withholding Tax will be deducted from the payments of interest and from the payment of early redemption or redemption amount of the Bonds. Holders who have submitted a Conversion Notice and are to be delivered Shares and/or a Cash Settlement Amount will be charged with the Withholding Tax.

Upon receipt of the funds in Switzerland, the Paying and Conversion Agent will arrange for payment to the Holders.

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

The receipt by the Paying and Conversion Agent of funds in CHF in Switzerland from the Issuer shall release the Issuer from its obligations under the Bonds to the extent of the amounts received by the Paying and Conversion Agent.

5 Redemption and Purchase

a) Repayment at Maturity Date

Unless previously converted, redeemed, or purchased and cancelled as provided below, the Issuer undertakes to repay the Bonds on the Maturity Date, without further notice, at the Principal Amount (together with unpaid accrued interest to such date) (such repayment of any Bond on the Maturity Date, as well as any early redemption in accordance with this Condition 5, with Condition 7 or with Condition 9, in these Terms of the Bonds being referred to as the "**Redemption**").

b) Early Redemption at the Option of the Issuer

Subject to not less than thirty (30) nor more than sixty (60) calendar days' prior notice, the Issuer may redeem all but not only some of the Bonds outstanding at the Principal Amount (together with unpaid accrued interest, if any):

i) at any time after the Payment Date and prior to the Maturity Date, if less than fifteen (15) per cent of the aggregate Principal Amount of the Bonds issued pursuant to the Terms of the Bonds is outstanding at the time of the notice; or

ii) at any time on or after the day which falls twenty-one (21) calendar days after the fifth (5^{th}) anniversary of the Payment Date, if the VWAP of a Share on the Relevant Exchange on each of at least twenty (20) out of thirty (30) consecutive Trading Days ending not earlier than five (5) Trading Days prior to the date on which the relevant notice of Redemption is given has been at least 140 per cent of the Conversion Price in effect on each such Trading Day (provided that if (A) on any such Trading Day the Share is quoted ex- any dividend or other entitlement in respect of which an adjustment of the Conversion Price is required to be made in accordance with Condition 6 and (B) such adjustment is not yet in effect on such Trading Day, the VWAP of the Share on such Trading Day shall be multiplied by the Conversion Price adjustment factor determined in accordance with Condition 6 in respect of such adjustment), respectively.

c) Early Redemption at the Option of the Holders in Case of Delisting of Shares

If the Shares are delisted from the Relevant Exchange without being listed on another Relevant Exchange, each Holder may, acting in accordance with this Condition 5(c), require the Issuer to redeem all or any of the Bonds held by such Holder at their Principal Amount (together with unpaid accrued interest to such date) on the Relevant Put Date.

As soon after becoming aware thereof and at the latest on the date the Shares are delisted from the Relevant Exchange, the Issuer shall give notice of that fact (the "**Notice of Delisting**").

To exercise its right pursuant this paragraph (c), the Holder must deposit at its own expense a duly completed and signed notice (a "**Put Notice**") in a form satisfactory to the Paying and Conversion Agent during the period starting on the date of the Notice of Delisting and ending sixty (60) calendar days thereafter. Such notice shall be irrevocable except in the event that such Bond becomes immediately due and repayable before the Relevant Put Date.

d) Purchases

The Issuer and any of its Subsidiaries may 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 Paying and Conversion Agent for cancellation in accordance with Condition 5(e) below.

Any Bonds while held by or on behalf of the Issuer or any of its Subsidiaries shall not entitle their Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating any quorum at meetings of the Holders.

e) Cancellation

All Bonds which are converted, redeemed, or surrendered, shall forthwith be cancelled. All Bonds so cancelled shall be forwarded to the Specified Office and cannot be reissued or resold.

f) Notice

Where the provisions of this Condition 5 provide for the giving of notice by the Issuer, such notice shall be deemed to be validly given if made in accordance with Condition 10.

6 Adjustments to the Conversion Price

a) Events leading to adjustments to the Conversion Price

i) Increase of capital by means of capitalisation of reserves, profits or premiums by distribution of Shares, or division or consolidation of Shares:

In the event of a change in the Issuer's share capital as a result of capitalisation of reserves, profits or premiums, by means of the distribution of Shares, save for a distribution of Shares as a Dividend as set out in Condition 6(a)(iv) below, and in the event of division or consolidation of Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Adjustment Date by the result of the following formula:

N_{old} / N_{new}

where:

N_{old} is the number of Shares existing before the change in share capital; and

N_{new} is the number of Shares existing after the change in share capital.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(a)(i) only, the "**Adjustment Date**") which is (i) the date on which such Shares are distributed or (ii) in the event of division or consolidation of Shares, the first day the Shares are traded on the new basis on the Relevant Exchange.

ii) Issue of Shares or Other Securities by way of conferring subscription or purchase rights:

If (a) the Issuer grants to holders of Shares any options, warrants or other rights to subscribe for or to acquire Shares, Other Securities or securities convertible or exchangeable into Shares or Other Securities, or (b) any third party with the agreement of the Issuer issues to holders of Shares any options, warrants or other rights to purchase any Shares, Other Securities or securities convertible or exchangeable into Shares or Other Securities (the rights referred to in (a) and (b) collectively and individually being the "**Purchase Rights**"), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Adjustment Date by the result of the following formula:

$(P_{cum} - R) / P_{cum}$

where:

P_{cum} is the Current Market Price by reference to whichever is the later of (x) the date on which the Shares are first traded ex-Purchase Rights on the Relevant Exchange and (y) the Trading Day when the subscription or purchase price under the Purchase Right is announced, or, if the day the subscription or purchase price is announced is not a Trading Day, the next following Trading Day]; and

R is the value of such number of Purchase Rights allotted to the holder of one Share, such value to be calculated as follows:

(A) in the event the Purchase Rights relate to Shares and the consideration payable in respect thereof comprises solely cash:

$R = P_{cum} - TERP$

where:

$TERP = (N_{old} \times P_{cum} + N_{new} \times (P_{rights} + Div)) / (N_{old} + N_{new})$ and:

TERP is the theoretical ex-Purchase Rights price; and

N_{old} is the number of Shares existing before the change in share capital; and

N_{new} is the number of offered Shares to be newly issued; and

P_{rights} is the price at which one new Share can be subscribed or purchased; and

Div is the amount (in CHF) by which the entitlement to Dividends per existing Share exceeds the entitlement to Dividends per new Share, (x) if Dividends have already been proposed to the general meeting of shareholders but not yet paid, based on the proposed amount of the Dividends, or (y) if Dividends have not yet been proposed based on the last paid Dividend, provided that the amount of any such Dividend shall be determined (A) in accordance with the provisions of Condition 6(a)(iv) no later than the Adjustment Date;

provided, however, that no such adjustment shall be made if the price at which one new Share can be subscribed or purchased is at least ninety-five (95) per cent of the Current Market Price by reference to whichever is the later of (x) the date on which the Shares are first traded ex-Purchase Rights on the Relevant Exchange and (y) the Trading Day when the subscription or purchase price under the Purchase Right is announced, or, if the day the subscription or purchase price is announced is not a Trading Day, the next following Trading Day;

(B) in the event the Purchase Rights relate to Other Securities or to securities convertible or exchangeable into Shares or Other Securities and where such Purchase Rights are traded on a regulated stock exchange in Switzerland, the European Union, the United States of America, Canada or Japan:

$R = N_{rights} \times P_{rights}$

where:

N_{rights} is the number of Purchase Rights granted per Share; and

P_{rights} is the VWAP of the Purchase Rights on the Relevant Exchange (or, if no dealing is recorded, the arithmetic mean of the bid and offered prices) during the time Purchase Rights are traded, but not longer than the first ten (10) Trading Days for the Purchase Rights.

(C) in all other cases where neither of the previous paragraphs (A) or (B) is applicable R will be determined by a Common Expert.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(a)(ii) only, the "**Adjustment Date**") which falls on:

i) in the case of Condition 6(a)(ii)(A), on the first day on which the Shares are traded ex-Purchase Rights on the Relevant Exchange;

ii) in the case of Condition 6(a)(ii)(B), the fifth (5th) Trading Day after (x) the end of the period during which the Purchase Rights are traded or (y) the tenth (10th) Trading Day of the Purchase Rights, whichever is sooner; and

iii) in the case of Condition 6(a)(ii)(C), on the date determined by the Common Expert.

iii) Spin-offs and capital distributions other than Dividends:

If, in respect of a spin-off or a capital distribution, other than Dividends as referred to in Condition 6(a)(iv) below, the Issuer shall issue or distribute to holders of Shares any assets, evidence of indebtedness of the Issuer, shares or other rights (other than as referred to in Condition 6(a)(ii) above) (the "**Distribution**"), the Conversion Price shall be adjusted as follows:

(A) In case the Distribution (other than in the circumstances the subject of paragraphs (B) or (C) below) (x) consists of securities that will be traded (within 10 Trading Days of the date on which the Shares are first traded ex-Distribution on the Relevant Exchange) on a regulated stock exchange in Switzerland, the European Union, the United States of America, Canada or Japan or (y) consists of securities that are traded (prior to the date on which the Shares are first traded ex-Distribution on the Relevant Exchange) on a regulated stock exchange in Switzerland, the European Union, the United States of America, Canada or Japan, in the case of both (x) and (y) in circumstances where "D" can be determined in accordance with the definition thereof, by multiplying the Conversion Price in force immediately prior to the Adjustment Date by the result of the following formula:

$$(P_{cum} - D) / P_{cum}$$

where:

P_{cum} is the Current Market Price by reference to the date on which the Shares are first traded ex-Distribution on the Relevant Exchange; and

D is equal to (i) in case of (iii)(A)(x), the current market price of the Distribution on the Relevant Exchange), calculated on a per Share basis, as determined by the Paying and Conversion Agent Agent, or (ii) in case of (iii)(A)(y), the current market price of the Distribution on the date by reference to which Pcum has been determined, calculated on a per Share basis, as determined by the Paying and Conversion Agent;

and where for purposes of this provision, the current market price (to determine D) in case of (iii)(A)(x) shall be deemed to be the average of the VWAPs (ignoring for this purpose provisos (A) and (B) to the definition thereof) on the five (5) consecutive Trading Days for the Distribution commencing on the date on which the Shares are first traded ex-Distribution on the Relevant Exchange (or, if such date is not a Trading Day for the Distribution, the first such Trading Day following such date), and in case of (iii)(A)(y) shall be deemed to be the average of the VWAPs (ignoring for this purpose provisos (A) and (B) to the definition thereof) on the five (5) consecutive Trading Days for the Distribution ending on and including the Trading Day for the Distribution preceding the day on which the Shares are first traded ex-Distribution on the Relevant Exchange, provided that in the case of both (iii)(A)(x) and (iii)(A)(y), if:

(X) the Distribution is quoted for part of the relevant period of 5 consecutive Trading Days cum- any dividend or other entitlement and ex- such dividend or other entitlement for some other part of such period, or

(Y) the Share is quoted for part of the relevant period of 5 consecutive Trading Days cum- any dividend or other entitlement and ex- such dividend or other entitlement for some other part of such period and, the Issuer determines, in consultation with the Paying and Conversion Agent, that the VWAP of the Distribution should be adjusted as a result thereof,

then a Common Expert shall determine the appropriate adjustment (if any) to be made to any such VWAPs of the Distribution.

(B) In all other cases (other than in the circumstances the subject of paragraph (C) below and where there is one (but not more) Distribution on a given Trading Day), by multiplying the

Conversion Price in force immediately prior to the Adjustment Date by the result of the following formula:

P_{after} / P_{before}

where:

P_{after} is the current market price per Share from the date on which the Shares are first traded ex-Distribution on the Relevant Exchange (the "**Distribution Date**"); and

P_{before} is the current market price per Share before the Distribution Date;

whereby for purposes of this provision the current market price per Share shall be deemed to be the average of the VWAPs, (x) in the case of P_{before}, on the five (5) consecutive Trading Days before the Distribution Date, and (y) in the case of P_{after}, on the five (5) consecutive Trading Days from and including the Distribution Date, as determined by the Paying and Conversion Agent. When calculating the average of the VWAPs the gross dividend amount (or any other entitlement), if any, of any dividend (or any other entitlement) in respect of which the Shares are first traded ex- during either of the above mentioned periods of five (5) consecutive Trading Days, shall be added back to the VWAPs on each of the Trading Days on which the Shares are traded ex-dividend (or any other entitlement).

(C) If the Issuer issues or distributes to its shareholders tradable put options as a Dividend with respect to any financial year, the Conversion Price shall be adjusted according to the formula set out in Condition 6(a)(iv).

(D) In all other cases, the Common Expert will determine the necessary adjustment.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(a)(iii) only, the "**Adjustment Date**"), in the case of (A)(y), on the date on which the Distribution is made (or, if later, the first date on which the adjustment is capable of being determined in accordance with these Conditions) and, in the case of (A)(x), (B) and (C), on the sixth (6th) Trading Day after the Distribution Date (or, if later, the first date on which the adjustment is capable of being determined in accordance with these Conditions) and, in the case of (D), as determined by a Common Expert.

iv) *Dividends*

If the Issuer pays an Extraordinary Dividend, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Adjustment Date by the following fraction:

$(P_{cum} - D) / (P_{cum} - T)$

where:

P_{cum} is the Current Market Price on the Effective Date;

D is the Extraordinary Dividend calculated on a per Share basis; and

T (i) In case no previous Dividends have been paid or made in the Relevant Year, "T" shall equal the Threshold Amount. (ii) In case previous Dividends have been paid or made in the Relevant Year, T is the amount (if any) by which the Threshold Amount in respect of the Relevant Year exceeds an amount equal to the aggregate of the cash amount of any previous Dividends paid or made in such Relevant Year, provided that T shall be zero if such previous Dividends are equal to, or exceed, the Threshold Amount in respect of such Relevant Year.

D in the above formula shall be calculated by reference to

ii) The gross cash amount in case of a cash dividend or a repayment of paid-in capital in cash;

iii) an amount as calculated by the following formula in case of a stock dividend in lieu of a cash dividend:

$$CMP - (CMP \times (N_{old} / N_{new}))$$

where:

CMP is the Current Market Price by reference to the Ex-Date;

N_{old} is the number of Shares existing before the change in share capital; and

N_{new} is the number of Shares existing after the change in share capital;

iii) an amount as calculated by the following formula in case of a distribution of tradable put options in lieu of a cash dividend (the "**Put Option**"):

$$VWAP \times (P / N)$$

where:

VWAP is the average of the daily VWAP of the Put Option on each of the five (5) consecutive Trading Days for the Put Options commencing on the Ex-Date (or, if this is not a Trading Day for the Put Options, the first such Trading Day following the Ex-Date);

P is the number of Put Options to be issued; and

N is the number of Shares existing.

Such adjustment shall become effective on the date (for the purpose of this Condition 6(a)(iv) only, the "**Adjustment Date**") which is the Ex-Date (or, in the case of Put Options according to (iii) above, the sixth (6^{th}) Trading Day following the Ex-Date (or, if later, the first date on which the adjustment is capable of being determined by the Paying and Conversion Agent in accordance with these Conditions)).

b) Calculation of adjustments

i) Each adjustment to be made pursuant to Condition 6(a) shall be calculated by the Paying and Conversion Agent and shall (in the absence of manifest error) be binding on all parties concerned. The Principal Paying and Conversion Agent shall for the purpose of the foregoing provisions only be liable for making, or not making, adjustments or taking, or not taking, any other measures in connection with these Bonds, if and to the extent that it fails to act with due care according to established market practice. The Principal Paying and Conversion Agent may engage the advice or services of any Common Expert whose advice or services it may consider necessary and rely upon any advice so obtained, and the Paying and Conversion Agent shall incur no liability as against the Issuer or the Holders in respect of any action taken, or not taken, or suffered to be taken, or not taken, in accordance with such advice and in exercising due care according to established market practice.

ii) If in case of any adjustment the resulting Conversion Price is not an integral multiple of CHF 0.01 (one hundredth of a Swiss franc), it shall be rounded to the nearest whole or multiple of CHF 0.01 (one hundredth of a Swiss franc) with 0.005 being rounded upwards.

iii) The Issuer will procure that a notice is published in the manner described in Condition 10 as soon as practicable after either the date on which any adjustment to the Conversion Price becomes effective or, if no adjustment is required, the date on which it is possible to determine that such is the case.

c) Retroactive Adjustments

If (i) the delivery date in relation to any Settlement Shares falls after the relevant Record Date for any payment, issue, sale, grant or offer or any other entitlement which leads to an adjustment of the Conversion Price pursuant to Condition 6(a) (or, in the case of Condition 6(a)(iv), which would have led to an adjustment of the Conversion Price assuming for this purpose only that the Threshold Amount was equal to zero), and (ii) the Conversion Date falls before the date on which the relevant adjustment to the Conversion Price becomes (or, in the case of Condition 6(a)(iv) in the circumstances as aforesaid, would have become) effective under Condition 6(a), the Issuer shall procure that there shall be issued to the converting Holder such number of additional number of Shares (the "**Additional Shares**") as, together with the number of Shares delivered or to be delivered on conversion (together with any fraction of any Share not so issued but only to the extent no Cash Payment for Fractions was required to be made in respect thereof) is equal to the number of Shares which would have been required to be delivered on conversion if the relevant adjustment to the Conversion Price (assuming for this purpose, in the case of Condition 6(a)(iv), that the Threshold Amount is equal to zero) had in fact been made and become effective on or prior to the Conversion Date (the "**Retroactive Adjustment**"). Without prejudice to the provisions of Condition 3, upon a Retroactive Adjustment becoming effective in accordance with this Condition 6(c), the delivery of the relevant Additional Consideration shall be made within ten (10) Business Days after the first date on which it is possible to calculate such adjustment. Without prejudice to the foregoing and to mandatory provisions of applicable law, in the event that a payment, issue, sale, grant or offer leading to an adjustment pursuant to Condition 6(a) is effected between the above mentioned Conversion Date and the date of delivery of the relevant Additional Consideration, the Issuer shall request a Common Expert to determine the amount of the further consideration to be made to the converting Holder, whether in kind or in cash, so that the Holder may be substantially treated as if such Holder actually held the Additional Consideration on the Conversion Date.

d) Events not giving rise to Adjustments

No adjustment to the Conversion Price will be made:

i) as a result of any issue or distribution of Shares or Other Securities if the pre-emptive rights (*Bezugsrechte*) in respect thereof under the Swiss Federal Code of Obligations have been validly excluded by resolution of the general meeting of shareholders or by the board of directors of the Issuer, unless a pre-emptive right in respect thereof is granted indirectly to the shareholders by a third party with the agreement of the Issuer; or

ii) as a result of any public issue of bonds convertible or exchangeable into Shares or bonds with options to subscribe for Shares, such issue being in connection with a conditional increase of the share capital of the Issuer, irrespective of whether in respect of such issue the advance subscription rights to acquire such bonds (*Vorwegzeichnungsrechte*) have been excluded or not, unless advance subscription rights have been granted to the shareholders of the Issuer and are traded on the Relevant Exchange; or

iii) if Shares or Other Securities (including pre-emptive rights, options or warrants in relation to Shares or Other Securities) are issued, offered or granted to, or for the benefit of, members of the board of directors, officers or employees of the Issuer or any of its Subsidiaries or any associated company or to trustees to be held for the benefit of any such person, in any such case pursuant to any employee share or option scheme; or

iv) if an increase in the Conversion Price would result from such adjustment, except in case of an exchange of the Shares for Other Securities or a consolidation of Shares; or

v) if the Conversion Price would fall below the nominal value of a Share. In this case, the Conversion Price will be adjusted to the nominal value of a Share and any remaining reduction of the Conversion Price resulting from such adjustment or from any further adjustment will be carried forward and only be applied if and to the extent the nominal value of a Share will be reduced.

e) Other Events

If the Issuer determines, after consultation with the Paying and Conversion Agent, or the Paying and Conversion Agent determines after consultation with the Issuer, that notwithstanding Condition 6(a) and Condition 6(d) an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in Condition 6(a) or circumstances including circumstances listed in Condition 6(d) having arisen which have an adverse effect on the right to convert Bonds and no adjustment to the Conversion Price under Condition 6(a) would otherwise arise or an adjustment would be excluded according to Condition 6(d), the Paying and Conversion Agent shall engage the advice or services of a Common Expert to determine as soon as practicable what adjustment, if any, to the Conversion Price or amendment, if any, to the terms of this Condition 6 is fair and reasonable to take account thereof and the date on which such adjustment and/or amendment should take effect. If several events occur which become effective on the same Trading Day and which would lead to an adjustment of the Conversion Price pursuant to Condition 6(a), the decision as to the manner of calculating the adjustment of the Conversion Price shall also be taken by a Common Expert. The decision of the Common Expert shall be binding as set forth in Condition 17(19). The Paying and Conversion Agent shall have no responsibility to make any inquiries as to whether or not any event has occurred which might require an adjustment to the Conversion Price or amendment, if any, to the terms of this Condition 6.

f) Correction of Adjustments

If an adjustment has been made in accordance with Condition 6(a) based on events or circumstances that subsequently are not implemented or are implemented in a manner materially different than anticipated when calculating the adjustment, then the Issuer and the Paying and Conversion Agent shall determine whether and to what extent the adjustment previously made shall be corrected. The Paying and Conversion Agent may engage the services of a Common Expert to determine whether and to what extent a correction shall be made. The decision of the Common Expert shall be binding. The Paying and Conversion Agent shall have no responsibility to make any inquiries as to whether or not any event has occurred which might require correction of an adjustment to the Conversion Price previously made.

7 Change of Control

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

i) an offer to acquire 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 (or a combination of the exceptions pursuant to (bb) and (cc)), 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 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 at least fifty (50) per cent of the voting rights (whether 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 (whether 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 in respect of the exercise of such voting rights); or

iv) the legal or beneficial ownership of all or substantially all of the assets owned, directly or indirectly, by the Issuer is acquired by one or more other persons.

b) Change of Control Notice

Upon a Change of Control, the Issuer shall give notice of the fact that a Change of Control occurred (the "**Change of Control Notice**") to the Holders no later than two (2) Trading Days after the occurrence of a Change of Control in the form set out in Condition 10. The Change of Control Notice shall:

i) inform the Holders of their right to either require redemption of the Bonds pursuant to Condition 7(d) or, if applicable, exercise their Conversion Rights for a period of thirty (30) Trading Days (the "**Change of Control Period**") starting on the Trading Day following the date of publication of the Change of Control Notice at the adjusted Conversion Price, as further described in Condition 7(c);

ii) specify the date (the "**Change of Control Redemption Date**"), being not more than fifty (50) and not less than forty-one (41) Trading Days after publication of the Change of Control Notice on which the Bonds may be redeemed at the option of the Holders pursuant to Condition 7(d);

iii) specify the Conversion Price in effect immediately prior to the Change of Control and the adjusted Conversion Price applicable as a consequence of the Change of Control and (calculated for this purpose, based on the date immediately preceding the date on which the Change of Control Notice is given); and

iv) provide details concerning the Change of Control.

c) Adjustment of Conversion Price upon Change of Control

If a Change of Control occurs, the Conversion Price for Bonds converted on a Conversion Date falling within the Change of Control Period shall be adjusted as follows:

$$\text{Conversion Price} = RP \times (1 + (CP \times (1 - c/t)))$$

where:

RP Conversion Price on the relevant Conversion Date, divided by (1 + CP);

CP the initial conversion premium of 12.5 per cent (expressed as a fraction);

c the number of calendar days from and including the date of occurrence of the Change of Control Event to but excluding the fortieth (40^{th}) Trading Day prior to the Maturity Date; and

t the number of calendar days from and including the Payment Date to but excluding the fortieth (40^{th}) Trading Day prior to the Maturity Date.

d) 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 any Bond of such Holder on the Change of Control Redemption Date at its Principal Amount (together with unpaid accrued interest to such 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 Paying and Conversion Agent (a "**Change of Control Redemption Notice**"), together with clearing instructions in a form satisfactory to the Paying and Conversion Agent allowing for the transfer of the relevant Bond(s) through the Intermediary to the Paying and Conversion Agent. No Bond or Change of Control Redemption Notice so deposited may be withdrawn without the consent of the Issuer.

e) Conversion after the Change of Control Redemption Date

With respect to the Bonds that remain outstanding after the Change of Control Redemption Date, in the case of a Change of Control as defined in Condition 7(a)(ii) and if the Issuer is not the surviving company, the Issuer shall use its commercially reasonable efforts to ensure that each Bond shall be convertible into such shares or other equity securities, including depositary receipts issued for the same and any other consideration (including cash) which such Holder would have received in the Change of Control transaction if such Holder had exercised its Conversion Rights immediately prior to the date of the Change of Control Notice (and then participated in the Change of Control transaction).

8 Status and Negative Pledge

a) The Bonds constitute direct, unconditional, and (subject to Condition 8(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) 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 Representative in its discretion.

For the purposes of this Condition 8, "**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 8, 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 or to secure any guarantee or indemnity in respect of any Relevant Debt (whether or not also securing other indebtedness or obligations), provided, however, that the consolidated amount of the Relevant Debt secured (directly or indirectly) by such Permitted Security may not exceed sixty-five (65) per cent of the total market value (fair value) of the Issuer's and its Subsidiaries' 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**").

9 Event of Default

The Paying and Conversion Agent in its capacity as holder representative (the "**Holder Representative**") has the right but not the obligation, on behalf of the Holders, to declare all Bonds to be repayable as specified in this Condition 9, at the Principal Amount (together with unpaid accrued interest) by serving a written notice of default upon the Issuer, but only in case of the occurrence of any of the following events (each event an "**Event of Default**"):

a) there is a failure by the Issuer (i) to pay the Coupon Amount or the Principal Amount on any of the Bonds when due or the Cash Conversion Amount when due or the Cash Settlement Amount when due (ii) to deliver Shares, if any, upon conversion of any Bonds, if and when due and such failure continues for a period of ten (10) Business Days; or

b) a default is made by the Issuer in the performance or observance of any material covenant, condition or provision contained in the Terms of the Bonds which is to be performed or observed on its part, the Holder Representative considers such default to be materially prejudicial to the interests of the Holders, and such default continues for the period of thirty (30) Business Days following the service by the Holder Representative on the Issuer of a notice requiring such default to be remedied; or

c) any other present or future indebtedness of the Issuer or of any Material Subsidiary for or in respect of monies borrowed or raised is not paid when due or, as the case may be, within any applicable grace period, or becomes due and payable prior to its stated maturity as a result of an event of default (howsoever described), or any security in respect of any such indebtedness becomes enforceable or any guarantee of, or indemnity in respect of, any such indebtedness given by the Issuer or any Material Subsidiary is not honoured when due and called upon or, as the case may be, within any applicable grace period, provided that no such event shall be taken into account for the purposes of this paragraph (c) 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 be 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

d) 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

e) 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

f) 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 applies for a stay of execution, or a postponement of payments (*Stillhaltevereinbarung*), a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any 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

g) the Issuer or any Material Subsidiary alters its legal or commercial structure through bankruptcy, liquidation, disposal of all or substantially all of its assets, changes the objects of the company and/or commercial activities or merges with a third party (other than the Issuer or any of its Subsidiaries) and such merger does not constitute a Change of Control, 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 Holder Representative the situation of the Holders as a consequence of the securities created or other steps taken by the Issuer includes adequate protection of the Holders; or

h) a dissolution or merger involving the Issuer as a result of which the Issuer is not the surviving company, unless the successor company assumes all the Issuer's liabilities.

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

If an Event of Default occurs, the Holder Representative has the right but not the obligation to serve a written notice of default upon the Issuer, such notice having the effect that the Bonds shall become immediately due and repayable at the Principal Amount (together with unpaid accrued interest) on the day the default notice is given.

10 Notices

All notices to Holders regarding the Bonds (the "**Notices**") shall be published by the Paying and Conversion Agent on behalf of, and in accordance with directions by and at the expense of the Issuer in due time in a daily newspaper nationally circulated in Switzerland, expected to be the Neue Zürcher Zeitung.

Upon the first Trading Day of the Bonds on the Relevant Exchange and for as long as the Bonds are admitted to trading or listed on the Relevant Exchange, all Notices may be validly published according to the then applicable rules of the Relevant Exchange, in case of SIX Swiss Exchange currently electronically on its internet website (https://www.six-swiss-exchange.com/news/official_notices/search_en.html), save as otherwise required by law, replacing the publication in a daily newspaper pursuant to the preceding paragraph.

11 Listing

The Issuer will use its reasonable efforts to have the Bonds listed on 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. The Issuer will use all reasonable efforts to have the Shares listed and to maintain a listing for all the issued Shares on SIX Swiss Exchange or any other Relevant Exchange.

12 Statute of Limitations

Claims for payment of the Principal Amount, of the Cash Conversion Amounts, of the Cash Settlement Amount and of Cash Payments for Fractions, respectively, cease to be enforceable by legal action in accordance with the applicable Swiss statute of limitations, presently after ten (10) years in each case from their relevant due dates for payment. Claims for payments of Coupon Amounts cease to be enforceable by legal action in accordance with the applicable Swiss statute of limitations, presently after five (5) years from their relevant due dates for payment.

13 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 may arise between Holders on the one hand and the Issuer on the other hand regarding the Bonds and the Terms of the Bonds shall be submitted to the exclusive jurisdiction of the courts of the City of Zurich (Zurich 1), Switzerland.

The Issuer shall be discharged by and to the extent of any payment or delivery of Shares made in respect of any Bonds to a person recognised as a creditor by an enforceable judgement of a Swiss court.

14 Amendment to these Terms

The Terms of the Bonds may be amended from time to time by agreement between the Issuer and the Holder Representative, acting on behalf of and with effect for all present and future Holders, provided that in the sole opinion of the Holder Representative such amendment is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Holders.

Notice of any such amendment shall be published in accordance with Condition 10 above.

Any such amendment shall be binding on the Issuer and the Holders in accordance with its terms.

15 Role of Joint Bookrunners

Each of Vontobel, CS and UBS will act as a joint bookrunner (the "**Joint Bookrunners**"). CS will also act as Paying and Conversion Agent and as Listing Agent of this Bond issue and does or may also act as Holder Representative, but only in the cases stated explicitly in these Terms of the Bonds. In any other cases, none of the Joint Bookrunners is obliged to take or to consider any actions on behalf or for the benefit of the Holders.

16 Severability

If at any time any one or more of the provisions of the Terms of the 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.

17 Definitions

1 "**Additional Consideration**" has the meaning given to it in Condition 6(c);

2 "**Agreement**" has the meaning given to it in the preamble;

3 "**Alternative Election**" has the meaning given to it in Condition 3(a)(iii);

4 "**Alternative Election Notice**" has the meaning given to it in Condition 3(a)(iii);

5 "**Average VWAP**" has the meaning given to it in Condition 3(a)(ii);

6 "**Bond(s)**" has the meaning given to it in the preamble;

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

8 "**Cash Conversion Amount**" has the meaning given to it in Condition 3(a)(ii);

9 "**Cash Payment for Fractions**" has the meaning given to it in Condition 3(a)(iv);

10 "**Cash Settled Shares**" has the meaning given to it in Condition 3(a)(iii);

11 "**Cash Settlement Amount**" has the meaning given to it in Condition 3(a)(iii);

12 "**Change of Control**" has the meaning given to it in Condition 7(a);

13 "**Change of Control Notice**" has the meaning given to it in Condition 7(b);

14 "**Change of Control Period**" has the meaning given to it in Condition 7(b)(i);

15 "**Change of Control Redemption Date**" has the meaning given to it in Condition 7(b)(ii);

16 "**Change of Control Redemption Notice**" has the meaning given to it in Condition 7(d);

17 "**CHF**" has the meaning given to it in the preamble;

18 "**CO**" has the meaning given to it in Condition 1(b);

19 "**Common Expert**" means an independent investment bank of international repute or an independent law firm or accounting firm of international repute or an independent financial advisor with relevant expertise of international repute (an "**Expert**") selected and instructed by the Issuer and the Paying and Conversion Agent by mutual agreement. If the Issuer and the Paying and Conversion Agent do not mutually agree on an Expert within seven (7) calendar days from the beginning of the appointment process, each of the Issuer and the Paying and Conversion Agent shall select an Expert, whereby the so elected Experts shall together select a third Expert. In case the two selected Experts

do not mutually agree on a third Expert within seven (7) calendar days after being appointed, each of them shall select another Expert, whereby a Swiss Notary Public appointed by the Paying and Conversion Agent will pick one of these two Experts as third Expert by drawing lots. In the case of the appointment of three Experts references in the Terms of the Bonds to a Common Expert shall be deemed to refer to these three Experts, deciding by majority decision. Decisions of the Common Expert shall be final and binding on the Issuer, the Holders and the Paying and Conversion Agent. The Paying and Conversion Agent shall incur no liability against the Issuer or the Holders in respect of any action taken, or suffered to be taken, in accordance with such decision and in good faith. The fees and costs of the Common Expert shall be borne by the Issuer;

20 "**Condition**" has the meaning given to it in the preamble;

21 "**Conversion Date**" has the meaning given to it in Condition 3(b)(i);

22 "**Conversion Equivalent Shares**" has the meaning given to it in Condition 3(a)(iii);

23 "**Conversion Notice**" has the meaning given to it in Condition 3(b)(i);

24 "**Conversion Period**" means the period during which a Holder may exercise the Conversion Right at its option, such period commencing forty-one (41) days after the Payment Date and lasting up to and including the earlier of (i) fourty (40) Trading Days before the Maturity Date or (ii) in case of early redemption of the Bonds pursuant to Condition 5(b) twenty (20) Trading Days prior to the date fixed for early redemption;

25 "**Conversion Price**" means CHF 101.61 subject to adjustments in accordance with Condition 6 and 7(c);

26 "**Conversion Reference Period**" has the meaning given to it in Condition 3(a)(ii);

27 "**Conversion Ratio**" has the meaning given to it in Condition 3(a)(ii);

28 "**Conversion Right**" means the right of a Holder to request conversion of any Bond in accordance with the provisions of these Terms of the Bonds;

29 "**Conversion Value**" has the meaning given to it in Condition 3(a)(ii);

30 "**Coupon Amount**" has the meaning given to it in the first paragraph of Condition 2;

31 "**Coupon Amount Payment Date**" means 16 January in each year from and including 16 January 2019 to and including the Maturity Date;

32 "**CS**" has the meaning given to it in the preamble;

33 "**Current Market Price**" means the average of the daily VWAPs of one Share on each of the five (5) consecutive Trading Days ending on (and including) the Trading Day immediately preceding the date by reference to which such Current Market Price is to be calculated, provided that when calculating the average of the VWAPs the gross dividend amount (or any other entitlement), if any, of any dividend (or any other entitlement) paid for which an Ex-Date occurs during the above mentioned five (5) consecutive Trading Days, shall be deducted from the VWAPs on each (if any) of the Trading Days on which the Shares are traded cum- such dividend (or any other entitlement);

34 "**Distribution**" has the meaning given to it in Condition 6(a)(iii);

35 "**Distribution Date**" has the meaning given to it in Condition 6(a)(iii)(B);

36 "**Dividend**" means a distribution per Share made by the Issuer to holders of the Shares at any time as (i) a cash dividend, (ii) a repayment of paid-in capital in cash, (iii) a stock dividend in lieu of a cash dividend, or (iv) tradable put options in lieu of a cash dividend;

37 "**Effective Date**" means the last date on which the Shares are traded cum—dividend on the Relevant Exchange;

38 "**Election Date**" has the meaning given to it in Condition 3(a)(iii);

39 "**Event of Default**" has the meaning given to it in Condition 9;

40 "**Ex-Date**" means the first day on which the Shares are traded on the Relevant Exchange without entitlement (ex);

41 "**Expert**" shall have the meaning given to it in the definition of Common Expert;

42 "**Extraordinary Dividend**" means (i) any Dividend paid or made by the Issuer in the course of any successive 12 (twelve) month period following the Payment Date (the "**Relevant Year**"), if the making or payment of such Dividend will lead to the total of any such Dividends including any Dividends previously made or paid in such Relevant Year to exceed the Threshold Amount and (ii) any Dividend paid or made after, but in the same Relevant Year as, any Dividend determined to be an Extraordinary Dividend pursuant to limb (i) of this definition;

43 "**FISA**" has the meaning given to it Condition 1(b);

44 "**Fraction(s)**" means one or more fractions of Shares;

45 "**Holder**" has the meaning given to it in the preamble;

46 "**Holder Representative**" has the meaning given to it in Condition 9;

47 "**Initial Bond Floor**" has the meaning given to it in Condition 4;

48 "**Intermediary**" has the meaning given to it in Condition 1(b);

49 "**Intermediated Securities**" has the meaning given to it Condition 1(b);

50 "**Issuer**" has the meaning given to it in the preamble;

51 "**Joint Bookrunners**" has the meaning given to it in Condition 15;

52 "**Listing Agent**" means CS, appointed as recognized representative pursuant to art. 43 of the listing rules of SIX Swiss Exchange to file the listing application (including the application for provisional admission to trading) for the Bonds with SIX Swiss Exchange;

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

a. the assets, net sales and operating profit 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 operating income and consolidated operating profits 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 subsidiary has become a Material Subsidiary, it shall be considered one until it has been demonstrated to the reasonable satisfaction of the Paying and Conversion 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.

54 "**Maturity Date**" means 16 January 2025;

55 "**Net Shares**" has the meaning given to it in Condition 3(a)(ii);

56 "**Notices**" has the meaning given to it in Condition 10;

57 "**Notice of Delisting**" has the meaning given to it in Condition 5(c);

58 "**Other Securities**" means equity securities of the Issuer other than Shares;

59 "**Payment Date**" means 16 January 2016;

60 "**Permitted Security**" has the meaning given to it in Condition 8(b);

61 "**Portfolio Value**" has the meaning given to it in Condition 8(b);

62 "**Principal Amount**" has the meaning given to it in Condition 1(a);

63 "**Paying and Conversion Agent**" has the meaning given to it in Condition 1(e);

64 "**Purchase Rights**" has the meaning given to it in Condition 6(a)(ii);

65 "**Put Notice**" has the meaning given to it in Condition 5(c);

66 "**Put Option**" has the meaning given to it in Condition 6(a)(iv);

67 "**Record Date**" means the relevant due date for the determination of the entitlement of holders of the Shares to receive any dividend or other entitlement;

68 "**Redemption**" has the meaning given to it in Condition 5(a);

69 "**Regulation S**" has the meaning given to it in Condition 3(b)(i);

70 "**Relevant Debt**" has the meaning given to it in Condition 8(b);

71 "**Relevant Exchange**" means (i) in the case of Shares, SIX Swiss Exchange or any successor thereof or, if the Shares are no longer admitted to trading on SIX Swiss Exchange or such successor thereof, the principal stock exchange or securities market on which the Shares are traded, and (ii) in the case of other securities, the principal stock exchange or securities market on which such other securities are traded;

72 "**Relevant Put Date**" means the fourteenth (14^{th}) calendar day after the expiry of the period of sixty (60) calendar days referred to in Condition 5(c). If such day does not fall on a Business Day, the Relevant Put Date shall be the Business Day immediately following such day;

73 "**Relevant Year**" has the meaning given to it in Condition 17(42);

74 "**Retroactive Adjustment**" has the meaning given to it in Condition 6(c);

75 "**Securities Act**" has the meaning given to it in Condition 3(b)(i);

76 "**Settlement Shares**" has the meaning given to it in Condition 3(a)(iii);

77 "**Shares**" means issued and fully paid registered shares of currently CHF 15.30 (fifteen francs thirty) nominal value each of the Issuer or any other shares or stock resulting from any subdivision, consolidation or reclassification of such shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation of the Issuer;

78 "**SIS**" has the meaning given to it in Condition 1(b);

79 "**SIX Swiss Exchange**" means SIX Swiss Exchange Ltd or any successor to SIX Swiss Exchange Ltd;

80 "**Specified Office**" means Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland;

81 "**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;

82 "**Swiss Federal Stamp Duty**" means (a) the transfer stamp duty that may become due on the transfer of securities if a transfer is made by or through a Swiss securities dealer (*Effektenhändler*) within the meaning of the Swiss Stamp Duty Act of 27 June 1973, as amended (*Bundesgesetz über die Stempelabgaben*) and (b) the capital issuance stamp duty becoming due upon the issuance of any new Shares by the Issuer;

83 "**Terms of the Bonds**" has the meaning given to it in the preamble;

84 "**Threshold Amount**" means CHF 3.70 per Share, subject to adjustment (rounded to 4 decimal places, with 0.00005 rounded upwards) in proportion to any adjustment to the Conversion Price in accordance with Condition 6;

85 "**Trading Day(s)**" means any day (other than a Saturday or Sunday) on which (i) (unless otherwise specified) in respect of the Shares, the Relevant Exchange in respect thereof is open for business and Shares may be dealt in or (ii) in respect of other relevant securities, the Relevant Exchange in respect thereof is open for business and the relevant securities may be dealt in;

86 "**UBS**" has the meaning given to it in the preamble;

87 "**Vontobel**" has the meaning given to it in the preamble;

88 "**VWAP**" has the meaning given to it in Condition 3(a)(ii);

89 "**Withholding Tax**" has the meaning given to it in Condition 4.

INFORMATION ON THE SHARES

Share Category

The Shares are fully paid-up registered shares of the Issuer of currently CHF 15.30 nominal value each.

Transfer Restrictions

Only holders of Shares who have been registered in the Issuer's share register will be recognised by the Issuer as shareholders for the purposes of the exercise of any shareholder rights. Registration in the share register will be made upon request, if the acquirer declares to have acquired the Shares in its own name and for its own account. The Board of Directors is empowered to refuse the recognition of a foreign acquirer as a shareholder with voting rights, if this could prevent the Issuer from furnishing proof regarding the composition of its shareholder base as required by Swiss federal laws.

Listing

The Shares are listed in accordance with the Standard for Real Estate Companies and traded on the SIX Swiss Exchange.

Share Price (on SIX Swiss Exchange)

Further information is available on the website of the SIX Swiss Exchange (www.six-swiss-exchange.com), section "Market Data", subsection "Shares", subsection "Quotes" and on the Issuer's website (www.sps.swiss), section "Investors", subsection "Shares".

Distributions per Share

Fiscal Year	in CHF per Share	Date of payment
2012	3.60 (distribution of capital contribution reserves)	24 April 2013
2013	3.60 (distribution of capital contribution reserves)	25 April 2014
2014	3.70 (distribution of capital contribution reserves)	21 April 2015
2015	3.70 (distribution of capital contribution reserves)	19 April 2016
2016	3.70 (distribution of capital contribution reserves)	20 April 2017

INFORMATION ON THE ISSUER AND THE GROUP

Corporate Information

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, where it is currently registered 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, 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 the Issuer's 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*):

[1] *The purpose of the company is the direct or indirect participation in enterprises of all kind, primarily in enterprises based in Switzerland. The direct or indirect participation in enterprises based abroad is also encompassed by the purpose of the company. The company may establish enterprises in Switzerland and abroad, acquire majority or minority participations in existing enterprises, and finance such enterprises.*

[2] *Further, the company may engage in all businesses and take all legal actions which are destined or suitable to develop the enterprise or to promote or facilitate the company's purpose. The company may also raise debt to promote its purpose.*

[3] *The company may establish branches in Switzerland and abroad.*

The Swiss Prime Site Group

Summary of the Group's history

The Issuer is the parent company of the Swiss Prime Site Group and is the largest publicly listed Swiss real estate investment company focusing on commercial real estate in Switzerland.

In 2009, the Issuer has acquired 100% of Jelmoli Holding Ltd by way of a successful unsolicited exchange offer. Prior to the exchange offer, the Issuer had acquired a substantial minority stake from Jelmoli Holding Ltd's major shareholder at that time. With the acquisition of Jelmoli Holding Ltd, the Issuer became the largest real estate investment group in Switzerland.

In 2012, the Issuer acquired Wincasa, a leading real estate services company in Switzerland.

In 2013, the Issuer acquired Tertianum Group, the leading company in the assisted living segment in Switzerland.

In 2015, the Issuer founded the Swiss Prime Investment Foundation ("**Investment Foundation**", *Swiss Prime Anlagestiftung*) and launched the first investment group "SPA Real Estate Switzerland" on this Investment Foundation. A total of CHF 550 million was raised from the first issue by SPA Real Estate Switzerland and fully invested as at year-end. Issue volume was oversubscribed threefold with CHF 1.5 billion. The Issuer is responsible for the corporate management as well as asset management of Investment Foundation.

Furthermore, the Issuer has sold its Clouds Gastronomy Business to Candrian Catering AG as at 1 January 2015.

In 2015, the Issuer also acquired SENIOcare Group from the private equity investment group Waterland. SENIOcare is a company active in the assisted living market. As a result, Tertianum Group became the strongest private provider in the assisted living market segment in terms of revenues.

In December 2015, the Issuer further acquired the senior care business activities of Boas-Yakhin Holding SA, a leading company in the field of senior housing and geriatric care facilities in Western Switzerland. The acquisition of the senior care activities of Boas-Yakhin Holding AG was consummated at the end of February 2016. The acquisition enables Tertianum Group to achieve total geographic coverage of Switzerland in the assisted living segment and extend its leading market position.

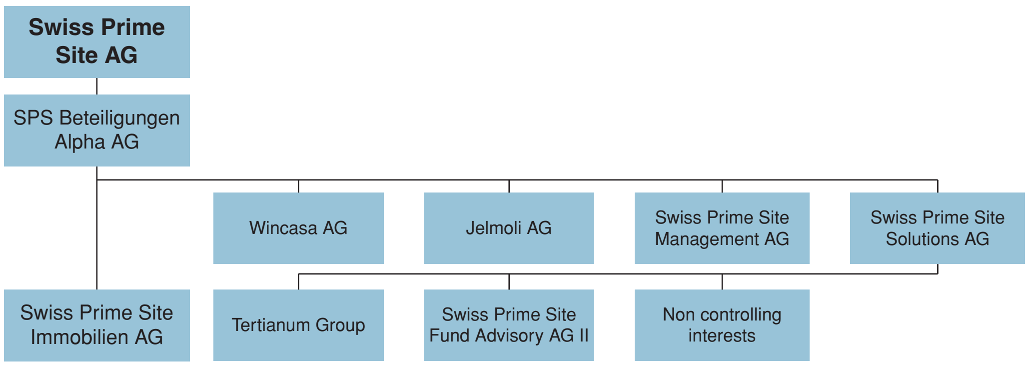
In 2016, the Issuer acquired immoveris ag and immoveris properties ag, real estate service companies. As a result Wincasa's market position as leading real estate service company has been further strengthened.

In 2017, the Group acquired 100% of the shares of Résidence Gottaz Senior S.A. and expanded its presence in the assisted living sector in French-speaking Switzerland.

In 2017, the Group also acquired 100% of the shares of Bellevue-Bau AG. The company's assets include three fully let buildings in Winterthur with an aggregate floorspace of 22 700 m^2.

Overview of the group

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



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

The real estate assets of the Group are predominantly held in Swiss Prime Site Immobilien AG.

Board of Directors, Management and Employees

Board of Directors

The members of the Board of Directors and the Chairman are elected individually by the shareholders' meeting for a term of one year until the end of the next ordinary general meeting. Re-election is permitted.

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

Name	Year of Birth	Position	Elected until
Hans Peter Wehrli	1952	Chairman	2018
Mario F. Seris	1955	Vice-Chairman	2018
Elisabeth Bourqui	1975	Non-executive member	2018
Christopher M. Chambers	1961	Non-executive member	2018
Rudolf Huber	1955	Non-executive member	2018
Klaus R. Wecken	1951	Non-executive member	2018

Prof. em. 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 between 1993 and 2017.

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.

Elisabeth Bourqui, 1975, Zurich
Member of the Board of Directors

Education: Dr. sci. math. ETH Zurich; Dipl. Math. ETH Zurich.

Professional activity: 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 as Head of Pension Management at ABB Group.

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.

Dr. Rudolf Huber, 1955, Pfäffikon SZ
Member of the Board of Directors

Education: Dr. oec. publ.
Rudolf Huber obtained a PhD in business management studies in 1982 and a doctorate in business management studies in 1985 from the University of Zurich.

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

Klaus R. Wecken, 1951, Bürgenstock
Member of the Board of Directors

Education: Studies in economics at the University of Freiburg in Breisgau.

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

None of the members of the Board of Directors is or has been during the past five years subject to any convictions for finance or business-related crimes or to legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

The business address of all members of the Board of Directors listed above is c/o Swiss Prime Site AG, Frohburgstrasse 1, 4601 Olten, Switzerland.

The Board of Directors designates a chairman of the Board of Directors and a secretary, who does not need to be a member of the Board of Directors. The Board of Directors is quorate, if the majority of the members of the Board of Directors is present and passes resolutions with the majority of cast votes. No such quorum is necessary for amendment and establishment resolutions in connection with share capital increases and subsequent fulfillment of partial paid-in capital (*Nachliberierung*). In case of a tie vote, the Chairman has the decisive vote. Resolutions may also be passed by way of telephone, or, in case no member of the Board of Directors requests a verbal debate, by way of circular resolutions in the form of letters, faxes, telegrams or e-mail. Such resolutions have to be included in the protocol of the Board of Directors' meetings. The signatory powers of the members of the Board of Directors follow the entry in the Commercial Register. Currently, the members of the Board of Directors have joint signatory powers.

In addition, the Board of Directors has established the following committees:

- Audit Committee comprising Rudolf Huber, chairman, Christopher M. Chambers, member and Elisabeth Bourqui, member;
- Compensation Committee comprising Mario F. Seris, chairman, Christopher M. Chambers, member and Elisabeth Bourqui, member;
- Investment Committee (*Anlageausschuss*) comprising Hans Peter Wehrli, member, Mario F. Seris, member, René Zahnd, member, Peter Lehmann, member and Markus Meier, member.

Management

The Issuer's management board (the "**Management Board**") currently consists of six members:

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

René Zahnd, 1966, Bern
Member of the Executive Board, Chief Executive Officer

Education: Attorney at Law

Professional activity: René Zahnd has been Chief Executive Officer of SPS since 1 January 2016; prior to that, he 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 Dezennium 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 the Group (from beginning of 2016): Chairman of the board of directors of the following group companies: Jelmoli AG, Zurich; SPS Beteiligungen Alpha 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.

Markus Meier, 1964, Winterthur
Member of the Executive Board, Chief Financial Officer

Education: 1990 Bachelor in Business Administration (Zurich University of Applied Sciences), 1994 Certified Public Accountant

Professional activity: Markus Meier has been Chief Financial Officer of SPS 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 SPS 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 the Group: Member of the board of directors of the following group companies: Jelmoli AG, Zurich; SPS Beteiligungen Alpha 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 the SPS and Jelmoli charitable foundation, Zurich

Peter Lehmann, 1958, Wilen bei Wollerau
Member of the Executive Board, chief executive officer of Swiss Prime Site Immobilien AG

Education: Peter Lehmann graduated as construction planner from GIB Solothurn in 1978

Professional activity: Peter Lehmann has been Chief Investment Officer of SPS 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 the Group: None.

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

Oliver Hofmann, 1970, Horgen
Member of the Executive Board, chief executive officer of Wincasa AG

Education: banking studies, bachelor in economics and business administration, master of science in real estate of 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 since 1 June 2013. In addition to spending a few years of his professional career in the finance department at IBM (Switzerland) Ltd, he previously worked at UBS AG for more than 15 years with other intermittent activities (investment advisor in wealth management, corporate finance, build-up of Swiss real estate advisory services). From 2007 to 2012, he held the position of head of real estate advisory Switzerland at UBS AG. From 2010 to September 2013, Oliver Hofmann served as chairman of RICS Switzerland—Royal Institution of Chartered Surveyors. He is also a member of the G15—Group of Fifteen.

Other mandates:
Mandates within the Group: Member of the foundation board of the pension fund SPS and Jelmoli, Zurich; member of the foundation board of the charitable foundation SPS and Jelmoli, Zurich; chairman of the board of directors of immoveris ag, Berne.

Franco Savastano, 1965, Stallikon
Member of the Executive Board, chief executive officer of Jelmoli AG

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

Professional activity: Franco Savastano has been chief executive officer of Jelmoli—The House of Brands department store in Zurich since 1 April 2012 and member of the Swiss Prime Site Executive Board. From 2001 to 2012, he was a member of the executive board of Brunschwig & Cie. SA, where 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, he held positions as head of the creative teams for the 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 the Group: Member of the foundation board of the pension fund SPS and Jelmoli, Zurich; member of the foundation board of the charitable foundation SPS and Jelmoli, Zurich.

Dr. Luca Stäger, 1967, Zurich
Member of the Executive Board, chief executive officer of Tertianum Gruppe AG

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 Executive Board of SPS since 1 January 2014. He began his professional career at Price Waterhouse as a consultant with 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 the Group: Chairman of the board of directors of Perlavita Rosenau AG, Kirchberg; 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 Marroniers 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).

None of the members of the Executive Management is or has been during the past five years subject to any convictions for finance or business-related crimes or to legal proceedings by statutory or regulatory authorities (including designated professional associations) that are ongoing or have been concluded with a sanction.

The business address of all members of the Management Board listed above is c/o Swiss Prime Site AG, Frohburgstrasse 1, 4601 Olten, Switzerland.

Employees

The business operations of the Issuer are primarily executed through its Subsidiaries. The number of employees employed by the Swiss Prime Site Group as per 30 June 2017 amounts to 5'696 (full-time equivalents 4'589).

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.

Capital

Issued and registered 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. The Issuer's share capital registered in the Commercial Register of the Canton of Solothurn as of the date of this Prospectus amounts to CHF 1'093'627'430.10, corresponding to 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 "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*).

Authorised Share Capital

Article 3a of the Articles of Association (Authorised 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 create share capital pursuant to art. 3a (authorised 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 (authorized 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 right (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

1) *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*

2) *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,

1) *bonds shall be placed with the public at market conditions;*

2) *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*

3) *the exercise price for new shares shall amount to at least the market price at the time when the bonds are issued.*

On 8 January 2018, the Board of Directors resolved to reserve the allocation of 290'250 Shares from conditional share capital in accordance with article 3b para. 1(a) of its Articles of Association to settle at least the above par amount in Shares (so called Net Share Settlement). The Shares to be delivered upon conversion of Bonds will rank *pari passu* in all respects with each other and with the existing Shares.

Treasury Shares

As of the date of this Prospectus, the Issuer held a total of 39 Shares directly or indirectly via its Subsidiaries.

Stock Options

There are no stock options or similar entitlements outstanding or allocated as of the date of this Prospectus.

Disclosure of Major Shareholdings by SPS according to the Financial Market Infrastructure Act

The conversion rights embedded in the Bonds constitute a sale position pursuant to article 14 para. (1)(b)(2) in conjunction with article 15 para. (2)(b) of the Ordinance of the Swiss Financial Market Supervisory Authority FINMA on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading dated 3 December 2015 ("**FMIO-FINMA**"). The allocation of the Bonds occurred on 9 January 2018 and the settlement is expected to occur on 16 January 2018. The Bonds in the aggregate principal amount of CHF 300 million correspond to 4.13% of the total voting rights after conversion respectively (based on the current number of registered Shares in the Commercial Register of Solothurn as of the date of this Prospectus). In addition, as per the date of this Prospectus the Group held 39 Shares corresponding to approx. 0.000055% of voting rights (based on the current number of registered Shares in the Commercial Register of Solothurn as of the date of this Prospectus). Such Shares constitute a purchase position pursuant to Article 14 para. (1)(a)(1) FMIO-FINMA.

Debt Capital Market Instruments

The Issuer

On 16 June 2016, the Issuer issued convertible bonds in the aggregate principal amount of CHF 250 million (the "**2016 Bonds**"). The 2016 Bonds have a coupon of 0.25% p.a. and are due 16 June 2023. The 2016 Bonds with denominations of CHF 5'000 are convertible into Shares at any time at the option of the holder up to and including 9 June 2023 or ten (10) Trading Days prior to an early redemption. The conversion price of the 2016 Bonds is as of the date of this Prospectus CHF 105.38 for each Share.

In addition, the issuer has issued following straight bonds:

Duration	Amount	Denomination	Coupon
11.07.2013–11.07.2018	CHF 115 million	5'000	1.125%
21.10.2013–21.10.2020	CHF 230 million	5'000	2.000%
16.04.2014–16.04.2021	CHF 300 million	5'000	1.750%
10.12.2014–10.12.2019	CHF 200 million	5'000	1.000%
10.12.2014–10.12.2024	CHF 100 million	5'000	2.000%
03.11.2016–03.11.2025	CHF 250 million	5'000	0.500%
11.05.2017–11.05.2026	CHF 250 million	5'000	0.825%

Business Activities

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

The real estate segment consists of the core real estate investments business on the one hand and the real estate services provided by Wincasa AG, Switzerland's leading real estate service provider, on the other hand. The Group holds a diversified and balanced portfolio of real estate properties. As of 30 June 2017, its real estate portfolio consisted of 187 properties with a total fair value of CHF 10'263.7 million. In H1 2017, this portfolio generated consolidated net rental income of CHF 231.1 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 30 June 2017, 42% of its properties were located in the Zurich region, 22% in the Geneva region and 13% in Northwestern Switzerland. As of 31 December 2016, 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 metres generates sales from third parties according to the shop-in-shop model. The rest of the floor space is self-managed by Jelmoli. The Group's consolidated net retail (until 1 July 2015 the Clouds restaurant business located in Zurich's Prime Tower, see "Corporate Information" above) gross turnover for 2016 was CHF 149.7 million (CHF 133.6 million net). The Group's retail business field employed a staff of 592 employees as of 31 December 2016.

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

In 2015, the Issuer has launched the investment group "SPIF Real Estate Switzerland" of the Investment Foundation (*Swiss Prime Anlagestiftung*). The focal point of the investments is directed at residential properties, with supplementary investing in commercial real estate and development projects. The Issuer sold a real estate package at a fix price of CHF 411.5 million and an earn-out of roughly CHF 10 million, totalling a price of roughly CHF 421.5, in a one-time transaction to the Investment Foundation.

In the initial offering of the Investment Foundation a total of CHF 550 million have been raised. The Investment Foundation enables Swiss pension schemes to invest in a high-value, broadly diversified real estate portfolio. The new product expands the Issuer's value-creation chain and paves the way for the Group to tap additional earnings potential through asset management mandates.

The valuation of the properties is conducted semi-annually by the independent valuation expert Wüest Partner (see "Valuation" below).

Investment Strategy

The Swiss Prime Site Group's investment strategy defines the type of properties and participations to be selected for investment, the investment principles to be applied, the risk distribution, and the manner in which investments are to be financed. The investment strategy is set down in the Group's investment regulations (the "**Investment Regulations**"), which apply to the Issuer and its Subsidiaries.

Investment Regulations

The Investment Regulations, as amended and adopted by the Board of Directors on 12 May 2017 read as follows:

"1. Objective

Through its subsidiaries, Swiss Prime Site AG pursues the objective of achieving long-term capital appreciation and earnings growth for the Company and, by extension, for its shareholders, by investing in selected commercial, business, residential and mixed-use properties in Switzerland, by actively managing those properties and re-selling them where appropriate, and through the development, de novo construction, modernisation and redevelopment of real estate projects and large-scale sites.

In selecting its investments, the Company aims to optimise the structure of its earnings and risks through diversification by property, property use, location, size and construction characteristics.

Within certain defined limits, the Company may avail itself of debt financing to optimise its earnings (see section 3).

2. Investments

2.1. Real estate investments

Investments are made in real estate in Switzerland. Commercial, business and residential properties are eligible for investment, as are mixed-use business and residential properties and real estate projects and large-scale sites for development, de novo construction, modernisation and redevelopment.

Land as defined in article 655, paragraph 2, sections 1, 2 and 4 of the Swiss Civil code may be purchased, i.e. parcels of land and the buildings thereon, distinct and permanent rights recorded in the land register (such as building rights) and co-ownership shares in immovable property. Any parcels of land on which no construction has yet taken place (building land with or without building project status and building land reserves) must be located in construction zones as defined under the Swiss Federal Law on Spatial Planning.

In selecting its investments, the Company's primary focus is on business properties which meet its comprehensive sustainability requirements and are located in larger centres of economic activity with good development prospects. The key criteria applied to the selection of commercial properties include the quality of the location, its prospects for economic development, road and public-transport links, architectural design and the quality of fixtures, fittings and equipment, current and prospective occupancy levels, tenant solvency, composition of the tenant population, flexibility of property use, current realisable yield and scope for future capital appreciation and improved rental earnings.

A maximum of one tenth of the aggregate investment volume held by Swiss Prime Site AG and its Swiss subsidiaries can be invested in residential properties and/or apartments and mixed-use properties (based on the proportion of the overall market value of all properties represented by residential properties, but excluding units compulsorily designated as apartments by law). The criteria applied to the selection of residential properties and/or apartments and mixed-use residential and commercial properties are the attractiveness of their location, public-transport links, the prospects for the location based on demographic trends, the quality of fixtures, fittings and equipment, current and prospective occupancy levels, the structure of the tenant population, current realisable yield and scope for future capital appreciation and improved rental earnings.

In addition to existing properties, the Company can, within the scope of its investment policy, also acquire buildings, large-scale sites and real estate projects for the purposes of development, de novo construction, modernisation and redevelopment, provided that such properties offer scope for future capital appreciation and improved rental earnings. The prerequisite for investments of this kind is that they exhibit positive development prospects based on detailed location and project analyses.

Equity participations in other real estate companies or companies operating in areas closely related to the real estate sector can also be acquired.

Equity participations may also be acquired in other companies, provided that such purchases are related to the acquisition of real estate companies or of companies operating in areas closely related to the real estate sector and provided that the value of such acquisitions is of minor significance only.

2.2. Limitations on real estate investments

The percentage limits set out below relate to the overall volume of investments held by Swiss Prime Site AG and its Swiss subsidiaries on a consolidated basis. These limits apply to the selection of investment properties:

a) The market value of apartments (except units compulsorily designated as apartments by law) must not exceed 10% of the market value of the overall investment portfolio.

b) As a matter of principle, the market value of any single property must not exceed 10% of the overall market value of all properties held by the Company, unless the property concerned has particular significance to the built environment of the city or town in which it is located and/or is of particular significance to its region and/or has a particular overall economic significance.

c) As a matter of principle, the market value of real estate projects for development, de novo construction, modernisation or redevelopment should not exceed 25% of the market value of all properties held by the Company. In the case of de novo construction projects of particular significance to the built environment of the city or town in which they are located and/or of particular significance to their region and/or of particular overall economic significance, this limit can be increased to a maximum of 50%.

d) The market value of undeveloped land as defined in section 2.1 above must not exceed 5% of the overall market value of the properties held by the Company.

e) The rental income derived from one tenant or one group of tenants with legal and/or economic ties to each other must not exceed 20% of the Company's overall rental income (excluding ancillary costs). Exceptions may be made for tenants or groups of tenants with credit ratings of A or higher.

As a matter of principle, these investment regulations should be observed at all times. Should purchases, sales or substantial changes in market conditions cause them to be exceeded or deviated from, measures to restore compliance with these regulations must be initiated as rapidly as circumstances permit. In the event of such a situation arising, the Company will make a public announcement stating the measures which have been taken and the deadline by which compliance with these regulations will be restored. On or before that deadline, the Company will also make a public announcement regarding the outcome of the measures taken.

In addition to the restrictions set out in these investment regulations, the limitations placed on real estate investment resulting from Swiss federal legislation on the acquisition of land by persons residing abroad (Lex Koller, Federal Law on the Acquisition of Real Estate by Persons Abroad (in German, "BewG")) and from the practises followed by the relevant authorities must always be taken into account. Because of these restrictions, the Company and its subsidiaries are permitted to invest in mixed-use properties, i.e. residential properties and properties comprising both commercial and residential elements, to a limited extent only.

2.3. Financial investments

In addition to being used to purchase equity participations in real estate companies, capital not invested in real estate can also be invested in Swiss francs and euros. Such investments can be made in first-class listed shares, bonds with a minimum rating of A from a leading rating agency and in money-market paper.

Investments in options, futures and similar instruments (derivatives) issued by other companies are permitted only for the purpose of hedging currency and interest-rate risks.

The Company may grant loans secured by pledges on real estate if required, provided that the property pledged is located in Switzerland. The restrictions placed on the market value of such loans are the same as those applied to real estate investments in section 4. The maximum value of any loan on any individual property is limited to 70% of its market value.

3. Financing

In order to optimise its earnings, the Company may finance up to 65% of its overall real estate holdings through debt. Properties may be pledged to secure these loans.

The proportion of the overall property holdings financed by debt is defined as total interest-bearing loans expressed as a percentage of the market value of the overall property portfolio.

4. Valuations

Independent, qualified valuation experts are commissioned to value the properties bought and sold by the Company. Each year, expert appraisals are also made of the market value of the overall real estate portfolio, based on applicable market conditions and risks. The results of these appraisals are published in the Company's annual report.

Valuations are carried out in accordance with the discounted cash flow (DCF) method. The DCF method calculates all future revenues, subtracts all applicable revenue shortfalls and costs, and subjects the resulting net cash flows to a discount rate which takes account of the applicable risks. At each annual review, the revenue and cost parameters of each property are analysed and any significant variations are reflected in its valuation. The discount rates used are adjusted to reflect current market conditions based on transaction data and capital market conditions. The annual valuations also take account of and document qualitative changes to properties or their locations.

In addition to the annual valuations, a valuation expert also carries out a simplified semi-annual assessment of the estimated values of the properties. These assessments are then subjected to an impairment test by the Company's auditors.

5. Adherence to investment regulations

Adherence to these investment regulations is verified by the Investment Committee and Executive Board whenever an investment decision is made. Such adherence is also periodically verified by the Board of Directors.

6. Changes to the investment regulations

Modifications or additions to these investment regulations can be made by the Board of Directors of Swiss Prime Site AG within the parameters defined by the Articles of Incorporation. Investors must be advised of such changes at least one month before they come into effect through notices in the official publications used by the Company for such purposes.

The new investment regulations must be complied with within two years of any changes coming into effect.

7. Swiss subsidiaries of Swiss Prime Site AG

These investment regulations apply to Swiss Prime Site AG and its subsidiaries domiciled in Switzerland and have been approved by the Boards of Directors of these companies.

8. Effective date

These revised investment regulations were approved by the Board of Directors at its meeting held on 12 May 2017. They will come into effect at the end of the period stated in section 6.

Olten, 12 May 2017"

Investment Procedure

The Swiss Prime Site Group's investment procedure is based on the Group's Investment Committee examining investment and financing decisions. The Group's Investment Committee comprises four members from among the members of the Board of Directors and the Management.

The investment and financing decisions are made by the Management and/or the Board of Directors of the relevant Group company, taking due account of the recommendations of the committees. Responsibility for the administrative aspects of a purchase or sale, and for the implementation of the financing decisions, lies with the Asset Manager.

As a consequence of this allocation of responsibilities, the procedure for investment decisions is as follows:

Strategy phase

In setting up its business plan, the Board of Directors determines, *inter alia*, the Group's investment strategy, taking account of applicable regulations and legislations.

Selection process

The Investment Committee then discusses for which properties and on which conditions applications for purchase or sale are to be made to the relevant corporate bodies of the Swiss Prime Site Group.

Examination and negotiation process

Experts conduct the due diligence process together with Wüest Partner (see "Valuation" below). The risks and opportunities identified influence the determination of price offers and price negotiations. Financing solutions proposed by the Asset Manager are examined by the Investment Committee.

Approval procedure

Decisions on the purchase or sale of real estate are made by the Management of the relevant Group company up to an investment volume of CHF 50 million, and by the Board of Directors for investment volumes exceeding this amount.

Valuation

The details below are based on information provided by Wüest Partner.

Valuation

Wüest Partner values the properties of the Group on a half-yearly basis (annual appraisal at year end and review at half-year).

Valuation Expert

As one of Switzerland's leading consultancy firms, with a growing international orientation, Wüest Partner focuses on the property and construction sectors, urban development and local trends. It is staffed with approximately 190 specialists from a variety of fields—including architecture, economics, IT, engineering, natural and social sciences and also has a proprietary database covering all segments of the real estate market. Wüest Partner is based in Zurich, Berne, Geneva, Frankfurt and Berlin can rely on support from a network of local experts. For matters relating to countries outside Switzerland and Germany, Wüest Partner can rely on a global network of consultancy and valuation companies. Wüest Partner is owned and managed by 17 partners.

Responsibilities

The Issuer has concluded agreements with Wüest Partner on the execution of property evaluations, location analyses and project evaluations. Wüest Partner's primary task is to value properties in line with market standards and to provide support for modern real estate portfolio management. In particular, the appraisal of the original fair value of the properties prior to their acquisition by the Group or during the acquisition process, the periodic revaluation of all properties, and the calculation and provision of main risk figures has to be conducted by Wüest Partner.

Wüest Partner guarantees an independent and neutral valuation of the properties and the portfolio. The properties are valued on the basis of Wüest Partner's market data and calculation models, with a special focus on current property information, rent levels *(Mieterspiegel)* tenants, operational accounting and entries in the real estate register. In addition to property-specific information, the valuations also take into consideration the local market situation (based on a transactional data base) and regional development prospects and evaluate the opportunities and risks of the properties.

The periodic revaluation of all properties is essential to the management of the portfolio. The revaluation is also essential both for ascertaining the value of the assets and for determining the performance of individual properties and of the real estate portfolio as a whole. A desktop appraisal of all properties is conducted semi-annually with an extensive revaluation and site inspection in a three year rotation for every property. Changes in the quality of the buildings or locations and changes in the income and cost situation are being accounted for and documented. The discount rates are adjusted to current market conditions on the basis of transfers of ownership and capital market trends. The results are represented in a report that contains tables listing all market prices per property and company and presenting the main positions that have led to changes in the fair value.

Wüest Partner provides statements on the risk and return profile of individual properties and, at an aggregated level, of the real estate portfolio as a whole. These figures enable the Group to make specific improvements to the risk and return profile of the portfolio. Moreover, these figures constitute a pillar of comprehensive risk management.

Valuation Method

Investment properties are generally valued by Wüest Partner according to the discounted cash flow method, which corresponds to international standards and is also used in company valuations. The method is recognized—within the scope of general freedom of choice of method for real estate valuations—in the context of best practice. According to the discounted cash flow method, the fair value of a property is determined through deriving the sum of all future estimated net earnings (before interest, taxes, depreciation and amortization = EBITDA) and discounting to the present time, taking into consideration investments or future repair costs. The net earnings (EBITDA) per property are individually discounted depending on any relevant opportunities and threats, adjusting for the current market situation and risks. A detailed report for each property discloses all expected cash flows, thus creating the greatest degree of transparency possible. In the report, attention is drawn to substantial changes compared with the previous valuation.

Valuation Standards and Principles

Wüest Partner values the properties according to the principle of fair value, i.e. the derived fair value is defined as the sales price that could most probably be realized on the free market under fair conditions between well-informed parties at the time of valuation, except for properties under construction intended for sale as condominiums are recorded at cost. Extremely high and extremely low positions are therefore eliminated. 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.

The valuation complies with the applicable legal and regulatory provisions, as well as the specific national and international standards (i.e. regulations for real estate companies listed on SIX Swiss Exchange, IFRS and others). The business activities of Wüest Partner exclude both trading and related transactions on a commission basis, as well as the management of properties. The valuation principles are always based on recent information available regarding the properties and the real estate market. Data and documentation relating to the properties are provided by the owner and presumed to be accurate. All real estate market data stem from the data bases maintained by Wüest Partner, which are updated on an ongoing basis.

Principal Establishments and Real Estate

The Swiss Prime Site Group has a principal establishment at its headquarters at Frohburgstrasse 1, 4601 Olten (Canton of Solothurn), Switzerland, which is located in a building owned by the Group. For the Group's real estate portfolio as per 31 December 2016, see the "Property Details" section of the "Consolidated Financial Statements of Swiss Prime Site AG for the last year ended 31 December 2016 and 2015" (Annex A).

Patents, Licences, Trademarks and Brands

The Group's portfolio of registered trademarks and domain names includes, among others:

- Swiss Prime Site, www.sps.swiss;
- Jelmoli, www.jelmoli.ch;

- Wincasa, www.wincasa.ch; and
- Tertianum, www.tertianum.ch.

The business of the Group does not depend on any intellectual property rights owned by third parties, or any licensing or similar agreements that would be material for the continuation of its business.

Court, Arbitral and Administrative Proceedings

The Group is, from time to time, involved in various claims and lawsuits incidental to the ordinary operations of its business. The Group is currently not involved in any court, arbitral or administrative proceedings which are likely to have a material adverse effect on the financial position or results of operations of the Group nor, as far as the Group is aware, are any such proceedings threatened.

Acquisitions and Divestitures

Except as described in "Information on the Issuer and the Group—Corporate Information—The Swiss Prime Site Group", the Swiss Prime Site Group did not recently acquire or divest itself of any significant participations in enterprises.

For real estate acquired and sold during 2016 and 2015, see the valuation expert's note in the Annual Reports 2016 and 2015 (Annex A).

No Material Adverse Change

Since the publication date of the Swiss Prime Site Group's financial statements as of 31 December 2016, which are reproduced in Annex A of this Prospectus, and except as disclosed herein, there has been no material adverse change in the assets and liabilities, financial position and profits and losses of the Issuer and its Subsidiaries.

Latest Business Developments and Business Prospects

Swiss Prime Site continues to be a vertically integrated real estate company which aggregates prime commercial real estate and complementary leading real estate related business operations (e.g. assisted living).

Projections confirm that Swiss Prime Site is on track toward achieving its set targets for the fiscal year 2017. These targets include a growth in operating income and EBIT before revaluations, a renewed reduction in the vacancy rate and further growth in the real estate portfolio with a well-filled development pipeline valued at roughly CHF 2 billion.

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations. In the second half-year, Swiss real estate markets remained strong for prime sites which might again lead to slightly lower yields. Whereas class b locations go sideways and class c properties tend to suffer.

No significant developments occurred in the operations and net financial liabilities of the Swiss Prime Site Group in the second half of 2017 and until publication of this Prospectus other than as disclosed in this Prospectus and its annexes.

SWISS TAXATION

The following statements contain an overview of the Swiss tax implications resulting from the Bonds or the Shares. The following statements are based upon Swiss tax laws and administrative practices as currently in force. Modifications of the applicable legal regulations may require a re-evaluation of the tax consequences. The summary below is not a substitute for legal or tax advice sought by interested parties. Prospective Holders are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of the Bonds and/or the Shares deliverable upon conversion of the Bonds.

Taxes in relation to the Bonds

In General

A Holder who is not resident of Switzerland and who during the taxable year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland and who is not subject to Swiss taxation for any other reason will be exempt from any Swiss income tax in respect of interest as well as capital gains realised on sale, conversion or redemption of the Bonds. The Swiss Federal Tax Administration has confirmed that the Bonds qualify as "non-classical, transparent convertible bonds without predominant one-time interest payment" (*transparente Nicht-Klassische Wandelanleihe ohne überwiegende Einmalverzinsung*) in accordance with the Circular No. 15 by the Swiss Federal Tax Administration (*Kreisschreiben Nr. 15 vom 3. Oktober 2017*). The Swiss cantonal tax authorities who assess the Swiss federal income tax (*Direkte Bundessteuer*) as well as the Swiss cantonal and communal income and wealth taxes (*Kantons- und Gemeindesteuer)* normally follow the qualification of the Bonds as "non-classical, transparent convertible bonds without predominant one-time interest payment" made by the Swiss Federal Tax Administration, are however not legally bound to it.

The tax consequences are therefore generally as follows:

Swiss Withholding Tax

Each periodic interest payment, including accrued interest upon early redemption or conversion, and the positive difference between the theoretical bond floor at the time of early redemption, redemption or conversion and the Initial Bond Floor (98.2%) will be subject to Withholding Tax (*Verrechnungssteuer*) currently at the rate of 35% and the Issuer will be required to withhold tax at such rate from any payments of interest made to a Holder. The theoretical bond floor at the time of early redemption, redemption or conversion will be calculated on the basis of the original discount rate without adjustment.

a) Swiss resident recipients

Swiss resident individuals or legal entities incorporated in Switzerland are generally entitled to a full refund of Withholding Tax if they, in each case, among other things, are the beneficial owner of the Bonds at the time the interest is due and duly report the gross interest received on their personal income tax return or, in case of a legal entity, include the taxable profit in the income statement, for the relevant tax period.

b) Non-Swiss resident recipients

The recipient of the interest who is an individual or a legal entity not resident in Switzerland for tax purposes may be entitled to a full or partial refund of Withholding Tax if the country in which such recipient resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and if the further prerequisites of such treaty are met. Holders not resident in Switzerland should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) might differ from country to country. Holders not resident in Switzerland should consult their own legal, financial or tax advisors regarding receipt, ownership, purchase, sale or other dispositions of Bonds and the procedures for claiming a refund of Withholding Tax.

Swiss Income Tax

A Holder who is not a resident of Switzerland and who during the taxable year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland and who is not subject to Swiss taxation for any other reason will be exempt from any Swiss income tax in respect of periodic interest as well as any other income realised on sale, conversion, early redemption or redemption of the Bonds.

a) Interest Payments and Repayments of Nominal Value

Swiss resident individuals holding Bonds for private investment purposes are subject to Swiss federal income tax on each periodic interest payment, including accrued interest upon early redemption or conversion, and the positive difference between the theoretical bond floor at the time of early redemption or redemption and the Initial Bond Floor (98.2%) and are required to include all payments of such interest received on such Bonds in their personal income tax return for the relevant tax period and will be taxed on the net taxable income for such tax period at the then prevailing tax rates. The theoretical bond floor at the time of early redemption or redemption will be calculated on the basis of the original discount rate without adjustment.

Foreign residents who hold Bonds through a permanent establishment or a fixed place of business in Switzerland and Swiss residents who hold Bonds as business assets (including individuals, who for income tax purposes, are classified as professional securities dealers for tax purposes (*gewerbsmässige Wertschriftenhändler*)) will be subject to Swiss federal income tax in respect of periodic interest payments received as well as any other income from the Bonds upon early redemption or redemption reflected in their income statement for the respective tax period.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/ communal income taxes.

b) Capital Gains realised upon Sale of the Bonds

Swiss resident individuals holding Bonds for private investment purposes will be generally exempt from Swiss federal income tax in respect of capital gains realised upon sale of the Bonds prior to maturity, except if they are considered as professional securities dealers for tax purposes.

Foreign residents who hold Bonds through a permanent establishment or a fixed place of business in Switzerland and Swiss residents who hold Bonds as business assets (including individuals, who for income tax purposes, are classified as professional securities dealers for tax purposes) will be subject to Swiss federal income tax on any income from the Bonds upon sale reflected in their income statement for the respective tax period.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/ communal income taxes.

c) Capital Gains upon Conversion of the Bonds

Swiss resident individuals holding Bonds for private investment purposes will be subject to Swiss federal income tax in respect of the positive difference between the theoretical bond floor at the time of conversion and the Initial Bond Floor (98.2%). The theoretical bond floor at the time of conversion of the Bonds will be calculated on the basis of the original discount rate without adjustment.

Foreign residents who hold Bonds through a permanent establishment or a fixed place of business in Switzerland and Swiss residents who hold Bonds as business assets (including individuals who for income tax purposes, are classified as professional securities dealers for tax purposes) will be subject to Swiss federal income tax on any income from the Bonds upon conversion reflected in their income statement for the respective tax period.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/ communal income taxes.

Wealth Tax or Net Equity Tax

Swiss resident individuals are required to report their Bonds as part of their taxable wealth and will be liable for cantonal and communal net wealth tax (*Vermögenssteuer*), provided that their aggregate taxable net assets exceed applicable allowances. No such net asset tax is levied at the federal level.

Legal entities incorporated in Switzerland or persons otherwise subject to taxation in Switzerland as Holders are subject to the cantonal and communal net assets or equity tax on the taxable net assets or net equity (*Kapitalsteuer*).

Cantonal Gift, Inheritance and Estate Taxes

Subject to a tax treaty, if any, in an international context, transfers of Bonds may be subject to cantonal and/or communal inheritance tax, estate tax or gift tax if the decedent had his or her last domicile in Switzerland, the donor is resident in Switzerland, or in the case of a foreign deceased or donor the transfer involves an unincorporated business (partnership or sole proprietorship) in Switzerland and the Bonds are held as part of such a business. Tax rates depend upon the existing relationship (i.e. the relationship between the decedent and the heirs, or between the donor and the donee) and the size of the inheritance or gift. Interspousal gifts and gifts to descendants, as well as inheritances collected by the surviving spouse and descendants are frequently exempt or taxed at very low rates, depending on the canton. The taxable base is usually the market value of the Bonds.

Taxes in relation to the Shares

Swiss Withholding Tax

Under present Swiss law, any dividends paid and similar cash or distributions in kind made on the Shares (including distributions of liquidation proceeds in excess of (i) the nominal value and (ii) the capital contribution reserves (*Reserven aus Kapitaleinlage*) of the Shares, and bonus shares) will be subject to Withholding Tax currently at a rate of 35% and the Issuer will be required to withhold tax at such a rate from any distribution made to a shareholder. Furthermore, in case of a repurchase of own Shares by the Swiss Prime Site Group, the portion of the repurchase price which exceeds (i) the nominal value and (ii) the capital contribution reserves of the Shares may, in some cases (in particular, if the Shares are redeemed for subsequent cancellation), be characterised as taxable liquidation dividend which is subject to the Withholding Tax if certain conditions are met.

Following the capital contribution principle (*Kapitaleinlageprinzip*) according to article 5(1^{bis}) of the Swiss federal withholding tax act, and provided certain conditions are met, the repayment of the total consideration (*i.e.*, nominal value and capital contribution reserves, less cost received by the Swiss Prime Site Group at conversion of the Shares (or any shares issued thereafter) will not be subject to Withholding Tax. Any repayment of other contributions for which the capital contributions principle is applicable is not subject to Withholding Tax as well.

a) Swiss resident recipients

   Swiss resident individuals or legal entities incorporated in Switzerland are generally entitled to a full refund of Withholding Tax if they, in each case, among other things, are the beneficial owner of the Shares at the time the distribution is due and duly report the gross distribution received on their personal income tax return or, in case of a legal entity, include the taxable profit in their income statement, for the relevant tax period.

b) Non-Swiss resident recipients

   The recipient of a taxable distribution from the Issuer who is an individual or a legal entity not resident in Switzerland for tax purposes may be entitled to a full or partial refund of Withholding Tax if the country in which such recipient resides for tax purposes has entered into a bilateral treaty for the avoidance of double taxation with Switzerland and if the further prerequisites of such a double taxation treaty are met. Shareholders not resident in Switzerland should be aware that the procedures for claiming treaty benefits (and the time required for obtaining a refund) may differ from country to country. Shareholders not resident in Switzerland should consult their own legal, financial or tax advisors regarding receipt, ownership, purchase, sale or other dispositions of Shares and the procedures for claiming a refund of Withholding Tax.

Swiss Income Tax

A holder of Shares who is not a resident of Switzerland and who during the respective taxation year has not engaged in trade or business through a permanent establishment or a fixed place of business within Switzerland for tax purposes and who is not subject to taxation for any other reason will be exempt from any Swiss income tax in respect of dividends received as well as capital gains realised on disposal of the Shares.

For Swiss resident shareholders and foreign resident shareholders who hold Shares through a permanent establishment or a fixed place of business in Switzerland the tax consequences are as follows:

a) Dividend Payments and Repayments of Nominal Value and Capital Contribution Reserves

Swiss resident shareholders and foreign resident shareholders who hold Shares through a permanent establishment or a fixed place of business in Switzerland will be generally subject to Swiss federal income tax on dividend payments received in respect of the Shares. Corporations and co-operative societies or individuals holding at least 10% of the shares may under certain conditions apply for participation relief. Any repayment of (i) the nominal value and (ii) the capital contribution reserves (*Reserven aus Kapitaleinlage*) of the Shares is tax exempt, if the Shares are held by Swiss resident shareholders as private assets.

b) Capital Gains realised upon Disposal of Shares

Swiss resident individuals who are holding Shares for private investment purposes will be generally exempt from Swiss federal income tax on gains realised through a disposal of Shares. However, income tax consequences may result for private investors considered as professional securities dealers. Furthermore, in case of a repurchase of own Shares by the Swiss Prime Site Group, the portion of the repurchase price which exceeds (i) the nominal value and (ii) the capital contribution reserves of the Shares may, in some cases (in particular, if the Shares are redeemed for subsequent cancellation), be characterized as taxable liquidation dividend income if certain conditions are met.

Foreign resident shareholders who hold Shares through a permanent establishment or a fixed place of business in Switzerland and Swiss resident shareholders who hold Shares as business assets will generally be subject to Swiss federal income tax on any capital gains realised in respect of the Shares. Corporations and cooperative societies participating to at least 10% in the shares may under certain conditions apply for participation relief.

The above rules regarding Swiss federal income tax normally also apply to Swiss cantonal/ communal income taxes.

Wealth Tax

Swiss resident individuals are required to report their Shares as part of their taxable wealth and will be liable for cantonal and communal net wealth tax (*Vermögenssteuer*), provided that their aggregate taxable net assets exceed applicable allowances. No such net asset tax is levied at the federal level.

Legal entities incorporated in Switzerland or persons otherwise subject to taxation in Switzerland as Holders are subject to the cantonal and communal net wealth or equity tax on the taxable net assets or net equity.

Cantonal Gift, Inheritance and Estate Taxes

Subject to a tax treaty, if any, in an international context, transfers of Shares may be subject to cantonal and/ or communal inheritance tax, estate tax or gift tax, if the decedent had his or her last domicile in Switzerland, the donor is resident in Switzerland, or in the case of a foreign deceased or donor the transfer involves an unincorporated business (partnership or sole proprietorship) in Switzerland and the Shares are held as part of such a business. Tax rates depend upon the existing relationship (i.e. the relationship between the decedent and the heirs, or between the donor and the donee) and the size of the inheritance or gift. Interspousal gifts and gifts to descendants, as well as inheritances collected by the surviving spouse and descendants are frequently exempt or taxed at very low rates, depending on the canton. The taxable base is usually the market value of the Shares.

Stamp Taxes

Issuance stamp duty (*Emissionsabgabe*) payable upon the issuance of Shares on conversion of Bonds will amount, at the current rate, to 1% of the applicable Conversion Price net of certain deductions and will be paid by the Issuer.

The transfer of Bonds or Shares may be subject to Swiss transfer stamp duty (*Umsatzabgabe*) at the current rate of up to 0.15% if such transfer or sale is made by or through the intermediary of a securities dealer resident in Switzerland or Liechtenstein, as defined in the Swiss Stamp Tax Act, and if no exception applies. In addition, the sale of Bonds or Shares by or through a member of the SIX Swiss Exchange may be subject to a stock exchange levy.

Automatic Exchange of Information

On November 19, 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 January 1, 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.

Based on such multilateral or bilateral agreements and the implementing laws of Switzerland, Switzerland has begun 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 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.

INDEX TO ANNEXES

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SWISS PRIME SITE AG AND ITS SUBSIDIARIES TOGETHER WITH THE REPORT OF THE STATUTORY AUDITOR FOR THE YEAR ENDED 31 DECEMBER 2016

The contents of this Annex represent an excerpt from the Company's Annual Reports as at 31 December 2016. Hence, any references to a page or pages not included in this Annex refer to the respective page(s) in the Company's Annual Reports as at 31 December 2016. The original of these Consolidated Financial Statements is written in German. In case of inconsistencies between the German original and this English translation, the German version shall prevail.

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**
Operating income		**995 210**	**1 049 469**
Revaluation of investment properties, properties under construction and development sites, net	**17**	**124 571**	**60 493**
Result from investments in associates	**6**	**12 118**	**8 631**
Result from investment property sales, net	**7**	**30 910**	**24 947**
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**
Operating expenses		**– 609 379**	**– 683 736**
Operating profit (EBIT)		**553 430**	**459 804**
Financial expenses	11	– 100 753	**– 85 958**
Financial income	11	4 615	**4 863**
Profit before income taxes		**457 292**	**378 709**
Income tax expenses	12	– 102 231	**– 67 504**
Profit		**355 061**	**311 205**
Profit attributable to shareholders of Swiss Prime Site AG		355 905	**312 168**
Loss attributable to non-controlling interests		– 844	**– 963**
Earnings per share (EPS), in CHF	**26**	**5.30**	**4.41**
Diluted earnings per share, in CHF	**26**	**5.18**	**4.23**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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
Assets			
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**
Total current assets		**406 646**	**340 992**
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**
Total non-current assets		**10 283 919**	**10 770 991**
Total assets		**10 690 565**	**11 111 983**
Liabilities and shareholders' equity			
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**
Total current liabilities		**886 749**	**940 655**
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**
Total non-current liabilities		**4 847 850**	**4 994 736**
Total liabilities		**5 734 599**	**5 935 391**
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**
Shareholders' equity attributable to shareholders of Swiss Prime Site AG		**4 955 723**	**5 177 312**
Non-controlling interests	**25**	**243**	**–720**
Total shareholders' equity		**4 955 966**	**5 176 592**
Total liabilities and shareholders' equity		**10 690 565**	**11 111 983**

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

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1 000	Notes	01.01.–31.12.2015	01.01.–31.12.2016
Profit		**355 061**	**311 205**
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**
Cash flow from operating activities		**388 421**	**277 715**
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**
Cash flow from investing activities		**100 405**	**–365 526**
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**
Cash flow from financing activities		**–511 093**	**13 208**
Change in cash		**–22 267**	**–74 603**
Cash at beginning of period		257 196	**234 929**
Cash at end of period		**234 929**	**160 326**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in CHF 1 000	Notes	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Shareholders' equity attributable to shareholders of Swiss Prime Site AG	Non-controlling interests	Total shareholders' equity
Total as at 01.01.2015		**930 555**	**781 123**	**72 792**	**2 415 735**	**4 200 205**	**1 596**	**4 201 801**
Profit		–	–	–	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
Comprehensive income		**–**	**–**	**29 235**	**348 715**	**377 950**	**–844**	**377 106**
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
Total as at 31.12.2015		**1 065 668**	**1 023 578**	**102 027**	**2 764 450**	**4 955 723**	**243**	**4 955 966**
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
Comprehensive income		**–**	**–**	**17 713**	**311 417**	**329 130**	**–963**	**328 167**
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
Total as at 31.12.2016		**1 093 627**	**888 078**	**119 740**	**3 075 867**	**5 177 312**	**–720**	**5 176 592**

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 1 000. All group companies maintain their accounts in Swiss francs as well. Transactions denominated in foreign currencies are immaterial.

2.2 Amendments relative to IFRS accounting principles

Apart from the changes described below, the applicable accounting principles remain the same as in the previous year. As at 1 January 2016, Swiss Prime Site introduced the following new or revised standards and interpretations:

Standard/ interpretation	Title
IAS 1 rev.	Disclosure initiative
IAS 16 rev. and IAS 38 rev.	Clarification of acceptable methods of depreciation and amortisation
IFRS 11 rev.	Accounting for acquisitions of interests in joint operations
Various	Annual improvements to IFRSs 2012–2014 cycle

The amendments had no significant impact on these consolidated financial statements.

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 accountable transaction costs. Thereafter, the valuation is carried out at fair value in accordance with IFRS 13 «Fair value measurement».

Replacement and expansion investments are recognised at the book value of the properties when it is probable that Swiss Prime Site will obtain a resulting future economic benefit.

The change in fair value is recognised in the income statement. Related deferred tax liabilities or assets on such sums are debited, or credited, to the consolidated income statement as deferred tax expense or deferred tax income. For further information regarding the calculation of the fair value see Note 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)
> remeasurement of net defined benefit obligations, recognised in other comprehensive income

Service costs comprise the current service costs, past service costs and profit and loss from plan compensation. Profit and loss from plan curtailments are treated equally as past service costs.

Net interest 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
Assets	
Cash	3 737
Accounts receivable	7 227
Other current receivables	1 618
Inventories	334
Accrued income and prepaid expenses	4 199
Current financial investments	10 494
Total current assets	**27 609**
Tangible assets	3 998
Intangible assets	1 423
Deferred tax assets	2 936
Total non-current assets	**8 357**
Total assets	**35 966**
Liabilities	
Accounts payable	6 525
Current financial liabilities	3 247
Other current liabilities	3 622
Accrued expenses and deferred income	3 642
Total current liabilities	**17 036**
Non-current financial liabilities	1 357
Other non-current financial liabilities	396
Pension provision obligations	16 108
Long-term provisions	299
Total non-current liabilities	**18 160**
Total liabilities	**35 196**
Total identifiable net assets at fair value	**770**
Offset with loan	20 000
Cash settlement (purchase price)	50 807
Goodwill	**70 037**

Acquired receivables

in CHF 1 000	Contractual receivables, gross	Non-collectable receivables	Fair value
Accounts receivable	8 651	–1 424	7 227
Other current receivables	1 618	–	1 618
Total receivables	**10 269**	**–1 424**	**8 845**

Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. With the acquisition of BOAS Senior Care, Swiss Prime Site has tapped significant growth potential in French-speaking Switzerland and further underpinned its strategic market position in the assisted living sector. Goodwill is not deductible for tax purposes.

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

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 1 065.231 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
Assets	
Cash	6 345
Accounts receivable	10 902
Other current receivables	209
Inventories	690
Accrued income and prepaid expenses	154
Total current assets	**18 300**
Owner-occupied properties	17 381
Tangible assets	13 333
Intangible assets	2 130
Deferred tax assets	1 204
Total non-current assets	**34 048**
Total assets	**52 348**
Liabilities	
Accounts payable	1 772
Current financial liabilities	468
Other current liabilities	432
Advance payments	4 007
Accrued expenses and deferred income	4 366
Total current liabilities	**11 045**
Non-current financial liabilities	64 468
Other non-current financial liabilities	7 760
Net pension provision obligations	20 137
Non-controlling interests	490
Total non-current liabilities	**92 855**
Total liabilities	**103 900**
Total identifiable net assets at fair value	**–51 552**
Cash settlement (purchase price)	144 483
Goodwill	**196 035**

Acquired receivables

in CHF 1 000	Contractual receivables, gross	Non-collectable receivables	Fair value
Accounts receivable	11 519	–617	10 902
Other current receivables	209	–	209
Total receivables	**11 728**	**–617**	**11 111**

Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. With the acquisition of SENIOcare Group, Swiss Prime Site 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[1]	Retail segment	Assisted Living segment[2]	Total segments	Eliminations	01.01.–31.12.2016 Total group
Rental income from properties	415 742	15 061	76 031	506 834	–53 863	**452 971**
thereof from third parties	361 879	15 061	76 031	452 971	–	**452 971**
thereof from other segments	53 863	–	–	53 863	–53 863	–
Income from real estate services[1]	115 669	–	–	115 669	–92	**115 577**
Income from retail	–	133 705	–	133 705	–140	**133 565**
Income from assisted living[2]	–	–	328 202	328 202	–4	**328 198**
Other operating income	15 029	2 909	1 752	19 690	–532	**19 158**
Operating income	**546 440**	**151 675**	**405 985**	**1 104 100**	**–54 631**	**1 049 469**
Revaluation of investment properties, properties under construction and development sites, net	**69 556**	**–**	**–**	**69 556**	**–9 063**	**60 493**
Result from investments in associates	**8 631**	**–**	**–**	**8 631**	**–**	**8 631**
Result from investment property sales, net	**24 947**	**–**	**–**	**24 947**	**–**	**24 947**
Real estate costs	–56 150	–33 804	–95 031	–184 985	54 233	**–130 752**
Cost of goods sold	–	–66 891	–33 855	–100 746	–	**–100 746**
Personnel costs	–92 103	–29 982	–225 434	–347 519	38	**–347 481**
Other operating expenses	–25 976	–11 270	–24 666	–61 912	360	**–61 552**
Depreciation, amortisation and impairment	–5 450	–12 097	–11 777	–29 324	–13 881	**–43 205**
Operating expenses	**–179 679**	**–154 044**	**–390 763**	**–724 486**	**40 750**	**–683 736**
Operating profit (EBIT)	**469 895**	**–2 369**	**15 222**	**482 748**	**–22 944**	**459 804**
Financial expenses						**–85 958**
Financial income						**4 863**
Profit before income taxes						**378 709**

[1] acquisition of immoveris ag and immoveris properties ag as at 27.05.2016
[2] 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[1]	Assisted Living segment[2]	Total segments	Eliminations	01.01.–31.12.2015 Total group
Rental income from properties	432 022	16 528	51 310	499 860	– 53 989	445 871
thereof from third parties	378 033	16 528	51 310	445 871	–	445 871
thereof from other segments	53 989	–	–	53 989	– 53 989	–
Income from sale of trading properties	105 081	–	–	105 081	–	105 081
Income from real estate services	109 472	–	–	109 472	– 468	109 004
Income from retail[1]	–	137 005	–	137 005	– 197	136 808
Income from assisted living[2]	–	–	184 980	184 980	– 828	184 152
Other operating income	10 197	2 910	1 290	14 397	– 103	14 294
Operating income	**656 772**	**156 443**	**237 580**	**1 050 795**	**– 55 585**	**995 210**
Revaluation of investment properties, properties under construction and development sites, net	**153 586**	**–**	**–**	**153 586**	**– 29 015**	**124 571**
Result from investments in associates	**12 118**	**–**	**–**	**12 118**	**–**	**12 118**
Result from investment property sales, net	**30 910**	**–**	**–**	**30 910**	**–**	**30 910**
Real estate costs	– 59 176	– 35 275	– 64 103	– 158 554	55 242	– 103 312
Cost of trading properties sold	– 62 917	–	–	– 62 917	–	– 62 917
Cost of goods sold	–	– 65 630	– 19 095	– 84 725	1	– 84 724
Personnel costs	– 104 628	– 39 215	– 125 474	– 269 317	73	– 269 244
Other operating expenses	– 34 427	– 9 925	– 15 940	– 60 292	269	– 60 023
Depreciation, amortisation and impairment	– 6 077	– 9 295	– 4 770	– 20 142	– 9 017	– 29 159
Operating expenses	**– 267 225**	**– 159 340**	**– 229 382**	**– 655 947**	**46 568**	**– 609 379**
Operating profit (EBIT)	**586 161**	**– 2 897**	**8 198**	**591 462**	**– 38 032**	**553 430**
Financial expenses						– 100 753
Financial income						4 615
Profit before income taxes						**457 292**

[1] transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015
[2] acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

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[1]	109 004	**115 577**
Income from retail[2]	136 808	**133 565**
Income from assisted living[3]	184 152	**328 198**
Other operating income	14 294	**19 158**
Total operating income	**995 210**	**1 049 469**

[1] acquisition of immoveris ag and immoveris properties ag as at 27.05.2016
[2] transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015
[3] 2016: acquisition of 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
Total assets	**10 508 257**	**160 584**	**510 132**	**11 178 973**	**–66 990**	**11 111 983**
Total liabilities	**5 759 850**	**61 959**	**180 572**	**6 002 381**	**–66 990**	**5 935 391**
Investments in non-current assets	**397 343**	**7 901**	**95 002**	**500 246**	**–**	**500 246**

SEGMENT BALANCE SHEET AS AT 31.12.2015

in CHF 1 000	Real Estate segment	Retail segment	Assisted Living segment	Total segments	Eliminations	31.12.2015 Total group
Total assets	**10 194 315**	**144 861**	**394 553**	**10 733 729**	**–43 164**	**10 690 565**
Total liabilities	**5 593 110**	**48 231**	**136 422**	**5 777 763**	**–43 164**	**5 734 599**
Investments in non-current assets	**201 455**	**7 605**	**247 601**	**456 661**	**–**	**456 661**

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[3]	26 673	**51 787**
Rent loss from vacancies	– 30 165	**– 26 193**
Rental income from properties	**445 871**	**452 971**
Income from sale of trading properties	**105 081**	**–**
Income from real estate services[1]	**109 004**	**115 577**
Income from retail, gross	152 291	**149 658**
Rebates	– 15 483	**– 16 093**
Income from retail[2]	**136 808**	**133 565**
Income from assisted living[3]	**184 152**	**328 198**
Other operating income	**14 294**	**19 158**
Total operating income	**995 210**	**1 049 469**

[1] acquisition of immoveris ag and immoveris properties ag as at 27.05.2016
[2] transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015
[3] 2016: acquisition of 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 m² [1 455 126 m²]. The total was subdivided into 1 487 633 m² [1 442 220 m²] of commercial floor space and 13 610 m² [12 906 m²] 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[1]	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**
Total	**417 715**	**100.0**	**428 936**	**100.0**

[1] includes all indefinite rental agreements (residential, parking facilities, commercial properties etc.)

Future rental income has been presented from the Real Estate segment perspective and based on the rental agreements of the group's properties as at 31 December 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 m² to 2 839 m²
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**
Total future land lease income	**12 102**	**11 630**

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	–	**–**
Total proportional result from investments in associates	**12 118**	**8 631**

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	**–**
Total result from investment property sales, net	**30 910**	**24 947**

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**
Total real estate costs	**–103 312**	**–130 752**

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**
Total personnel costs	**–269 244**	**–347 481**
Number of employees as at 31.12.	**4 446**	**5 621**
Number of full-time equivalents as at 31.12.	**3 311**	**4 558**

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**
Total other operating expenses	**– 60 023**	**– 61 552**

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**
Total financial expenses	**– 100 753**	**– 85 958**

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**
Total financial income	**4 615**	**4 863**

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**
Total current income taxes	**–51 928**	**–33 366**
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	–
Total deferred taxes	**–50 303**	**–34 138**
Total income taxes	**–102 231**	**–67 504**

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	–
Total income taxes	**–102 231**	**–67 504**

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**
Possible tax effect on taxable losses carried forward at expected tax rate	**11 473**	**13 100**
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**
Total deferred tax assets not recognised at expected tax rate	**–**	**1 421**
Recognised deferred tax assets on losses carried forward	11 473	**11 679**
Other deferred tax assets	13 487	**13 741**
Total deferred tax assets	**24 960**	**25 420**

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**
Total expiring taxable losses carried forward	**–**	**6 177**

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 1 000	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**
Total deferred taxes recognised in other comprehensive income	**–6 629**	**–5 066**

13 CASH

in CHF 1 000	31.12.2015	31.12.2016
Cash on hand	2 444	**2 694**
Sight deposits	232 485	**157 632**
Total cash	**234 929**	**160 326**

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 1 000	31.12.2015	31.12.2016
Accounts receivable, gross	83 814	**98 377**
Impairments	–3 382	**–4 431**
Total accounts receivable	**80 432**	**93 946**

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 1 000	31.12.2015	31.12.2016
Impairment at beginning of period	**3 866**	**3 382**
Increase of impairment based on individual valuation	1 635	**2 372**
Release of impairment based on individual valuation	–2 119	**–1 323**
Total impairment at end of period	**3 382**	**4 431**

Impairment changes were recognised in other operating expenses.

MATURITIES OF RECEIVABLES

in CHF 1 000	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**	
Total gross receivables and impairments	**83 814**	**– 3 382**	**98 377**	**– 4 431**

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 1 000	31.12.2015	31.12.2016
Merchandise	23 569	**26 187**
Other inventories	2 218	**2 642**
Impairments	– 238	**– 366**
Total inventories	**25 549**	**28 463**

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 1 000	31.12.2015	31.12.2016
Locarno, Parking Centro	–	**13 000**
Total assets held for sale	**–**	**13 000**

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
Total as at 01.01.2015	**53132**	**8118596**	**253139**	**8424867**	**254418**	**228470**	**8907755**
Purchases	3481	–	–	3481	–	32563	36044
Follow-up investments	6013	102385	444	108842	681	32292	141815
Capitalised borrowing costs	–	1940	–	1940	–	1882	3822
Reclassifications	3201	24280	–	27481	–198491	171010	–
Net transfer of investment properties to owner-occupied properties	–	–29875	–	–29875	–	–	–29875
Disposal by sale	–	–221836	–15120	–236956	–43836	–111315	–392107
Positive fair value adjustment	2114	249543	4017	255674	782	2327	258783
Negative fair value adjustment	–1651	–105635	–2833	–110119	–13554	–10539	–134212
Fair value adjustment	**463**	**143908**	**1184**	**145555**	**–12772**	**–8212**	**124571**
Total as at 31.12.2015	**66290**	**8139398**	**239647**	**8445335**	**–**	**346690**	**8792025**
Purchases	–	229404	27901	257305	–	–	257305
Follow-up investments	18795	60117	677	79589	–	52949	132538
Capitalised borrowing costs	40	285	–	325	–	704	1029
Reclassifications	–50301	132330	–	82029	13000	–95029	–
Net transfer of investment properties to owner-occupied properties	–	–51085	–	–51085	–	–	–51085
Disposal by sale	–	–59926	–	–59926	–	–	–59926
Positive fair value adjustment	1303	162205	3216	166724	–	2732	169456
Negative fair value adjustment	–229	–88031	–2288	–90548	–	–18415	–108963
Fair value adjustment	**1074**	**74174**	**928**	**76176**	**–**	**–15683**	**60493**
Total as at 31.12.2016	**35898**	**8524697**	**269153**	**8829748**	**13000**	**289631**	**9132379**

FURTHER DETAILS ON INVESTMENT PROPERTIES

in CHF 1 000	Building land	Commercial properties without significant residential space	Mixed properties	Total investment properties	Properties held for sale	Properties under con-struction/ develop-ment sites	Total
Fire insurance values[1]							
On 01.01.2015	3 547	5 876 118	149 722	6 029 387	233 070	318 033	6 580 490
On 01.01.2016	7 547	5 607 122	131 653	5 746 322	–	555 112	6 301 434
On 31.12.2016	**1 975**	**5 916 828**	**148 005**	**6 066 808**	**19 423**	**303 500**	**6 389 731**
Net rental income[2]							
01.01.–31.12.2015	501	399 688	15 157	415 346	–	3 852	419 198
01.01.–31.12.2016	**327**	**387 816**	**11 009**	**399 152**	**1 451**	**581**	**401 184**
Vacancy rate in %							
01.01.–31.12.2015	1.7	6.2	4.1	6.2	–	42.7	6.7
01.01.–31.12.2016	**2.6**	**6.2**	**4.4**	**6.1**	**–**	**8.3**	**6.1**

[1] There were no building insurance values for properties under construction. For building projects, respective builders' liability insurance policies were concluded
[2] generated with own investment properties and owner-occupied properties

The valuations of properties are determined at least on a semi-annual basis by an external, independent and qualified valuation expert: Wüest Partner AG, Zurich. The Executive Board, in consultation with the Board of Directors, is responsible for selecting the valuation experts and assigning the mandate for the valuation on an annual basis. The results of the valuations and individual valuation assumptions are verified by the Executive Board and discussed in detail with the respective valuation experts.

The 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)[1]	Commercial properties (highest and best use)[2]	Properties/ owner-occupied properties under construction/ development sites
Fair value as at balance sheet date	CHF m	35.898	8 848.051	900.820	307.331
Unobservable input factors					
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 m² p.a.	–	100 to 692	120 to 121	215 to 320
Offices	CHF per m² p.a.	–	60 to 920	110 to 900	200 to 425
Retail/gastro	CHF per m² p.a.	–	80 to 7 500	220 to 7 400	280 to 420
Commercial	CHF per m² p.a.	–	30 to 450	100 to 280	275
Storage	CHF per m² 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

[1] commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale and owner-occupied properties

[2] commercial properties for which the valuation was based on highest and best use

APPLICABLE UNOBSERVABLE INPUT FACTORS AS AT 31.12.2015

	in	Building land	Commercial properties (continuation of use)[1]	Commercial properties (highest and best use)[2]	Properties/ owner-occupied properties under construction/ development sites
Fair value as at balance sheet date	CHF m	66.290	9 006.797	266.830	346.690
Unobservable input factors					
Average discount rate	%	4.20	3.64	4.34	4.05
Maximum discount rate	%	5.10	5.10	5.30	4.60
Minimum discount rate	%	3.80	2.70	3.05	3.70
Residential	CHF per m² p.a.	–	97 to 565	120 to 121	215 to 300
Offices	CHF per m² p.a.	–	60 to 960	100 to 400	200 to 380
Retail/gastro	CHF per m² p.a.	–	75 to 8 000	340 to 340	245 to 380
Commercial	CHF per m² p.a.	–	30 to 450	100 to 280	–
Storage	CHF per m² p.a.	–	40 to 540	50 to 150	80 to 285
Parking inside	CHF per piece and month	–	47 to 650	100 to 250	140 to 350
Parking outside	CHF per piece and month	–	25 to 320	40 to 120	50 to 120

[1] commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale and owner-occupied properties
[2] commercial properties for which the valuation was based on highest and best use

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
3.47% (valuation as at 31.12.2016)	**–**	**–**	**9 748 900**
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.

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
0.0% (valuation as at 31.12.2016)	–	–	**9 748 900**
–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[1]	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 Jelmoli 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[1]	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.

[1] occupancy rate and sales status as at 31.12.2016

Occupancy rate[1]	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.
Completion	Mid-April 2018

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 (ZIPLO), comprising land area of roughly 28400 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 93000 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.
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.
Occupancy rate[1]	Specific negotiations for roughly 40% of the first phase are currently underway in full swing, with the objective of signing rental agreements even before construction begins.
Completion	Ready for occupancy: phase one 2019 / phase two probably from 2021

Schlieren, Zürcherstrasse 39 (NZZ printing facility)	
Project description	The former NZZ printing facility was acquired in December 2015, and the property is to be converted into an innovative centre for science and information transfer. Infrastructure for services companies, training and further education as well as research and development, in addition to co-working spaces and facilities for community activities and culture are all envisaged for the centre. At the same time, the building structure should be largely preserved, providing future users with a fascinating spatial experience with its rooms featuring up to 18-metre-high ceilings. The focus of the development project is aimed at creating an ecosystem, within which 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.
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 8500 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.
Occupancy rate[1]	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 4000 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.
Completion	2019

[1] occupancy rate and sales status as at 31.12.2016

Zurich, Brandschenkestrasse 25 (Motel One)	
Project description	The office property located at Brandschenkestrasse 25 is being modified as a roughly 400-room hotel. The investment volume amounts to around CHF 77.5 million to convert the courtyard-rimmed complex into a hotel. Modification of the four buildings situated on a total area of 3900 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[1]	The entire building is leased to Motel One Group as at summer 2017.
Completion	Late summer 2017

Zurich, Etzelstrasse 14 (Etzelgut)	
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[1]	The building will be 100% utilised directly by the Tertianum group company.
Completion	1 October 2017

[1] 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
Owner-occupied properties as at 01.01.	**778656**	**894582**
Follow-up investments	2560	**5220**
Additions from acquisitions	20181	–
Disposals	–2800	–
Transferred depreciation	–12127	**–14117**
Positive fair value adjustment	35370	**23446**
Negative fair value adjustment	–263	**–495**
Reclassifications into/from investment properties and owner-occupied properties under construction, net	73005	**33385**
Owner-occupied properties as at 31.12.	**894582**	**942021**

TRANSFERRED DEPRECIATION AND IMPAIRMENT

in CHF 1000	31.12.2015	31.12.2016
Cumulative depreciation and impairment as at 01.01.	–	–
Depreciation	12127	**14117**
Impairment	189	**53**
Transferred depreciation and impairment	–12316	**–14170**
Cumulative depreciation and impairment as at 31.12.	–	–

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/Bubenholz	completely	**completely**
Ostermundigen, Mitteldorfstrasse 16	completely	**completely**
Pfäffikon SZ, Huobstrasse 5	completely	**completely**
Stadel b. Niederglatt, Buechenstrasse 80	completely	**completely**
Thun, Göttibachweg 2–2e, 4, 6, 8	completely	**completely**
Wabern, Nesslerenweg 30	completely	**completely**
Wattwil, Ebnaterstrasse 45	completely	**completely**
Zurich, Carl-Spitteler-Strasse 68/70	completely	**completely**
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	completely	**completely**
Zurich, Kappenbühlweg 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 1 000	31.12.2015	31.12.2016
Owner-occupied properties under construction as at 01.01.	**52 890**	–
Additions	12 690	–
Capitalised borrowing costs	693	–
Disposals	– 29 178	–
Positive fair value adjustment	6 035	–
Negative fair value adjustment	–	–
Reclassifications into/from investment properties and owner-occupied properties, net	– 43 130	**17 700**
Owner-occupied properties under construction as at 31.12.	–	**17 700**

TRANSFERRED DEPRECIATION AND IMPAIRMENT

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

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

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

20 GOODWILL AND INTANGIBLE ASSETS

in CHF 1 000	Goodwill	Software	Customer base	Brand names	31.12.2016 Total
Cost as at 01.01.2016	**369 520**	**18 104**	**30 493**	**53 173**	**471 290**
Additions	–	3 581	–	–	3 581
Additions from acquisitions	81 626	–	1 423	–	83 049
Cost as at 31.12.2016	**451 146**	**21 685**	**31 916**	**53 173**	**557 920**
Cumulative amortisation and impairment as at 01.01.2016	**–**	**9 464**	**11 750**	**32**	**21 246**
Amortisation	–	4 654	3 838	1 235	9 727
Cumulative amortisation and impairment as at 31.12.2016	**–**	**14 118**	**15 588**	**1 267**	**30 973**
Total goodwill and intangible assets as at 31.12.2016	**451 146**	**7 567**	**16 328**	**51 906**	**526 947**

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

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 1 000	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**
Total goodwill	**369 520**	**451 146**

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.

BRAND NAMES

in CHF 1 000	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**
Total brand names	**53 141**	**51 906**

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**
Total accrued expenses and deferred income	**96 708**	**101 034**

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**
Total current financial liabilities	**572 105**	**678 136**
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**
Total non-current financial liabilities	**3 689 488**	**3 801 973**
Other non-current financial liabilities	6 871	**3 536**
Total financial liabilities	**4 268 464**	**4 483 645**

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
Book value as at 31.12.2016	**CHF m**	**114.847**	**199.278**	**229.493**	**298.605**	**99.338**	**249.913**
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)
Fair value as at 31.12.2016 (level 1)	**CHF m**	**117.070**	**204.700**	**244.950**	**317.550**	**110.000**	**247.125**
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
Book value as at 31.12.2016	**CHF m**	**0.000**	**243.241**
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)
Fair value as at 31.12.2016 (level 1)	**CHF m**	**0.000**	**248.250**
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

Convertible bonds	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
1.875%-convertible bond 21.06.2011–21.06.2016, CHF 190.350 million	81.89	2 324 460	**n/a**	**n/a**
0.25%-convertible bond 16.06.2016–16.06.2023, CHF 250.000 million	n/a	n/a	**105.38**	**2 372 367**
Total number of possible shares		**2 324 460**		**2 372 367**

23 DEFERRED TAX LIABILITIES

in CHF 1 000	31.12.2015	31.12.2016
Deferred tax liabilities as at 01.01.	**963 412**	**1 035 945**
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**
Deferred tax liabilities as at 31.12.	**1 035 945**	**1 072 428**

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
Present value of defined benefit obligations as at 01.01.	**648 250**	**749 662**
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[1]	71 289	**56 909**
Administration cost (excluding cost for managing plan assets)	333	**403**
Actuarial gain (–)/loss (+) on benefit obligations	14 300	**26 557**
Total present value of defined benefit obligations as at 31.12.	**749 662**	**834 998**

[1] 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
Fair value of plan assets as at 01.01.	**588 481**	**651 983**
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[1]	50 423	**38 672**
Return on plan assets excluding interest income	– 644	**19 139**
Total fair value of plan assets as at 31.12.	**651 983**	**740 742**

[1] 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**
Underfund as at 31.12.	**97 679**	**94 256**
Adjustment due to asset ceiling	8 904	**2 551**
Net defined benefit obligations	**106 583**	**96 807**

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
Asset ceiling as at 01.01.	**–14 320**	**–8 904**
Interest expense on effect of asset ceiling	–172	**–89**
Change in effect of asset ceiling excluding interest expense	5 588	**6 442**
Total asset ceiling as at 31.12.	**–8 904**	**–2 551**

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**
Defined benefit cost (–)/income (+)	**–19 795**	**5 308**

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 Perlavita Rosenau AG. In addition, a pension plan disposal resulted from the transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 1 July 2015.

REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	01.01.– 31.12.2015	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**
Remeasurement of net defined benefit obligations recognised in other comprehensive income	**– 9 356**	**– 976**

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**
Total actuarial gain (+)/loss (–) on defined benefit obligations	**– 14 300**	**– 26 557**

RECONCILIATION OF NET DEFINED BENEFIT OBLIGATIONS

in CHF 1 000	31.12.2015	31.12.2016
Net defined benefit obligations as at 01.01.	**74 089**	**106 583**
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[1]	20 866	**18 237**
Total net defined benefit obligations as at 31.12.	**106 583**	**96 807**

[1] 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

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**
Total plan assets at fair value	**651 983**	**740 742**

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
Value of defined benefit obligations as at 31.12.	**749 662**	**834 998**
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
Share capital as at 01.01.2015	**60 820 602**	**15.30**	**930 555**
Conversions from January 2015	2 860 803	15.30	43 770
Capital increase on 29.05.2015	5 970 129	15.30	91 343
Share capital as at 31.12.2015	**69 651 534**	**15.30**	**1 065 668**
Conversions from March to June 2016	1 827 383	15.30	27 959
Share capital as at 31.12.2016	**71 478 917**	**15.30**	**1 093 627**

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
Authorised capital as at 01.01.2015	**6 000 000**	**15.30**	**91 800**
Capital increase on 29.05.2015	– 5 970 129	15.30	– 91 343
Authorised capital as at 31.12.2015	**29 871**	**15.30**	**457**
Approval of increase by Annual General Meeting of 12.04.2016[1]	5 970 129	15.30	91 343
Appropriation of conditional capital due to conversions	– 1 827 383	15.30	– 27 959
Authorised capital as at 31.12.2016[2]	**4 172 617**	**15.30**	**63 841**

[1] 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

[2] 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.

CONDITIONAL CAPITAL

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

[1] 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
[2] 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
Capital reserves as at 01.01.2015	**781 123**
Distribution from capital contribution reserves on 21.04.2015	– 235 611
Conversions of 40 607 units of the CHF 300 million convertible bond into 2 860 803 registered shares	155 976
Capital increase on 29.05.2015	321 991
Share-based compensation, 32 302 shares	2 529
Purchase of treasury shares, 32 400 shares	– 2 430
Capital reserves as at 31.12.2015	**1 023 578**
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
Capital reserves as at 31.12.2016	**888 078**

Capital reserves were based on above-par issues on foundation, capital increases as well as changes from trading with subscription rights, treasury shares and share-based compensation.

REVALUATION RESERVES

	in CHF 1 000
Revaluation reserves as at 01.01.2015	**72 792**
Revaluation of owner-occupied properties	38 032
Sale of owner-occupied properties	– 43
Deferred taxes on revaluation of owner-occupied properties	– 8 754
Revaluation reserves as at 31.12.2015	**102 027**
Revaluation of owner-occupied properties	23 004
Deferred taxes on revaluation of owner-occupied properties	– 5 291
Revaluation reserves as at 31.12.2016	**119 740**

Revaluation reserves are not available to the Company shareholders.

RETAINED EARNINGS

	in CHF 1 000
Retained earnings as at 01.01.2015	**2 415 735**
Profit	355 905
Reclassification of cumulative revaluation gains from revaluation reserves	43
Remeasurement of net defined benefit obligations	– 9 356
Deferred taxes on remeasurement of net defined benefit obligations	2 123
Retained earnings as at 31.12.2015	**2 764 450**
Profit	312 168
Remeasurement of net defined benefit obligations	– 976
Deferred taxes on remeasurement of net defined benefit obligations	225
Retained earnings as at 31.12.2016	**3 075 867**

Retained earnings are derived from earnings retained since the foundation of the Company as well as from cumulative revaluations of net defined benefit obligations.

NON-CONTROLLING INTERESTS

	in CHF 1 000
Non-controlling interests as at 01.01.2015	**1 596**
Acquisition of shareholding with non-controlling interests	491
Acquisition of non-controlling interests without change of control	– 1 000
Comprehensive income, attributable to non-controlling interests	– 844
Non-controlling interests as at 31.12.2015	**243**
Comprehensive income, attributable to non-controlling interests	– 963
Non-controlling interests as at 31.12.2016	**– 720**

Shareholders' equity as at 31.12.2016, in CHF 1 000	**5 176 592**
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**
Total weighted average number of shares 01.01.–31.12. (360 days)	**67 127 792**	**70 781 230**
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**
Basis for calculation of diluted earnings per share	**69 498 518**	**73 849 186**

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**
Relevant profit for calculation of diluted earnings per share	**360 275**	**312 254**

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[1]	85.83	**87.24**
Shareholders' equity per share (NAV) after deferred taxes[1]	71.15	**72.43**

[1] 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**
Total future obligations based on total contractor agreements	**58 162**	**287 248**

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**
Total outstanding payments/future obligations		**58 162**	**287 248**

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**
Total future lease expenses	**1 058 031**	**1 241 071**

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 1000	31.12.2015	31.12.2016
Fair value of affected investment properties	7907295	**7817048**
Fair value of affected owner-occupied properties	702728	**768673**
Nominal value of pledged mortgage notes	4718030	**4566686**
Current claim (nominal)	3118850	**3031000**

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 1000	01.01.–31.12.2015	01.01.–31.12.2016
Fixed compensation in cash, gross	4459	**4199**
Variable compensation in cash, gross	1214	**1082**
Share-based variable compensation[1]	1385	**1409**
Other compensation components	172	**59**
pension fund contributions	473	**591**
Other social security contributions	503	**474**
Total compensation to the Board of Directors and Executive Board	**8206**	**7814**
Expense allowance	120	**157**

[1] 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 Jelmoli 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 Capital in CHF 1 000	Shareholding in %	31.12.2016 Capital in CHF 1 000	Shareholding in %
Clos Bercher SA, Bercher[5]	Assisted living	–	–	**100**	**100.0**
Ensemble artisanal et commercial de Riantbosson S.A., Olten[1]	Real estate	1 000	100.0	**n/a**	**n/a**
Home Médicalisé Vert-Bois SA, Val-de-Ruz[5]	Assisted living	–	–	**100**	**100.0**
Hôtel Résidence Bristol SA, Montreux[5]	Assisted living	–	–	**100**	**100.0**
immoveris ag, Berne[2]	Real estate services	–	–	**200**	**100.0**
Jelmoli AG, Zurich	Retail	6 600	100.0	**6 600**	**100.0**
La Fontaine SA, Court[5]	Assisted living	–	–	**100**	**100.0**
La Résidence des Marronniers SA, Martigny[5]	Assisted living	–	–	**100**	**100.0**
Le Manoir AG, Gampelen[5]	Assisted living	–	–	**100**	**100.0**
Leora S.à.r.l., Villeneuve[5]	Assisted living	–	–	**140**	**100.0**
Les Tourelles S.à.r.l., Martigny[5]	Assisted living	–	–	**20**	**100.0**
Perlavita AG, Zurich	Assisted living	100	100.0	**100**	**100.0**
Perlavita Rosenau AG, Kirchberg	Assisted living	300	100.0	**300**	**100.0**
Quality Inside SA, Crissier[5]	Assisted living	–	–	**150**	**100.0**
Résidence Bel-Horizon Sàrl, Ecublens[5]	Assisted living	–	–	**20**	**100.0**
Résidence de la Jardinerie SA, Delémont[5]	Assisted living	–	–	**100**	**100.0**
Résidence du Bourg SA, Aigle[5]	Assisted living	–	–	**50**	**100.0**
Résidence Joli Automne SA, Ecublens[5]	Assisted living	–	–	**100**	**100.0**
Résidence le Pacific SA, Etoy[5]	Assisted living	–	–	**150**	**100.0**
Résidence l'Eaudine SA, Montreux[5]	Assisted living	–	–	**100**	**100.0**
Résidence les Sources Saxon SA, Saxon[7]	Assisted living	–	–	**100**	**100.0**
SENIOcare AG, Wattwil[3]	Assisted living	2 400	100.0	**2 400**	**100.0**
SPS Beteiligungen Alpha AG, Olten[8]	Investments	650 000	100.0	**450 000**	**100.0**
SPS Beteiligungen Beta AG, Olten[8]	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[9]	Investments	–	–	**50 000**	**100.0**
Tertianum Management AG, Zurich[4]	Services	–	–	**500**	**100.0**
Tertianum Romandie Management SA, Crissier[5]	Services	–	–	**100**	**100.0**
Vitadomo AG, Zurich	Assisted living	100	100.0	**100**	**100.0**
WGDM Papillon AG, Winterthur[6]	Assisted living	100	100.0	**n/a**	**n/a**
Wincasa AG, Winterthur	Real estate services	1 500	100.0	**1 500**	**100.0**
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden[3]	Assisted living	1 000	51.0	**1 000**	**51.0**

[1] increase in shareholding interest to 100% as at 17.12.2015; merged with SPS Immobilien AG as at 01.01.2016
[2] acquisition as at 27.05.2016
[3] acquisition as at 01.10.2015
[4] founded as at 18.03.2016
[5] acquisition as at 29.02.2016
[6] acquisition as at 01.07.2015, merged with Perlavita AG as at 01.01.2016
[7] acquisition as at 01.07.2016
[8] SPS Beteiligungen Alpha AG merged with SPS Beteiligungen Beta AG as at 01.07.2016, rebranded in SPS Beteiligungen Alpha AG
[9] founded as at 20.12.2016
This page contains information regarding the GRI Index 102-45

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	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

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**

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 1 000	Fair value level 1	Fair value level 2	Fair value level 3	Total levels	31.12.2016 Book value
Total sight deposits					**157 632**
Accounts receivable					**93 946**
Other receivables					**9 328**
Non-current financial investments		1 798	133	1 931	**2 750**
Total receivables and non-current financial investments					**106 024**
Total financial assets, not recognised at fair value					**263 656**
Securities	479			479	**479**
Total financial assets held for trading					**479**
Total financial assets at fair value					**479**
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**
Total financial liabilities at amortised cost					**4 579 316**
Total financial liabilities, not recognised at fair value					**4 579 316**
Derivatives with negative fair value		3 536		3 536	**3 536**
Total financial liabilities held for trading					**3 536**
Total financial liabilities at fair value					**3 536**

in CHF 1 000	Fair value level 1	Fair value level 2	Fair value level 3	Total levels	31.12.2015 Book value
Total sight deposits					**232 485**
Accounts receivable					80 432
Current accounts receivable					574
Other receivables					26 564
Non-current financial investments		254	134	388	1 261
Total receivables and non-current financial investments					**108 831**
Total financial assets, not recognised at fair value					**341 316**
Securities	482			482	482
Total financial assets held for trading					**482**
Total financial assets at fair value					**482**
Accounts payable					13 307
Current financial liabilities					382 000
Other current liabilities					127 688
Other non-current financial liabilities					11 291
Mortgage-backed loans			2 913 692	2 913 692	2 737 525
Convertible bonds	192 806			192 806	189 589
Bonds	987 855			987 855	940 672
Total financial liabilities at amortised cost					**4 402 072**
Total financial liabilities, not recognised at fair value					**4 402 072**
Derivatives with negative fair value		6 871		6 871	6 871
Total financial liabilities held for trading					**6 871**
Total financial liabilities at fair value					**6 871**

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)[1]	44.0	**44.4**
Non-current financial liabilities relative to property portfolio[1]	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**

[1] without derivatives

To minimise refinancing risk on the part of lenders and to avoid cluster risks, diversification of lenders receives particular attention when borrowing capital.

Interest commitment is determined, among other things, by taking into account the maturity structure of the existing rental agreements, the intended purchases and sales of properties, and the potential trends in market rents, inflation and interest rates.

Liquidity risk is the risk that Swiss Prime Site may not be in a position to meet its contractual financial obligations through providing means of payment or other financial assets. Current income basically ensures sufficient cash flow to meet current obligations. Any lack of liquidity is financed through current loans.

Sight deposits are invested in secure investments. Foreign currencies are immaterial. Cash and cash equivalents are kept as low as possible and are used primarily to redeem loans. The goal is to invest available cash in real estate. To secure larger liabilities, 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 1 000	31.12.2016 Book value	Contractual cash flows	< 6 months Interest	< 6 months Amortisation	6 to 12 months Interest	6 to 12 months Amortisation	1 to 2 years Interest	1 to 2 years Amortisation	2 to 5 years Interest	2 to 5 years Amortisation	> 5 years Interest	> 5 years Amortisation
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
Total non-derivative financial liabilities	**4 579 316**	**4 901 384**	**37 822**	**446 872**	**34 506**	**330 471**	**63 378**	**280 422**	**124 893**	**2 130 017**	**51 335**	**1 401 668**
Derivatives with negative fair value	**3 536**	3 309	–	522	–	490	–	730	–	1 567	–	–
Total derivative financial liabilities	**3 536**	**3 309**	**–**	**522**	**–**	**490**	**–**	**730**	**–**	**1 567**	**–**	**–**
Total financial liabilities	**4 582 852**	**4 904 693**	**37 822**	**447 394**	**34 506**	**330 961**	**63 378**	**281 152**	**124 893**	**2 131 584**	**51 335**	**1 401 668**

in CHF 1 000	31.12.2015 Book value	Contractual cash flows	< 6 months Interest	< 6 months Amortisation	6 to 12 months Interest	6 to 12 months Amortisation	1 to 2 years Interest	1 to 2 years Amortisation	2 to 5 years Interest	2 to 5 years Amortisation	> 5 years Interest	> 5 years Amortisation
Accounts payable	13 307	13 307	–	13 307	–	–	–	–	–	–	–	–
Current financial liabilities	572 105	580 654	6 038	339 608	1 750	233 258	–	–	–	–	–	–
Other current liabilities	127 171	127 176	3	127 092	2	79	–	–	–	–	–	–
Non-current financial liabilities	3 689 488	4 051 951	37 812	–	37 811	–	69 035	513 777	153 495	1 504 433	60 656	1 674 932
Total non-derivative financial liabilities	**4 402 071**	**4 773 088**	**43 853**	**480 007**	**39 563**	**233 337**	**69 035**	**513 777**	**153 495**	**1 504 433**	**60 656**	**1 674 932**
Derivatives with negative fair value	6 871	6 871	–	1 812	–	1 832	–	934	–	2 071	–	222
Total derivative financial liabilities	**6 871**	**6 871**	**–**	**1 812**	**–**	**1 832**	**–**	**934**	**–**	**2 071**	**–**	**222**
Total financial liabilities	**4 408 942**	**4 779 959**	**43 853**	**481 819**	**39 563**	**235 169**	**69 035**	**514 711**	**153 495**	**1 506 504**	**60 656**	**1 675 154**

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.5 [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 1 000	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**
Maximum credit risk	**341 798**	**264 135**

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

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**
Total financial liabilities	**4 266 164**	**4 490 243**

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.

KPMG

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.

KPMG

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.

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.

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”

KPMG

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 Rüegsegger Licensed Audit Expert

Zurich, 24 February 2017

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

AUDITED STATUTORY FINANCIAL STATEMENTS OF SWISS PRIME SITE AG TOGETHER WITH THE REPORT OF THE STATUTORY AUDITOR FOR THE YEAR ENDED 31 DECEMBER 2016

The contents of this Annex represent an excerpt from the Company's Annual Reports as at 31 December 2016. Hence, any references to a page or pages not included in this Annex refer to the respective page(s) in the Company's Annual Reports as at 31 December 2016. The original of these Consolidated Financial Statements is written in German. In case of inconsistencies between the German original and this English translation, the German version shall prevail.

INCOME STATEMENT

in CHF 1 000	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**
Total operating income		**245 780**	**87 718**
Financial expenses	2.3	– 97 751	**– 81 341**
Personnel costs		– 1 725	**– 1 749**
Other operating expenses	2.4	– 6 131	**– 4 560**
Total operating expenses		**– 105 607**	**– 87 650**
Result before taxes		**140 173**	**68**
Direct taxes		–	**–**
Profit	**4**	**140 173**	**68**

BALANCE SHEET

in CHF 1 000	Notes	31.12.2015	31.12.2016
Assets			
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**
Total current assets		**199 976**	**27 022**
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**
Total non-current assets		**6 528 586**	**6 989 801**
Total assets		**6 728 562**	**7 016 823**
Liabilities and shareholders' equity			
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**
Total current liabilities		**530 644**	**683 851**
Non-current interest-bearing liabilities	2.10	3 473 350	**3 722 800**
Other non-current liabilities		6 399	**3 338**
Total non-current liabilities		**3 479 749**	**3 726 138**
Total liabilities		**4 010 393**	**4 409 989**
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**
Total shareholders' equity		**2 718 169**	**2 606 834**
Total liabilities and shareholders' equity		**6 728 562**	**7 016 823**

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 interesting-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 1 000	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**
Total	**72 778**	**64 511**

2.3 Financial expenses

in CHF 1 000	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**
Total	**–97 751**	**–81 341**

2.4 Other operating expenses

in CHF 1 000	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**
Total	**–6 131**	**–4 560**

2.5 Other current receivables

in CHF 1 000	31.12.2015	31.12.2016
Other current receivables from third parties	273	**94**
Other current receivables from group companies	173 018	**23 222**
Total	**173 291**	**23 316**

2.6 Financial investments

in CHF 1 000	31.12.2015	31.12.2016
Loans to group companies	2 496 075	**2 955 691**
Total	**2 496 075**	**2 955 691**

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[1]	650 000	100.0	**450 000**	**100.0**

[1] 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[5]	–	–	**100**	**100.0**
Ensemble artisanal et commercial de Riantbosson S.A., Olten[1]	1 000	100.0	**n/a**	**n/a**
Home Médicalisé Vert-Bois SA, Val-de-Ruz[5]	–	–	**100**	**100.0**
Hôtel Résidence Bristol SA, Montreux[5]	–	–	**100**	**100.0**
immoveris ag, Berne[2]	–	–	**200**	**100.0**
Jelmoli AG, Zurich	6 600	100.0	**6 600**	**100.0**
La Fontaine SA, Court[5]	–	–	**100**	**100.0**
La Résidence des Marronniers SA, Martigny[5]	–	–	**100**	**100.0**
Le Manoir AG, Gampelen[5]	–	–	**100**	**100.0**
Leora S.à.r.l., Villeneuve[5]	–	–	**140**	**100.0**
Les Tourelles S.à.r.l., Martigny[5]	–	–	**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[5]	–	–	**150**	**100.0**
Résidence Bel-Horizon Sàrl, Ecublens[5]	–	–	**20**	**100.0**
Résidence de la Jardinerie SA, Delémont[5]	–	–	**100**	**100.0**
Résidence du Bourg SA, Aigle[5]	–	–	**50**	**100.0**
Résidence Joli Automne SA, Ecublens[5]	–	–	**100**	**100.0**
Résidence le Pacific SA, Etoy[5]	–	–	**150**	**100.0**
Résidence l'Eaudine SA, Montreux[5]	–	–	**100**	**100.0**
Résidence les Sources Saxon SA, Saxon[7]	–	–	**100**	**100.0**
SENIOcare AG, Wattwil[3]	2 400	100.0	**2 400**	**100.0**
SPS Beteiligungen Beta AG, Olten[8]	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[9]	–	–	**50 000**	**100.0**
Tertianum Management AG, Zurich[4]	–	–	**500**	**100.0**
Tertianum Romandie Management SA, Crissier[5]	–	–	**100**	**100.0**
Vitadomo AG, Zurich	100	100.0	**100**	**100.0**
WGDM Papillon AG, Winterthur[6]	100	100.0	**n/a**	**n/a**
Wincasa AG, Winterthur	1 500	100.0	**1 500**	**100.0**
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden[3]	1 000	51.0	**1 000**	**51.0**

[1] increase in shareholding interest to 100% as at 17.12.2015; merged with SPS Immobilien AG as at 01.01.2016
[2] acquisition as at 27.05.2016
[3] acquisition as at 01.10.2015
[4] founded as at 18.03.2016
[5] acquisition as at 29.02.2016
[6] acquisition as at 01.07.2015, merged with Perlavita AG as at 01.01.2016
[7] acquisition as at 01.07.2016
[8] SPS Beteiligungen Alpha AG merged with SPS Beteiligungen Beta AG as at 01.07.2016, rebranded in SPS Beteiligungen Alpha AG
[9] founded as at 20.12.2016

2.8 Current interest-bearing liabilities

in CHF 1 000	31.12.2015	31.12.2016
Convertible bonds	190 350	–
Other current interest-bearing liabilities	332 000	**677 200**
Total	**522 350**	**677 200**

2.9 Other current liabilities

in CHF 1 000	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**
Total	**7 846**	**6 217**

2.10 Non-current interest-bearing liabilities

in CHF 1 000	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**
Total	**3 473 350**	**3 722 800**

Maturity structure of non-current interest-bearing liabilities

in CHF 1 000	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**
Total	**3 473 350**	**3 722 800**

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 [2 741] 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[1]	–	–	**84.61**	**–516**
Holdings of treasury shares on 31.12.	–	2 741	–	**1 336**

[1] 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
Book value as at 31.12.2016	**CHF m**	**0.000**	**250.000**
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
Book value as at 31.12.2016	**CHF m**	**115.000**	**200.000**	**230.000**	**300.000**	**100.000**	**250.000**
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
Board of Directors		
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	33 657	**36 133**
Dr. Thomas Wetzel, Vice-Chairman of the BoD[1]	2 652	**n/a**
Mario F. Seris, Vice-Chairman of the BoD	8 818	**9 738**
Dr. Elisabeth Bourqui, member of the BoD[2]	n/a	**849**
Christopher M. Chambers, member of the BoD	45 528	**46 801**
Markus Graf, member of the BoD[2]	n/a	**27 860**
Dr. Bernhard Hammer, member of the BoD	9 746	**11 019**
Dr. Rudolf Huber, member of the BoD	22 756	**24 100**
Klaus R. Wecken, member of the BoD	900 000	**715 000**
Executive Board		
Markus Graf, member of the Executive Board (CEO)[3]	31 683	**n/a**
René Zahnd, member of the Executive Board (CEO)[4]	–	**–**
Markus Meier, member of the Executive Board (CFO)	2 519	**4 327**
Peter Lehmann, member of the Executive Board (CIO)	13 001	**10 500**
Oliver Hofmann, member of the Executive Board and CEO of Wincasa AG	–	**300**
Franco Savastano, member of the Executive Board and CEO of Jelmoli - The House of Brands	–	**–**
Dr. Luca Stäger, member of the Executive Board and CEO of Tertianum AG	770	**1 484**
Total share ownership	**1 071 130**	**888 111**

[1] until 12.04.2016
[2] since 12.04.2016
[3] until 31.12.2015
[4] 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	**>3.0**
State Street Corporation, Boston	4.0	**3.7**
Credit Suisse Funds AG, Zurich	3.5	**3.2**

3.6 Significant events after the balance sheet date

There were no significant events occuring 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	**335 171**
Profit	140 173	**68**
Total balance sheet profit	**335 171**	**335 239**
Dividend payment	–	–
Balance brought forward to new account	**335 171**	**335 239**

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.

KPMG

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 Rüegsegger Licensed Audit Expert

Zurich, 24 February 2017

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

AUDITED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS OF SWISS PRIME SITE AG TOGETHER WITH THE REPORT OF THE STATUTORY AUDITOR FOR THE SIX MONTHS ENDED 30 JUNE 2017

The contents of this Annex represent an excerpt from the Company's Half-Year Reports as at 30 June 2017. Hence, any references to a page or pages not included in this Annex refer to the respective page(s) in the Company's Half-Year Reports as at 30 June 2017. The original of these Consolidated Financial Statements is written in German. In case of inconsistencies between the German original and this English translation, the German version shall prevail.

CONSOLIDATED INCOME STATEMENT

in CHF 1000	Notes	01.01.– 30.06.2016	01.01.– 30.06.2017
Rental income from properties	5	225 523	**231 088**
Income from real estate services	5	54 848	**57 818**
Income from retail	5	60 208	**60 780**
Income from assisted living	5	151 914	**175 888**
Income from asset management	5	2 570	**2 176**
Other operating income	5	2 311	**2 775**
Operating income		**497 374**	**530 525**
Revaluation of investment properties, net	**11**	**36 713**	**37 412**
Result from investments in associates		**8 631**	**1 084**
Result from investment property sales, net	**6**	**10 114**	**257**
Real estate costs		–62 156	**–66 555**
Cost of goods sold		–45 644	**–46 939**
Personnel costs	7	–179 777	**–203 274**
Depreciation on tangible assets		–9 045	**–6 444**
Amortisation on intangible assets		–1 132	**–1 096**
Other operating expenses		–30 103	**–29 177**
Operating expenses		**–327 857**	**–353 485**
Operating result (EBIT)		**224 975**	**215 793**
Financial expenses	8	–44 056	**–39 171**
Financial income	8	1 522	**1 461**
Profit before income taxes		**182 441**	**178 083**
Income taxes	9	–36 545	**–37 122**
Profit		**145 896**	**140 961**
Attributable to shareholders of Swiss Prime Site AG		146 590	**140 952**
Attributable to non-controlling interests		–694	**9**
Earnings per share (EPS), in CHF	**14**	**2.09**	**1.97**
Diluted earnings per share, in CHF	**14**	**1.97**	**1.92**

Preparation of the consolidated financial statements has been carried out in accordance with Swiss GAAP FER since the beginning of 2017. The previous year's figures were adjusted accordingly (restatement). Further information can be found in Note 2.2 «Restatement Swiss GAAP FER».

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

CONSOLIDATED BALANCE SHEET

in CHF 1000	Notes	31.12.2016	30.06.2017
Assets			
Cash		160 326	**140 010**
Securities		479	**484**
Accounts receivable		93 946	**95 345**
Other current receivables		8 261	**10 511**
Inventories		28 463	**28 534**
Accrued income and prepaid expenses		35 450	**40 484**
Assets held for sale	10/11	13 000	**11 071**
Total current assets		**339 925**	**326 439**
Investment properties	11	10 079 100	**10 252 648**
Tangible assets		62 806	**60 027**
Investments in associates		53 976	**53 021**
Deferred income tax assets		11 902	**12 347**
Other financial investments		2 750	**2 053**
Intangible assets		7 567	**8 701**
Total non-current assets		**10 218 101**	**10 388 797**
Total assets		**10 558 026**	**10 715 236**
Liabilities and shareholders' equity			
Current financial liabilities	12	678 136	**552 129**
Accounts payable		15 088	**14 361**
Other current liabilities		126 975	**131 899**
Accrued expenses and deferred income		120 401	**136 177**
Total current liabilities		**940 600**	**834 566**
Non-current financial liabilities	12	3 805 509	**4 166 854**
Deferred tax liabilities		1 065 637	**1 095 074**
Total non-current liabilities		**4 871 146**	**5 261 928**
Total liabilities		**5 811 746**	**6 096 494**
Share capital		1 093 627	**1 093 627**
Capital reserves		888 187	**623 923**
Treasury shares		– 109	**–**
Retained earnings		2 765 295	**2 901 903**
Shareholders' equity attributable to shareholders of Swiss Prime Site AG		**4 747 000**	**4 619 453**
Non-controlling interests		– 720	**– 711**
Total shareholders' equity		**4 746 280**	**4 618 742**
Total liabilities and shareholders' equity		**10 558 026**	**10 715 236**

Preparation of the consolidated financial statements has been carried out in accordance with Swiss GAAP FER since the beginning of 2017. The previous year's figures were adjusted accordingly (restatement). Further information can be found in Note 2.2 «Restatement Swiss GAAP FER».

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

CONSOLIDATED CASH FLOW STATEMENT

in CHF 1000	Notes	01.01.–30.06.2016	01.01.–30.06.2017
Profit		**145 896**	**140 961**
Depreciation		10 177	**7 540**
Revaluation of investment properties, net	11	–36 713	**–37 412**
Result from investment property sales, net	6	–10 114	**–257**
Result from investments in associates		–8 631	**–1 084**
Other non-cash items affecting net income		2 209	**2 362**
Financial expenses	8	44 056	**39 171**
Financial income	8	–1 522	**–1 461**
Income tax expenses	9	36 545	**37 122**
Change in accounts receivable		–578	**–484**
Change in inventories		–565	**8**
Change in other receivables and accrued income and prepaid expenses		2 980	**–3 538**
Change in accounts payable		–5 208	**–1 466**
Change in other current liabilities and accrued expenses and deferred income		–42 537	**–6 387**
Income tax payments		–50 696	**–22 840**
Cash flow from operating activities		**85 299**	**152 235**
Investments in investment properties	11	–162 706	**–91 270**
Divestments of investment properties	11	–	**13 245**
Investments in tangible assets		–8 320	**–3 430**
Acquisitions of group companies, less acquired cash	3	–49 480	**–14 431**
Investments in financial investments		–110 000	**–**
Divestments of financial investments		120 492	**1 280**
Investments in intangible assets		–2 612	**–2 230**
Interest payments received		305	**585**
Dividends received		2 277	**2 298**
Cash flow from investing activities		**–210 044**	**–93 953**
Distribution from capital contribution reserves		–259 608	**–264 471**
Purchase of treasury shares		–2 121	**–2 048**
Issues of bonds	12	–	**249 050**
Issue of convertible bond		246 968	**–**
Redemption of convertible bond	12	–40 700	**–**
Change in current financial liabilities		130 753	**–173 561**
Change in non-current financial liabilities		19 039	**149 914**
Interest payments made		–43 738	**–37 482**
Cash flow from financing activities		**50 593**	**–78 598**
Change in cash		**–74 152**	**–20 316**
Cash at beginning of period		234 929	**160 326**
Cash at end of period		**160 777**	**140 010**

Preparation of the consolidated financial statements has been carried out in accordance with Swiss GAAP FER since the beginning of 2017. The previous year's figures were adjusted accordingly (restatement). Further information can be found in Note 2.2 «Restatement Swiss GAAP FER».

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in CHF 1000	Notes	Share capital	Capital reserves	Treasury shares	Re-valuation reserves	Retained earnings	Share-holders' equity attributable to share-holders of Swiss Prime Site AG	Non-con-trolling interests	Total share-holders' equity
Total as at 31.12.2015 (as reported according to IFRS)		**1065668**	**1023578**	**–**	**102027**	**2764450**	**4955723**	**243**	**4955966**
Reconciliation from IFRS to Swiss GAAP FER	2.2	–	209	–209	–102027	–242523	–344550	–	–344550
Total as at 01.01.2016 (Swiss GAAP FER)		**1065668**	**1023787**	**–209**	**–**	**2521927**	**4611173**	**243**	**4611416**
Profit		–	–	–	–	146590	146590	–694	145896
Compensation of goodwill from acquisitions of group companies		–	–	–	–	–61605	–61605	–	–61605
Distribution from capital contribution reserves on 19.04.2016		–	–259608	–	–	–	–259608	–	–259608
Conversion of 29930 units of the CHF 190.35 million convertible bond into 1827383 registered shares		27959	119740	–	–	–	147699	–	147699
Issue of 0.25% convertible bond, equity component		–	4236	–	–	–	4236	–	4236
Share-based compensation		–	10	2199	–	–	2209	–	2209
Purchase of treasury shares		–	–	–2121	–	–	–2121	–	–2121
Total as at 30.06.2016		**1093627**	**888165**	**–131**	**–**	**2606912**	**4588573**	**–451**	**4588122**
Total as at 31.12.2016 (as reported according to IFRS)		**1093627**	**888078**	**–**	**119740**	**3075867**	**5177312**	**–720**	**5176592**
Reconciliation from IFRS to Swiss GAAP FER	2.2	–	109	–109	–119740	–310572	–430312	–	–430312
Total as at 01.01.2017 (Swiss GAAP FER)		**1093627**	**888187**	**–109**	**–**	**2765295**	**4747000**	**–720**	**4746280**
Profit		–	–	–	–	140952	140952	9	140961
Compensation of goodwill from acquisitions of group companies		–	–	–	–	–4344	–4344	–	–4344
Distribution from capital contribution reserves on 20.04.2017		–	–264471	–	–	–	–264471	–	–264471
Share-based compensation		–	207	2157	–	–	2364	–	2364
Purchase of treasury shares		–	–	–2048	–	–	–2048	–	–2048
Total as at 30.06.2017		**1093627**	**623923**	**–**	**–**	**2901903**	**4619453**	**–711**	**4618742**

Preparation of the consolidated financial statements has been carried out in accordance with Swiss GAAP FER since the beginning of 2017. The previous year's figures were adjusted accordingly (restatement). Further information can be found in Note 2.2 «Restatement Swiss GAAP FER».

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 in development projects. 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, have been prepared in accordance with Swiss GAAP FER since 1 January 2017 and correspond to article 17 of the Directive on Financial Reporting of the Swiss stock exchange (SIX Swiss Exchange). The consolidated semi-annual financial statements have been produced in accordance with Swiss GAAP FER 31 «Complementary recommendation for listed companies». These semi-annual financial statements do not include all the information and disclosures as required in the annual consolidated financial statements. They should therefore be viewed relative to the consolidated financial statements as at 31 December 2016, which were produced in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements comprise the holding company as well as its group companies (hereinafter jointly referred to as «group companies»).

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 Restatement Swiss GAAP FER
The accounting principles applied to the production and presentation of the 2017 consolidated semi-annual financial statements according to Swiss GAAP FER deviate from the 2016 consolidated financial statements produced according to IFRS principles in the following points:

2.2.1 Properties
Under Swiss GAAP FER, Swiss Prime Site's real estate portfolio comprises exclusively properties that are held for investment purposes according to the core business. These also include real estate previously classified as owner-occupied properties under IFRS, which have been reclassified on the balance sheet under Swiss GAAP FER (see also Note 11 «Investment properties»). The valuation is carried out at fair value in accordance with Swiss GAAP FER 18 «Tangible fixed assets». The valuation technique applied to date for determining the fair value of real estate according to IFRS remains unchanged. Now, all value changes for properties are fully recorded in the result of the period, whereas the value changes for real estate previously classified as owner-occupied properties were generally recorded in comprehensive income under IFRS. In addition, depreciation on the real estate previously classified as owner-occupied properties recorded under the IFRS revaluation model is also eliminated. Separate presentation of properties utilised internally by Swiss Prime Site is therefore eliminated under Swiss GAAP FER.

2.2.2 Goodwill, brand names and customer base from acquisitions
Goodwill resulting from acquisitions is offset directly against shareholders' equity as at the time of acquisition according to the right of option, in accordance with Swiss GAP FER 30 «Consolidated financial statements». According to IFRS, goodwill was recognised in the balance sheet and not amortised and therefore subject to an impairment test on an annual basis. Brand names and customer base are not recognised in the balance sheet at the time of acquisition according to

Swiss GAAP FER and are therefore part of goodwill, whereas these items were recognised separately within the scope of purchase price allocation according to IFRS. The «shadow account» requirement according to Swiss GAAP FER for the effects of theoretical recognition and amortisation of goodwill can be found in Note 13 «Goodwill». Amortisation of the customer base was carried out on a linear basis over the economic useful life. Brand names (except SENIOcare, discontinuation of brand) were not amortised and were thus subject to an impairment test on an annual basis.

2.2.3 Pension plans
Under IFRS, defined benefit plans were accounted for according to the projected unit credit method pursuant to IAS 19 «Employee benefits», whereas now the standards according to Swiss GAAP FER 16 «Pension benefit obligations» are applicable. According to Swiss GAAP FER, there is no position in the balance sheet reported in the consolidated financial statements, while under IFRS a net defined benefit obligation was reported. In addition, reported personnel costs from pension plans changed under Swiss GAAP FER versus IFRS.

2.2.4 Deferred income taxes
The aforementioned valuation and balance sheet adjustments result in corresponding effects on deferred taxes in the balance sheet as well as income statement.

Changes in accounting principles according to Swiss GAAP FER were carried out retrospectively as at 1 January 2016 (restatement). The following table shows the effects of the changeover from IFRS to Swiss GAAP FER on profit and shareholders' equity:

in CHF 1000	**01.01.–30.06.2016**	**01.01.–31.12.2016**
Profit according to IFRS	**132 020**	**311 205**
Reconciliation to Swiss GAAP FER:		
Amortisation on brand names and customer base from acquisitions	1 953	5 074
Adjustment personnel costs (pension plans)	4 899	–28 467
Valuation of properties	11 165	23 004
Deferred taxes	–4 141	314
Total adjustments to profit	**13 876**	**–75**
Total profit according to Swiss GAAP FER	**145 896**	**311 130**

in CHF 1000	**01.01.2016**	**30.06.2016**	**31.12.2016**
Shareholders' equity according to IFRS	**4 955 966**	**4 948 602**	**5 176 592**
Reconciliation to Swiss GAAP FER:			
Compensation of goodwill from acquisitions	–369 520	–443 363	–451 146
Compensation of brand names and customer base from acquisitions	–71 884	–71 355	–68 234
Pension obligations and assets	105 107	179 786	95 795
Deferred taxes	–8 253	–25 548	–6 727
Total adjustments to shareholders' equity	**–344 550**	**–360 480**	**–430 312**
Total shareholders' equity according to Swiss GAAP FER	**4 611 416**	**4 588 122**	**4 746 280**

2.2.5 Adjustment of segment reporting
Swiss Prime Site newly defined the group's segment structure in the reporting year and consequently adjusted its segment reporting. The Real Estate segment now includes exclusively the core real estate business (purchase, sale, lease and development of properties) as well as central group functions. The real estate-related real estate services, assisted living, retail and asset management businesses are incorporated into the newly defined Services segment. The previous year's figures were adjusted accordingly.

3 Changes in scope of consolidation

Founding of Swiss Prime Site Solutions AG

Swiss Prime Site Solutions AG, Zurich, was founded as at 24 February 2017. The company is an asset manager focusing on the real estate sector. The business develops tailor-made services and investment products for third-party clients.

Acquisition of Résidence Gottaz Senior S.A.

The Group acquired 100% of the shares of Résidence Gottaz Senior S.A., Morges, as at 30 June 2017. The transaction comprises four high-quality properties including a park spanning a space of more than 12000 square metres, as well as the accompanying La Gottaz residential and geriatric care centre with 45 beds. The acquisition paves the way for Swiss Prime Site to expand its real estate portfolio as well as its presence in the assisted living sector in French-speaking Switzerland. The operation had been managed to date by Tertianum Group under a contractual relationship. The price as well as the value of assets to be acquired were determined on a provisional basis as at the time of acquisition. Accordingly, the acquisition price amounts to CHF 14.478 million and includes properties valued at CHF 23.820 million, other assets of CHF 2.300 million, liabilities of CHF 15.986 million and goodwill of CHF 4.344 million. Goodwill was set off directly against shareholders' equity.

Group internal mergers

Perlavita AG, Zurich, and Vitadomo AG, Zurich, were merged into Tertianum AG, Zurich, as at 1 January 2017. SPS Beteiligungen Gamma AG, Olten, was also merged into SPS Beteiligungen Alpha AG, Olten, as at 1 January 2017.

4 Segment reporting

Swiss Prime Site is a group that primarily operates a real estate business (core business) comprising buying and selling, managing and developing investment properties. Swiss Prime Site also operates in real estate-related business fields. Swiss Prime Site newly defined the group's segment structure in the reporting year and consequently adjusted its segment reporting. Relevant information can be found in Note 2.2.5 «Adjustment of segment reporting». The previous year's figures were adjusted accordingly.

The consolidated financial data are subdivided into the segments subject to mandatory reporting, as follows:
- Real Estate segment comprises the purchase, sale, lease and development of properties as well as the central group functions
- Services segment consists of the real estate-related real estate services, assisted living and retail as well as asset management businesses

Segment income statement 01.01.–30.06.2017

in CHF 1000	Real Estate segment	Services segment[1]	Total segments	Eliminations	01.01.–30.06.2017 Total group
Rental income from properties	209 676	48 540	258 216	–27 128	**231 088**
thereof from third parties	182 548	48 540	231 088	–	**231 088**
thereof from other segments	27 128	–	27 128	–27 128	**–**
Income from real estate services	–	66 965	66 965	–9 147	**57 818**
Income from retail	–	60 780	60 780	–	**60 780**
Income from assisted living	–	176 020	176 020	–132	**175 888**
Income from asset management	–	2 176	2 176	–	**2 176**
Other operating income	709	2 267	2 976	–201	**2 775**
Operating income	**210 385**	**356 748**	**567 133**	**–36 608**	**530 525**
Revaluation of investment properties, net	**37 423**	**–11**	**37 412**	**–**	**37 412**
Result from investments in associates	**1 084**	**–**	**1 084**	**–**	**1 084**
Result from investment property sales, net	**257**	**–**	**257**	**–**	**257**
Real estate costs	–29 648	–73 335	–102 983	36 428	**–66 555**
Cost of goods sold	–	–46 939	–46 939	–	**–46 939**
Personnel costs	–9 426	–193 838	–203 264	–10	**–203 274**
Depreciation on tangible assets	–385	–6 059	–6 444	–	**–6 444**
Amortisation on intangible assets	–83	–1 013	–1 096	–	**–1 096**
Other operating expenses	–7 547	–21 820	–29 367	190	**–29 177**
Operating expenses	**–47 089**	**–343 004**	**–390 093**	**36 608**	**–353 485**
Operating result (EBIT)	**202 060**	**13 733**	**215 793**	**–**	**215 793**
Financial expenses					**–39 171**
Financial income					**1 461**
Profit before income taxes					**178 083**

[1] acquisition of Résidence les Sources BOAS SA as at 01.07.2016 (assisted living)

Segment income statement 01.01.–30.06.2016

in CHF 1000	Real Estate segment	Services segment[1]	Total segments	Eliminations	01.01.–30.06.2016 Total group
Rental income from properties	207 775	44 678	252 453	–26 930	225 523
thereof from third parties	180 845	44 678	225 523	–	225 523
thereof from other segments	26 930	–	26 930	–26 930	–
Income from real estate services	–	62 769	62 769	–7 921	54 848
Income from retail	–	60 211	60 211	–3	60 208
Income from assisted living	–	151 954	151 954	–40	151 914
Income from asset management	–	2 570	2 570	–	2 570
Other operating income	504	2 142	2 646	–335	2 311
Operating income	**208 279**	**324 324**	**532 603**	**–35 229**	**497 374**
Revaluation of investment properties, net	**36 942**	**–229**	**36 713**	**–**	**36 713**
Result from investments in associates	**8 631**	**–**	**8 631**	**–**	**8 631**
Result from investment property sales, net	**10 114**	**–**	**10 114**	**–**	**10 114**
Real estate costs	–29 200	–67 961	–97 161	35 005	–62 156
Cost of goods sold	–	–45 644	–45 644	–	–45 644
Personnel costs	–7 878	–171 908	–179 786	9	–179 777
Depreciation on tangible assets	–537	–8 508	–9 045	–	–9 045
Amortisation on intangible assets	–83	–1 049	–1 132	–	–1 132
Other operating expenses	–10 167	–20 151	–30 318	215	–30 103
Operating expenses	**–47 865**	**–315 221**	**–363 086**	**35 229**	**–327 857**
Operating result (EBIT)	**216 101**	**8 874**	**224 975**	**–**	**224 975**
Financial expenses					–44 056
Financial income					1 522
Profit before income taxes					**182 441**

[1] acquisition of immoveris ag and immoveris properties ag as at 27.05.2016 (real estate services)
acquisition of BOAS Senior Care as at 29.02.2016 (assisted living)

In the eliminations column, the revenues realised between the segments are eliminated.

5 Operating income

in CHF 1000	01.01.–30.06.2016	01.01.–30.06.2017
Target rental income from investment properties	214 265	**213 313**
Rental income from additionally leased properties	24 975	**29 420**
Rent loss from vacancies	–13 717	**–11 645**
Rental income from properties	**225 523**	**231 088**
Income from real estate services	**54 848**	**57 818**
Income from retail, gross	68 692	**68 843**
Rebates	–8 484	**–8 063**
Income from retail	**60 208**	**60 780**
Income from assisted living	**151 914**	**175 888**
Income from asset management	**2 570**	**2 176**
Other operating income	**2 311**	**2 775**
Total operating income	**497 374**	**530 525**

Details on rental income

The following table depicts the breakdown of the contractual end of the term of individual rental agreements, based on future net annual rental income and land lease income from investment properties (excluding properties under construction and development sites, and excluding additionally leased properties) as at 30 June 2017:

End of contract	30.06.2016 Future rental income in CHF 1000	Share in %	30.06.2017 Future rental income in CHF 1000	Share in %
Under 1 year[1]	43 855	10.3	**55 823**	**13.0**
Over 1 year	46 097	10.8	**45 532**	**10.6**
Over 2 years	40 351	9.5	**38 177**	**8.9**
Over 3 years	36 573	8.6	**66 784**	**15.5**
Over 4 years	63 880	15.0	**42 787**	**10.0**
Over 5 years	36 964	8.7	**21 216**	**4.9**
Over 6 years	11 785	2.8	**18 673**	**4.3**
Over 7 years	16 508	3.9	**19 562**	**4.6**
Over 8 years	17 795	4.2	**8 832**	**2.1**
Over 9 years	10 764	2.5	**10 315**	**2.4**
Over 10 years	100 580	23.7	**102 021**	**23.7**
Total	**425 152**	**100.0**	**429 722**	**100.0**

[1] includes all indefinite rental agreements (residential, parking facilities, commercial properties etc.)

Future rental income has been presented from the Real Estate segment perspective and is based on the rental agreements of the group’s properties as at 30 June 2017 [30 June 2016].

Largest external tenants

As at the balance sheet date, the five largest external tenants accounted for 20.2% [20.3%] of future annual rental income and land lease income (Real Estate segment perspective). These individual tenants have good credit ratings and consist of the following corporations, in particular:

in %	30.06.2016	30.06.2017
Coop	6.4	**6.2**
Migros	4.9	**5.0**
Swisscom	3.4	**3.4**
Inditex S.A.	n/a	**2.9**
Zurich Insurance Company Ltd.	2.7	**2.7**
Swiss Post	2.9	**n/a**

According to Swiss GAAP FER 13, rental agreements represent leasing transactions. The rental agreements are generally indexed; in the case of retail property, additional turnover-based rents are sometimes agreed. Rental agreements are normally concluded for a term of five to ten years, often with a five-year extension option.

6 Result from investment property sales

in CHF 1000	01.01.–30.06.2016	01.01.–30.06.2017
Gains from sales of commercial properties without significant residential space	3 220	**257**
Losses from sales of commercial properties without significant residential space	– 6	**–**
Gains from sales of mixed properties	6 900	**–**
Total result from investment property sales, net	**10 114**	**257**

One [none in the first half-year 2016] investment property was divested in the reporting period. The profit of sale reported in the previous year includes subsequent purchase price payments tied to certain conditions from transactions executed in 2015.

7 Personnel costs

in CHF 1000	01.01.–30.06.2016	01.01.–30.06.2017
Wages and salaries	– 151 471	**– 168 514**
Social security expenses	– 12 093	**– 15 958**
Pension plan expenses	– 10 838	**– 13 249**
Other personnel expenses	– 5 375	**– 5 553**
Total personnel costs	**– 179 777**	**– 203 274**
Number of employees as at 30.06.	**5 346**	**5 696**
Number of full-time equivalents as at 30.06.	**3 976**	**4 589**

Personnel costs reflect salaries from all segments, in addition to compensation to the members of the Board of Directors, including the relevant social security contributions incurred, as well as expenses for leasing of personnel.

8 Financial result

Financial expenses

in CHF 1000	01.01.–30.06.2016	01.01.–30.06.2017
Interest expenses	– 44 321	**– 39 323**
Other financial expenses	265	**152**
Total financial expenses	**– 44 056**	**– 39 171**

Financial income

in CHF 1000	01.01.–30.06.2016	01.01.–30.06.2017
Interest income	309	**582**
Dividend income on securities and financial investments	128	**259**
Fair value changes of financial instruments	572	**620**
Other financial income	513	**–**
Total financial income	**1 522**	**1 461**

9 Income taxes

in CHF 1000	01.01.–30.06.2016	01.01.–30.06.2017
Current income taxes for the reporting period	–11 321	**–10 375**
Adjustments for current income taxes for other accounting periods	–10	**685**
Total current income taxes	**–11 331**	**–9 690**
Deferred taxes resulting from revaluation and depreciation	–26 894	**–28 717**
Deferred taxes resulting from the sale of investment properties	–	**1 181**
Deferred taxes from tax rate changes and reductions from duration of ownership deductions	1 878	**–241**
Deferred taxes resulting from losses carried forward	–217	**345**
Other deferred taxes	19	**–**
Total deferred taxes	**–25 214**	**–27 432**
Total income taxes	**–36 545**	**–37 122**

10 Assets held for sale

in CHF 1000	31.12.2016	30.06.2017
Plan-les-Ouates, Chemin des Aulx (Espace Tourbillon) – sub-project	–	**9 930**
Wattwil, Ebnaterstrasse 45	–	**1 141**
Locarno, Parking Centro	13 000	**–**
Total assets held for sale	**13 000**	**11 071**

The property located in Locarno was sold in the reporting period.

11 Investment properties

Change in investment properties

in CHF 1000	Undeveloped properties	Commercial properties without significant residential space	Mixed properties	Properties under con-struction/ develop-ment sites	Total investment properties	Properties held for sale	Total
Total as at 31.12.2015 (published according to IFRS)	**66 290**	**8 139 398**	**239 647**	**346 690**	**8 792 025**	**–**	**8 792 025**
Reconciliation of IFRS to Swiss GAAP FER	–	894 582	–	–	894 582	–	894 582
Total as at 01.01.2016 (Swiss GAAP FER)	**66 290**	**9 033 980**	**239 647**	**346 690**	**9 686 607**	**–**	**9 686 607**
Purchases	–	115 981	–	–	115 981	–	115 981
Follow-up investments	4 334	25 785	172	16 434	46 725	–	46 725
Capitalised borrowing costs	–	111	–	299	410	–	410
Reclassifications	– 35 848	13 558	–	– 100 235	– 122 525	122 525	–
Positive fair value adjustment	241	83 897	1 618	2 517	88 273	–	88 273
Negative fair value adjustment	– 1 411	– 48 649	– 140	– 1 360	– 51 560	–	– 51 560
Fair value adjustment first half-year 2016	**– 1 170**	**35 248**	**1 478**	**1 157**	**36 713**	**–**	**36 713**
Total as at 30.06.2016	**33 606**	**9 224 663**	**241 297**	**264 345**	**9 763 911**	**122 525**	**9 886 436**
Purchases	–	113 423	27 901	–	141 324	–	141 324
Follow-up investments	14 461	39 552	505	36 515	91 033	–	91 033
Capitalised borrowing costs	40	174	–	405	619	–	619
Reclassifications	– 14 453	101 072	–	22 906	109 525	– 109 525	–
Disposal by sale	–	– 59 926	–	–	– 59 926	–	– 59 926
Positive fair value adjustment	1 062	90 381	1 598	215	93 256	–	93 256
Negative fair value adjustment	1 182	– 42 621	– 2 148	– 17 055	– 60 642	–	– 60 642
Fair value adjustment second half-year 2016	**2 244**	**47 760**	**– 550**	**– 16 840**	**32 614**	**–**	**32 614**
Total as at 31.12.2016	**35 898**	**9 466 718**	**269 153**	**307 331**	**10 079 100**	**13 000**	**10 092 100**
Purchases	–	–	–	28 191	28 191	–	28 191
Follow-up investments	396	45 152	788	47 653	93 989	–	93 989
Capitalised borrowing costs	–	–	–	1 207	1 207	–	1 207
Additions from acquisitions	–	23 820	–	–	23 820	–	23 820
Reclassifications	–	– 36 561	–	25 490	– 11 071	11 071	–
Disposal by sale	–	–	–	–	–	– 13 000	– 13 000
Positive fair value adjustment	31	89 637	962	4 399	95 029	–	95 029
Negative fair value adjustment	– 421	– 54 257	– 998	– 1 941	– 57 617	–	– 57 617
Fair value adjustment first half-year 2017	**– 390**	**35 380**	**– 36**	**2 458**	**37 412**	**–**	**37 412**
Total as at 30.06.2017	**35 904**	**9 534 509**	**269 905**	**412 330**	**10 252 648**	**11 071**	**10 263 719**

Further details on investment properties

in CHF 1000	Undeveloped properties	Commercial properties without significant residential space	Mixed properties	Properties under construction/development sites	Total investment properties	Properties held for sale	Total
Fire insurance values[1]							
On 01.01.2016	7547	6187857	131653	555112	6882169	–	6882169
On 01.01.2017	1975	6489427	148005	311068	6950475	19423	6969898
On 30.06.2017	**2067**	**6477964**	**146229**	**303457**	**6929717**	**1308**	**6931025**
Net rental income[2]							
01.01.–30.06.2016	174	191617	5435	292	197518	3030	200548
01.01.–30.06.2017	**186**	**195301**	**5876**	**305**	**201668**	**–**	**201668**
Vacancy rate in %							
01.01.–30.06.2016	2.4	6.5	4.0	15.3	6.4	2.4	6.4
01.01.–30.06.2017	**0.4**	**5.5**	**4.0**	**–**	**5.5**	**–**	**5.5**

[1] there were no building insurance values for properties under construction. For building projects, respective builders' liability insurance policies were concluded
[2] generated with own investment properties

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.

Discount rates for the real estate valuation hovered in a range of 2.1% to 5.2% on the balance sheet date [2.1% to 5.2% as at 31 December 2016]. The weighted average real discount rate amounted to 3.42% [3.47% as at 31 December 2016].

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 30000 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 approximately CHF 134 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. A BIM project development plan (Building Information Modeling) regulates the BIM-based collaboration among the most important parties participating in the planning and building process. The digital model paves the way for, among other things, reviewing the planning, managing the construction progress with appropriate logistics, centralising the data maintenance for future management and providing Swiss Prime Site with the relevant as-built data base. The interior demolition and clean-up of residual waste have been concluded to a large extent. Dismantling of the façades will begin in the near future.
Occupancy rate[1]	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 1000 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	The apartments will be ready for occupancy in late summer 2019. The hotel, retail floor space and fitness studio will commence operations a few months later due to tenants' improvements

Meyrin, Chemin de Riantbosson (Riantbosson Centre)

Project description	Swiss Prime Site is sole owner of the roughly 4400 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 company EACR by Swiss Prime Site. The company was merged with Swiss Prime Site Immobilien AG. As EACR's majority shareholder, the company HRS has attempted to develop the property. Swiss Prime Site 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 Swiss Prime Site obtained the legally validated building permit in May 2016. The project envisages retail floor space spanning roughly 3400 square metres that is already leased in advance, situated on the first subterranean level, ground floor and first upper floor. Swiss Prime Site foresees flexible interior design for offices or exhibition rooms for the other upper floors (second to sixth upper floors), comprising around 3000 square metres. The floors can be subdivided into up to three units. The second and third subterranean levels house 1300 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.
Occupancy rate[1]	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.
Completion	Mid-April 2018

Meyrin, Route de Pré-Bois 14 (Geneva Business Terminal)

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 Jelmoli acquisition in 2009. The development project began in 2014 with the objective of offering the market flexible and turnkey floor space for local small- and medium-sized enterprises (SMEs) at short lease terms. The concept envisages a seven-storey office building with rentable space of roughly 2600 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 have been authenticated through notarisation.
Occupancy rate[1]	Small- and medium-sized enterprises (SMEs) are currently exhibiting strong interest, expressing a desire to relocate from their existing premises and seeking modern as well as flexible rental floor space with short lease terms. The decision-making process with SMEs is rather brief. Marketing activities are proceeding according to plan.
Completion	Beginning of 2018

Paradiso, Riva Paradiso 3, 20 (Tertianum Residence Du Lac)

Project description	Swiss Prime Site has acquired the former «Du Lac» hotel property – situated in a splendid location directly on Lake Lugano with a view of the cove of Lugano – with the aim of constructing a Tertianum Residence. Instead of an unprofitable modification process, the decision was made to develop two new replacement buildings separated by the Seestrasse but connected via a subterranean passageway. The residence will comprise a total of 60 apartments and 40 geriatric care rooms, also offering a publicly accessible restaurant with terrace situated in the prominent «Seehaus» for residents and passers-by. Tertianum is leasing the roughly 7700 square-metre above-ground effective floor space as well as the 55 parking places for a 20-year fixed term with option for renewal.
Project status	The building application was submitted as at end-June 2017. Within the scope of the new design plan, part of the property must be assigned to the local community. A cooperative total contractor contest with three partners will take place with the aim of optimising the technically sophisticated project, the results of which will be available in autumn 2017.
Occupancy rate[1]	Fully leased.
Completion	The construction start-up date is envisaged for the outset of 2018, with completion date probably by the end of 2020.

Plan-les-Ouates, Chemin des Aulx (Espace Tourbillon)

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 (ZIPLO), comprising land area of roughly 28400 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 95000 square metres. Investment volume (including land) amounts to roughly CHF 351 million.
Project status	The legally validated building permit for the project has been issued. Total contractor Implenia has commenced construction activity. The entire project will have been constructed by the end of 2021.
Occupancy rate[1]	Two buildings will be sold to the Hans-Wilsdorf-Foundation this summer, and the transaction should be executed in August. Swiss Prime Site Immobilien AG will transfer the more than 36000 square metres of upper and subterranean effective floor space at the end of 2020 and beginning of 2021, respectively, to the buyer in turnkey condition. Roughly 10% of the floor space of the remaining three buildings is leased in advance. The marketing campaign will be ramped up gradually starting from July to September 2017.
Completion	2021

Richterswil, Gartenstrasse 7–15 (Tertianum residential and care centre Etzelblick)

Project description	Swiss Prime Site has succeeded in acquiring three adjacent plots of land from various property owners in Richterswil's core zone. One property was owned by the Richterswil community and had been designated for construction of a senior centre. Another portion of the substantial construction site totalling 6700 square metres includes the existing «Etzelblick» residential and geriatric care facility operated by Tertianum Group, which would require modernisation in the coming years and can now be replaced and/or expanded as part of the new construction project. A Tertianum Group residential and senior care centre comprising 60 geriatric care beds as well as assisted living senior residences will emerge in a centralised location in Richterswil, just a few steps away from the railway station and shore of Lake Zurich. Additional apartments are planned as a supplementary project. The investment volume (excluding land) amounts to roughly CHF 50 million. Swiss Prime Site has signed a services agreement with the Richterswil community for the acquisition of the municipality's plot of land, thus guaranteeing together with Tertianum Group coverage of the additional demand for geriatric care facilities in Richterswil. The project constitutes a public-private partnership with significant exemplary character for the future.
Project status	Following conclusion of the study, the overall project planning phase will commence in the second half of 2017. Submission of the planning application is foreseen for the beginning of 2018. Subsequently, the construction period will extend into the second half-year 2020. The residential facility and geriatric care centre as well as senior residences will be ready for occupancy in the autumn of 2020.
Occupancy rate[1]	Group company Tertianum will be the primary tenant. Conclusion of a long-term rental agreement is pending.
Completion	End 2020

Schlieren, Zürcherstrasse 39 (NZZ Site)

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 reveal numerous opportunities. The steps of the planning process derived from the study are being discussed with the various interest groups.
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 8500 square metres of floor space with a workforce of 500 employees. Within the scope of an interim utilisation strategy (2016/17), various floor spaces are being leased to a variety of technology start-up firms. The future event hall has also 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 was submitted in July 2017. The construction start date is envisaged for 2018.
Occupancy rate[1]	Approximately 40%
Completion	2019

Zurich, Albisriederstrasse/Rütiwiesweg (Siemens Site)

Project description	The «Siemens Site» development project creates an atmosphere for small-, medium- and large-scale service providers and business owners that sets new standards within a versatile-use building structure based on impression, flexibility and simplicity. The project is conceptualised toward meeting tenants' needs from the ground up, offering just the right space they actually need through two-storey spatial structures in which a user-specific mezzanine level can be incorporated. Workspaces are newly defined as spatial experiences, paving the way for companies to individually design workplaces and working atmospheres. The special flexibility also facilitates reorganisation of work processes as well as infrastructure. Indeed, the enormous flexibility is inspiring, leading to fresh ideas and underpinning these firms even in their transformation processes. The focal point of the services offered is directed at structurally and technically optimised, flexible-use floor space that is immediately available and adaptable at attractive prices. The encounter between service providers and manufacturing companies and handicraft trade is unique in Zurich City in its particular form. The project provides the logical response to the increasing entanglement and reciprocal extension of the industrial and service sectors.
Project status	The overall planning and construction process is proceeding according to the lean principle. In many respects, this so-called lean construction technique stands diametrically in contrast to the traditional procedure as well as resulting incentives and interests of the parties involved. In fact, the objective of lean construction is to provide users – and hence investors – with the greatest scope of utilisation and at the same time maximally reduce waste, which emerges all along a property's entire life cycle, in the planning, constructing and operating phases. Applying methods and principles of lean construction over the entire development process of a property is new in Switzerland. Therefore, the «Siemens Site» development project constitutes a pilot project for Swiss Prime Site with regard to realisation process, which could serve as an exemplary model for future projects. The legally effective permit for the project was obtained in mid-2017. The construction site has commenced operations smoothly. Moreover, the project is subject to innovation and optimisation even during the construction phase, by means of methods such as target value design and last planner system.
Occupancy rate[1]	In view of the project's high level of innovative content, absolute confidentiality has been imposed until the building permit legally goes into effect. Accordingly, communication and active marketing will not commence until starting from the third quarter of 2017. Discussions with interested parties from the Swiss Prime Site network regarding roughly 40% of the rentable floor space are already underway, however.
Completion	The property will be ready for occupancy in the first quarter of 2019.

Zurich, Brandschenkestrasse 25 (Motel One)

Project description	The office property located at Brandschenkestrasse 25 is being modified as a 394-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 3900 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 hotel opened its doors by the end of July 2017.
Occupancy rate[1]	The entire building is leased to Motel One Group as at summer 2017.
Completion	July 2017

Zurich, Etzelstrasse 14 (Tertianum residential and care centre Etzelgut)

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 has been completed.
Occupancy rate[1]	The building will be 100% utilised directly by the Tertianum Group.
Completion	1 November 2017

[1] occupancy rate and sales status as at 30.06.2017

12 Financial liabilities

in CHF 1000	31.12.2016	30.06.2017
Mortgage-backed loans	677 200	**550 800**
Other loans	936	**1 329**
Total current financial liabilities	**678 136**	**552 129**
Mortgage-backed loans	2 353 951	**2 465 290**
Convertible bonds	243 241	**243 760**
Bonds	1 191 474	**1 440 983**
Non-current loans	13 307	**13 940**
Other non-current financial liabilities	3 536	**2 881**
Total non-current financial liabilities	**3 805 509**	**4 166 854**
Total financial liabilities	**4 483 645**	**4 718 983**

Non-current financial liabilities of CHF 4 166.854 million [CHF 3 805.509 million] were recognised in the balance sheet at amortised cost, which generally corresponded to the nominal value. There were no unusual debt covenants for loans secured by real estate or for bonds. The contractual limits are continually monitored and were complied with by the Company.

Swiss Prime Site AG issued a bond as at 11 May 2017, amounting to CHF 250.000 million with a term to maturity of nine years and interest rate of 0.825%.

To secure the financial liabilities, various credit line agreements were concluded under market conditions (at arm's length). 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 46.0% [44.4% as at 31 December 2016].

Bonds	in	CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021
Issuing volume, nominal	CHF m	115.000	200.000	230.000	300.000
Book value as at 30.06.2017	**CHF m**	**114.896**	**199.400**	**229.559**	**298.766**
Book value as at 31.12.2016	CHF m	114.847	199.278	229.493	298.605
Interest rate	%	1.125	1.0	2.0	1.75
Term to maturity	years	5	5	7	7
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)
Fair value as at 30.06.2017	**CHF m**	**116.369**	**205.700**	**242.650**	**314.550**
Fair value as at 31.12.2016	CHF m	117.070	204.700	244.950	317.550

Bonds	in	CHF 100 m 2024	CHF 250 m 2025	CHF 250 m 2026
Issuing volume, nominal	CHF m	100.000	250.000	250.000
Book value as at 30.06.2017	**CHF m**	**99.380**	**249.918**	**249.064**
Book value as at 31.12.2016	CHF m	99.338	249.913	0.000
Interest rate	%	2.0	0.5	0.825
Term to maturity	years	10	9	9
Maturity	date	10.12.2024	03.11.2025	11.05.2026
Securities number		25 704 217 (SPS142)	33 764 553 (SPS161)	36 067 729 (SPS17)
Fair value as at 30.06.2017	**CHF m**	**109.100**	**248.000**	**250.750**
Fair value as at 31.12.2016	CHF m	110.000	247.125	0.000

The bonds are redeemed at their nominal value.

Convertible bond	in	CHF 250 m 2023
Issuing volume, nominal	CHF m	250.000
Nominal value as at 30.06.2017	CHF m	250.000
Book value as at 30.06.2017	**CHF m**	**243.760**
Book value as at 31.12.2016	CHF m	243.241
Conversion price	CHF	105.38
Interest rate	%	0.25
Term to maturity	years	7
Maturity	date	16.06.2023
Securities number		32 811 156 (SPS16)
Fair value as at 30.06.2017	**CHF m**	**249.250**
Fair value as at 31.12.2016	CHF m	248.250

No conversions took place in the reporting period. Conversions took place in the previous year with a volume amounting to nominal CHF 149.650 million, resulting in an increase in share capital of CHF 27.959 million or 1 827 383 registered shares and an addition to capital reserves of CHF 119.752 million. The residual amount of the CHF 190.35 million convertible bond of CHF 40.700 million was redeemed on 21 June 2016.

Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time until 7 June 2023. The new shares to be issued are secured by conditional capital.

The equity component resulting from the convertible option was recognised directly in shareholders' equity. The other embedded options of the convertible bond – i. e. premature redemption option under certain preconditions (clean-up call and issuer call) – as well as the put option granted under certain preconditions (delisting of shares put) are contained within the borrowed capital component and are not recognised separately.

Conversion price and number of possible shares given 100% conversion

Convertible bond	31.12.2016 Conversion price in CHF	31.12.2016 Number of possible shares	30.06.2017 Conversion price in CHF	30.06.2017 Number of possible shares
0.25%-convertible bond 16.06.2016–16.06.2023, CHF 250.000 million	105.38	2 372 367	**105.38**	**2 372 367**
Total number of possible shares		**2 372 367**		**2 372 367**

Overview of future contractual cash outflows (including interest) from all financial liabilities

in CHF 1000	30.06.2017 Book value	Contractual cash flows	< 6 months Interest	< 6 months Amortisation	6 to 12 months Interest	6 to 12 months Amortisation	1 to 2 years Interest	1 to 2 years Amortisation	2 to 5 years Interest	2 to 5 years Amortisation	> 5 years Interest	> 5 years Amortisation
Accounts payable	**14 361**	14 361	–	14 361	–	–	–	–	–	–	–	–
Current financial liabilities	**552 129**	555 618	2 969	474 929	520	77 200	–	–	–	–	–	–
Other current liabilities	**131 899**	131 899	–	131 899	–	–	–	–	–	–	–	–
Non-current financial liabilities (without derivatives)	**4 163 973**	4 486 124	33 663	–	33 663	–	64 196	353 076	116 846	2 008 160	63 531	1 812 989
Total non-derivative financial liabilities	**4 862 362**	**5 188 002**	**36 632**	**621 189**	**34 183**	**77 200**	**64 196**	**353 076**	**116 846**	**2 008 160**	**63 531**	**1 812 989**
Derivatives with negative fair value	**2 881**	3 127	–	491	–	402	–	810	–	1 424	–	–
Total derivative financial liabilities	**2 881**	**3 127**	**–**	**491**	**–**	**402**	**–**	**810**	**–**	**1 424**	**–**	**–**
Total financial liabilities	**4 865 243**	**5 191 129**	**36 632**	**621 680**	**34 183**	**77 602**	**64 196**	**353 886**	**116 846**	**2 009 584**	**63 531**	**1 812 989**

in CHF 1000	31.12.2016 Book value	Contractual cash flows	< 6 months Interest	< 6 months Amortisation	6 to 12 months Interest	6 to 12 months Amortisation	1 to 2 years Interest	1 to 2 years Amortisation	2 to 5 years Interest	2 to 5 years Amortisation	> 5 years Interest	> 5 years Amortisation
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	126 975	126 975	–	126 975	–	–	–	–	–	–	–	–
Non-current financial liabilities (without derivatives)	3 801 973	4 116 886	32 708	–	32 465	–	63 378	280 422	124 893	2 130 017	51 335	1 401 668
Total non-derivative financial liabilities	**4 622 172**	**4 944 240**	**37 822**	**489 728**	**34 506**	**330 471**	**63 378**	**280 422**	**124 893**	**2 130 017**	**51 335**	**1 401 668**
Derivatives with negative fair value	3 536	3 309	–	522	–	490	–	730	–	1 567	–	–
Total derivative financial liabilities	**3 536**	**3 309**	**–**	**522**	**–**	**490**	**–**	**730**	**–**	**1 567**	**–**	**–**
Total financial liabilities	**4 625 708**	**4 947 549**	**37 822**	**490 250**	**34 506**	**330 961**	**63 378**	**281 152**	**124 893**	**2 131 584**	**51 335**	**1 401 668**

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.7 years [4.5 years as at 31 December 2016] due to the contractual maturities.

Current and non-current financial liabilities categorised by interest rate

in CHF 1000	31.12.2016 Total nominal value	30.06.2017 Total nominal value
Financial liabilities up to 1.00%	875 800	**1 176 274**
Financial liabilities up to 1.50%	666 000	**741 000**
Financial liabilities up to 2.00%	876 600	**884 885**
Financial liabilities up to 2.50%	1 194 400	**1 164 400**
Financial liabilities up to 3.00%	673 092	**602 842**
Financial liabilities up to 3.50%	–	**–**
Financial liabilities up to 4.00%	192 282	**144 074**
Financial liabilities up to 4.50%	10 813	**10 707**
Financial liabilities up to 5.00%	1 256	**2 172**
Total financial liabilities	**4 490 243**	**4 726 354**

The weighted average interest rate for all interest-bearing financial liabilities amounted to 1.7% [1.8% as at 31 December 2016]. The loans were mainly obtained at fixed interest rates.

13 Goodwill

Goodwill resulting from acquisitions is set off against shareholders' equity as at the time of acquisition. Theoretical recognition of goodwill would have the following effects on the consolidated financial statements, taking into account a useful life of five years:

Theoretical statement of changes in goodwill

in CHF 1000	31.12.2016	30.06.2017
Cost as at 01.01.	**372 577**	**441 302**
Additions	68 725	**4 344**
Cost as at reporting date	**441 302**	**445 646**
Cumulative amortisation as at 01.01.	**174 541**	**250 466**
Additions	75 925	**38 318**
Cumulative amortisation as at reporting date	**250 466**	**288 784**
Theoretical net book value as at reporting date	**190 836**	**156 862**

Theoretical effect on shareholders' equity

in CHF 1000	31.12.2016	30.06.2017
Shareholders' equity according to balance sheet	4 746 280	**4 618 742**
Theoretical recognition of net book value of goodwill in the balance sheet	190 836	**156 862**
Theoretical shareholders' equity including net book value of goodwill	**4 937 116**	**4 775 604**

Theoretical effect on profit

in CHF 1000	01.01.–30.06.2016	01.01.–30.06.2017
Profit according to income statement	145 896	**140 961**
Theoretical amortisation of goodwill	–37 606	**–38 318**
Theoretical profit including amortisation of goodwill	**108 290**	**102 643**

14 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.

Basis for calculation of diluted earnings per share

in CHF 1000	01.01.–30.06.2016	01.01.–30.06.2017
Profit attributable to shareholders of Swiss Prime Site AG	146 590	**140 952**
Interests on convertible bonds, amortisation of proportional costs and tax effects	–779	**830**
Relevant profit for calculation of diluted earnings per share	**145 811**	**141 782**

Weighted average number of shares

	01.01.–30.06.2016	01.01.–30.06.2017
Shares issued as at 01.01.	69 651 534	**71 478 917**
Weighted number of shares issued on conversions	436 205	**–**
Average number of treasury shares (180 days)	–2 488	**–1 956**
Total weighted average number of shares 01.01.–30.06. (180 days)	**70 085 251**	**71 476 961**
Weighted number of shares issued on conversions	–436 205	**–**
Effective number of converted shares	1 827 383	**–**
Highest possible number of shares that can be issued on conversions	2 372 367	**2 372 367**
Basis for calculation of diluted earnings per share	**73 848 796**	**73 849 328**

Earnings and net asset value (NAV) per share

in CHF	01.01.–30.06.2016	01.01.–30.06.2017
Earnings per share (EPS)	2.09	**1.97**
Diluted earnings per share	1.97	**1.92**
Shareholders' equity per share (NAV) before deferred taxes[1]	78.97	**79.94**
Shareholders' equity per share (NAV) after deferred taxes[1]	64.20	**64.63**

[1] non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV. Services segment (real estate-related business fields) included at book values only

15 Future obligations and contingent liabilities

in CHF 1000	31.12.2016	30.06.2017
2017	131 333	**112 313**
2018	99 983	**101 518**
2019	55 932	**55 932**
Total future obligations based on total contractor agreements	**287 248**	**269 763**

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	31.12.2016 Outstanding payments in CHF 1000	30.06.2017 Outstanding payments in CHF 1000
Basel, Freie Strasse 68/Motel One	2017	350	**350**
Basel, Hochbergerstrasse 60a	2018	–	**12 095**
Berne, Viktoriastrasse 21, 21a, 21b/Schönburg	2019	100 833	**95 231**
Meyrin, Chemin de Riantbosson/Avenue de Mategnin	2018	23 327	**15 454**
Meyrin, Route de Pré-Bois 14	2018	7 696	**5 195**
Plans-les-Ouates, Chemin des Aulx	2019	133 800	**133 800**
Zurich, Brandschenkestrasse 25/Motel One	2017	13 792	**3 898**
Zurich, Etzelstrasse 14	2017	7 450	**3 740**
Total outstanding payments/future obligations		**287 248**	**269 763**

There were no contingent liabilities as at the balance sheet date, neither securities nor guarantees.

16 Pledged assets

in CHF 1000	31.12.2016	30.06.2017
Fair value of affected investment properties	8 585 721	**8 875 482**
Nominal value of pledged mortgage notes	4 566 686	**4 685 151**
Current claim (nominal)	3 031 000	**3 007 800**

17 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	31.12.2016 Capital in CHF 1000	Shareholding in %	30.06.2017 Capital in CHF 1000	Shareholding in %
Clos Bercher SA, Bercher	Assisted living	100	100.0	**100**	**100.0**
Home Médicalisé Vert-Bois SA, Val-de-Ruz	Assisted living	100	100.0	**100**	**100.0**
Hôtel Résidence Bristol SA, Montreux	Assisted living	100	100.0	**100**	**100.0**
immoveris ag, Berne	Real estate services	200	100.0	**200**	**100.0**
Jelmoli AG, Zurich	Retail	6600	100.0	**6600**	**100.0**
La Fontaine SA, Court	Assisted living	100	100.0	**100**	**100.0**
La Résidence des Marronniers SA, Martigny	Assisted living	100	100.0	**100**	**100.0**
Le Manoir AG, Gampelen	Assisted living	100	100.0	**100**	**100.0**
Leora S.à.r.l., Villeneuve	Assisted living	140	100.0	**140**	**100.0**
Les Tourelles S.à.r.l., Martigny	Assisted living	20	100.0	**20**	**100.0**
Perlavita AG, Zurich[1]	Assisted living	100	100.0	**n/a**	**n/a**
Perlavita Rosenau AG, Kirchberg	Assisted living	300	100.0	**300**	**100.0**
Quality Inside SA, Crissier	Assisted living	150	100.0	**150**	**100.0**
Résidence Bel-Horizon Sàrl, Ecublens	Assisted living	20	100.0	**20**	**100.0**
Résidence de la Jardinerie SA, Delémont	Assisted living	100	100.0	**100**	**100.0**
Résidence du Bourg SA, Aigle	Assisted living	50	100.0	**50**	**100.0**
Résidence Gottaz Senior S.A., Morges[2]	Assisted living	–	–	**450**	**100.0**
Résidence Joli Automne SA, Ecublens	Assisted living	100	100.0	**100**	**100.0**
Résidence le Pacific SA, Etoy	Assisted living	150	100.0	**150**	**100.0**
Résidence l'Eaudine SA, Montreux	Assisted living	100	100.0	**100**	**100.0**
Résidence les Sources Saxon SA, Saxon	Assisted living	100	100.0	**100**	**100.0**
SENIOcare AG, Wattwil	Assisted living	2400	100.0	**2400**	**100.0**
SPS Beteiligungen Alpha AG, Olten[3]	Investments	450000	100.0	**450000**	**100.0**
SPS Beteiligungen Gamma AG, Olten[3]	Investments	300000	100.0	**n/a**	**n/a**
Swiss Prime Site Fund Advisory AG II, Olten	Collective investments	100	100.0	**100**	**100.0**
Swiss Prime Site Immobilien AG, Olten[4]	Real estate	50000	100.0	**50000**	**100.0**
Swiss Prime Site Management AG, Olten[5]	Services	100	100.0	**100**	**100.0**
Swiss Prime Site Solutions AG, Zurich[6]	Asset management	–	–	**1500**	**100.0**
Tertianum AG, Zurich[1]	Assisted living	9562	100.0	**9562**	**100.0**
Tertianum Gruppe AG, Zurich	Investments	50000	100.0	**50000**	**100.0**
Tertianum Management AG, Zurich	Services	500	100.0	**500**	**100.0**
Tertianum Romandie Management SA, Crissier	Services	100	100.0	**100**	**100.0**
Vitadomo AG, Zurich[1]	Assisted living	100	100.0	**n/a**	**n/a**
Wincasa AG, Winterthur	Real estate services	1500	100.0	**1500**	**100.0**
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden	Assisted living	1000	51.0	**1000**	**51.0**

[1] merger of Perlavita AG and Vitadomo AG in Tertianum AG as at 01.01.2017
[2] acquisition as at 30.06.2017
[3] merger of SPS Beteiligungen Gamma AG in SPS Beteiligungen Alpha AG as at 01.01.2017
[4] rebranded from SPS Immobilien AG to Swiss Prime Site Immobilien AG as at 18.01.2017
[5] rebranded from Swiss Prime Site Group AG to Swiss Prime Site Management AG as at 27.01.2017
[6] founded as at 24.02.2017

Investments in associates valued according to the equity method

	Field of activity	31.12.2016 Capital in CHF 1000	Shareholding in %	30.06.2017 Capital in CHF 1000	Shareholding 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**

18 Major shareholders

Major shareholders (shareholding interest > 3%)	31.12.2016 Shareholding interest in %	30.06.2017 Shareholding interest in %
BlackRock Inc., New York	>3.0	**>3.0**
State Street Corporation, Boston	3.7	**4.1**
Credit Suisse Funds AG, Zurich	3.2	**3.0**

19 Events after the balance sheet date

The consolidated financial statements were approved for publication by the Board of Directors on 17 August 2017.

There were no events occurring between 30 June 2017 and the date of publication of these consolidated financial statements that would result in adjustment of the book values of the group's assets and liabilities as at 30 June 2017, or which would need to be disclosed at this point.

Review Report

To the Board of Directors of Swiss Prime Site AG, Olten

We have been engaged to review the consolidated interim financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity, consolidated cash flow statement and selected explanatory notes on pages 18 to 43) of Swiss Prime Site AG for the six-month period ended 30 June 2017.

These consolidated interim financial statements are the responsibility of the Board of Directors. Our responsibility is to issue a report on these consolidated interim financial statements based on our review.

We conducted our review in accordance with the Swiss Auditing Standard 910 „Engagements to Review Financial Statements". This standard requires that we plan and perform the review to obtain moderate assurance as to whether the consolidated interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial statements do not give a true and fair view of the financial position as of 30 June 2017, and the results of operations and cash flows for the six-month period then ended in accordance with Swiss GAAP FER 31 paragraphs 9 - 12 Interim Financial Reporting.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert

Anna Pohle
Licensed Audit Expert

Zurich, 17 August 2017

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

PROPERTY DETAILS AS OF 30 JUNE 2017

The contents of this Annex represent an excerpt from the Company's Half-Year Reports as at 30 June 2017. Hence, any references to a page or pages not included in this Annex refer to the respective page(s) in the Company's Half-Year Reports as at 30 June 2017. The original of these Property Details is written in German. In case of inconsistencies between the German original and this English translation, the German version shall prevail.

Property details as at 30.06.2017 | **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 m²	Total m² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Commercial properties without significant residential space														
Aarau, Bahnhofstrasse 23	16 160	378	–	sole ownership	1946	1986	685	2 069	60.8	12.3	–	–	26.9	–
Amriswil, Weinfelderstrasse 74	7 002	228	4.7	sole ownership	2004		3 672	3 084	41.7	0.7	41.7	–	5.1	10.8
Baar, Grabenstrasse 17, 19	31 520	604	–	sole ownership	2015		2 084	3 685	–	95.8	–	–	4.2	–
Baar, Zugerstrasse 57, 63	63 830	1 207	–	sole ownership	2009		6 029	8 999	–	89.8	–	–	6.7	3.5
Baden, Bahnhofstrasse 2	10 060	202	–	sole ownership	1927	1975	212	979	93.4	–	–	–	6.6	–
Baden, Weite Gasse 34, 36	9 274	220	–	sole ownership	1953	1975	366	1 565	37.7	40.4	–	–	10.8	11.1
Basel, Aeschenvorstadt 2–4	47 110	1 030	0.1	sole ownership	1960	2005	1 362	6 219	17.3	63.6	–	–	18.6	0.5
Basel, Barfüsserplatz 3	40 190	854	–	sole ownership	1874	1993	751	3 864	46.8	33.2	–	–	19.9	0.1
Basel, Centralbahnplatz 9/10	21 860	417	–	sole ownership	1870/ 2005	2005	403	1 445	8.5	37.9	21.0	–	11.8	20.8
Basel, Elisabethenstrasse 15	29 310	669	5.9	sole ownership	1933	1993	953	4 265	20.8	72.5	–	–	6.7	–
Basel, Freie Strasse 26/ Falknerstrasse 3	41 040	703	7.4	sole ownership	1854	1980	471	2 870	43.6	50.3	–	–	6.1	–
Basel, Freie Strasse 36	45 620	844	–	sole ownership	1894	2003	517	2 429	59.3	13.6	–	–	11.5	15.6
Basel, Freie Strasse 68	68 690	1 334	–	sole ownership	1930	2015/ 2016	1 461	8 200	19.5	1.2	62.9	–	15.9	0.5
Basel, Henric Petri-Strasse 9/ Elisabethenstrasse 19	31 210	752	0.4	sole ownership	1949	1985	2 387	6 696	4.3	74.6	–	–	21.1	–
Basel, Hochbergerstrasse 40/ parking	4 764	306	47.3	sole ownership land lease	1976		4 209	–	–	–	–	–	–	–
Basel, Hochbergerstrasse 60/ building 805	4 010	150	–	sole ownership	1958	2006	5 420	4 782	–	23.4	–	–	10.5	66.1
Basel, Hochbergerstrasse 60/ building 860	2 406	81	35.6	sole ownership	1990		980	897	–	82.2	–	–	14.1	3.7
Basel, Hochbergerstrasse 60/ Stücki Business Park 60A–E	118 700	3 040	20.1	sole ownership	2008		8 343	37 437	–	85.8	0.6	–	4.8	8.8
Basel, Hochbergerstrasse 62	9 309	212	–	sole ownership	2005		2 680	–	–	–	–	–	–	–
Basel, Hochbergerstrasse 70/ Stücki shopping centre	195 750	6 945	20.1	sole ownership	2009		46 416	54 338	60.3	8.0	18.0	–	12.1	1.6
Basel, Messeplatz 12/ Messeturm	214 530	4 669	–	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	52 950	1 298	0.8	freehold property	1999		19 214	9 109	–	85.3	–	–	14.7	–
Basel, Rebgasse 20	39 100	1 296	0.1	sole ownership	1973	1998	3 713	9 061	46.5	11.3	13.9	–	26.6	1.7
Belp, Aemmenmattstrasse 43	14 360	804	50.9	sole ownership	1991		5 863	9 353	–	74.8	5.3	–	17.8	2.1
Berlingen, Seestrasse 110	1 462	77	31.7	sole ownership	1992		1 293	1 882	–	100.0	–	–	–	–
Berlingen, Seestrasse 83, 88, 101, 154	37 380	985	–	sole ownership	1948–1998		10 321	8 650	–	–	–	100.0	–	–
Berne, Bahnhofplatz 9	15 700	320	–	sole ownership	1930	1985	275	1 616	67.5	–	–	–	32.5	–
Berne, Genfergasse 14	112 450	2 131	–	sole ownership	1905	1998	4 602	15 801	4.1	85.0	–	–	0.7	10.2
Berne, Laupenstrasse 6	12 270	297	–	sole ownership	1911	1998	503	2 067	41.4	49.8	–	–	0.3	8.5
Berne, Mingerstrasse 12–18/ PostFinance Arena	114 850	3 296	–	sole ownership land lease	1969/ 2009	2009	29 098	46 348	0.2	17.8	–	–	0.1	81.9
Berne, Schwarztorstrasse 48	52 180	1 398	–	sole ownership	1981	2011	1 959	8 148	–	75.7	–	–	23.0	1.3
Berne, Wankdorfallee 4/ EspacePost	169 920	4 075	–	sole ownership land lease	2014		5 244	33 647	–	94.2	–	–	4.9	0.9
Berne, Weltpoststrasse 5	72 080	2 760	13.6	sole ownership land lease	1975/ 1985	2013	19 374	25 394	–	68.4	4.6	–	19.6	7.4
Biel, Solothurnstrasse 122	8 491	255	0.2	sole ownership land lease	1961	1993	3 885	3 319	74.9	2.7	–	–	15.3	7.1

Property details as at 30.06.2017

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 m²	Total m² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Commercial properties without significant residential space														
Brugg, Hauptstrasse 2	15 610	530	8.5	sole ownership	1958	2000	3 364	4 210	60.5	4.1	3.5	–	30.4	1.5
Buchs, St. Gallerstrasse 5	6 393	212	6.0	sole ownership	1995		2 192	1 784	13.2	60.1	–	–	18.3	8.4
Burgdorf, Emmentalstrasse 14	7 379	275	69.5	sole ownership	1972	1998	1 845	2 061	46.2	43.5	–	–	8.6	1.7
Burgdorf, Industrie Buchmatt	13 600	389	–	sole ownership partial land lease	1973		15 141	11 967	2.9	5.4	–	–	89.3	2.4
Carouge, Avenue Cardinal-Mermillod 36–44	155 630	4 531	2.7	sole ownership	1956	2002	14 372	35 074	23.7	56.9	3.5	–	14.8	1.1
Cham, Dorfplatz 2	5 072	132	0.2	sole ownership	1992		523	1 067	11.4	61.5	–	–	27.1	–
Conthey, Route Cantonale 2	6 290	188	–	sole ownership	1989		3 057	2 481	71.6	4.6	–	–	19.8	4.0
Conthey, Route Cantonale 4	16 490	615	11.5	sole ownership land lease	2009		7 444	4 979	86.1	–	3.0	–	6.1	4.8
Conthey, Route Cantonale 11	27 570	909	2.2	sole ownership land lease	2002		10 537	7 323	79.9	1.3	0.7	–	14.3	3.8
Dietikon, Bahnhofplatz 11/ Neumattstrasse 24	10 200	253	0.1	sole ownership	1989		1 004	1 783	19.5	56.1	–	–	24.4	–
Dietikon, Kirchstrasse 20	12 640	296	0.4	sole ownership	1988		1 087	1 894	23.5	65.0	–	–	11.5	–
Dietikon, Zentralstrasse 12	6 900	244	8.4	sole ownership	1965		1 215	3 268	40.9	6.2	–	–	46.5	6.4
Dübendorf, Bahnhofstrasse 1	6 217	220	–	sole ownership land lease	1988		1 308	1 671	17.7	59.3	–	–	23.0	–
Eyholz, Kantonsstrasse 79	2 816	142	–	sole ownership land lease	1991		2 719	1 319	92.3	5.6	–	–	–	2.1
Frauenfeld, St. Gallerstrasse 30–30c	36 080	855	–	sole ownership	1991		8 842	9 528	–	–	–	100.0	–	–
Frauenfeld, Zürcherstrasse 305	9 076	288	36.6	sole ownership	1982	2006	3 866	4 285	54.2	20.6	–	–	21.0	4.2
Frick, Hauptstrasse 132/ Fricktal Centre A3	22 330	569	–	sole ownership	2007		13 365	4 983	64.6	–	3.2	–	15.6	16.6
Geneva, Centre Rhône-Fusterie	110 940	1 530	–	freehold property	1990		2 530	11 186	76.2	0.3	–	–	23.5	–
Geneva, Place du Molard 2–4	265 290	4 239	4.4	sole ownership	1690	2002	1 718	7 198	39.1	56.2	–	–	3.9	0.8
Geneva, Route de Meyrin 49	67 190	2 060	6.8	sole ownership	1987		9 890	10 147	–	85.5	–	–	13.0	1.5
Geneva, Rue Céard 14/ Croix-d'Or 11	30 010	629	–	sole ownership	1974/ 1985	1981	285	1 677	66.0	–	–	–	34.0	–
Geneva, Rue du Rhône 48–50	547 900	8 961	4.6	sole ownership	1921	2002	5 166	33 418	44.3	33.3	7.2	–	9.1	6.1
Gossau, Wilerstrasse 82	19 750	557	–	sole ownership	2007		13 064	4 688	78.1	2.1	–	–	10.7	9.1
Grand-Lancy, Route des Jeunes 10/ CCL La Praille	264 160	8 136	0.3	sole ownership land lease	2002		20 597	36 095	52.0	0.9	28.5	–	16.5	2.1
Grand-Lancy, Route des Jeunes 12	52 920	1 580	1.0	sole ownership land lease	2003		5 344	12 759	3.3	38.0	43.0	–	13.6	2.1
Heimberg, Gurnigelstrasse 38	8 840	302	–	sole ownership land lease	2000		7 484	1 544	83.6	2.8	–	–	7.0	6.6
Horgen, Zugerstrasse 22, 24	11 650	310	–	sole ownership	1990		868	2 408	11.0	75.5	–	–	13.5	–
La Chaux-de-Fonds, Boulevard des Eplatures 44	6 648	216	–	sole ownership	1972		3 021	2 506	94.7	1.7	–	–	3.0	0.6
Lachen, Seidenstrasse 2	6 447	173	–	sole ownership	1993		708	1 532	13.9	67.6	–	–	18.5	–
Lausanne, Rue de Sébeillon 9/ Sébeillon Centre	12 830	484	0.9	sole ownership	1930	2001	2 923	10 123	8.4	56.4	–	–	24.7	10.5
Lausanne, Rue du Pont 5	141 990	3 067	0.4	sole ownership	1910	2004	3 884	20 805	50.5	23.3	9.2	–	10.1	6.9
Locarno, Parking Centro	–	70		sold 31.01.2017										
Lutry, Route de l'Ancienne Ciblerie 2	29 040	802	3.5	freehold property	2006		13 150	3 233	72.5	2.8	4.6	–	14.8	5.3
Lucerne, Kreuzbuchstrasse 33/35	21 880	941	–	sole ownership land lease	2010		14 402	10 533	–	–	–	100.0	–	–

Property details as at 30.06.2017 | **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 m²	Total m² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Commercial properties without significant residential space														
Lucerne, Langensandstrasse 23/ Schönbühl	52 240	1 325	2.7	sole ownership	1969	2007	20 150	10 406	63.4	8.4	1.7	–	15.8	10.7
Lucerne, Pilatusstrasse 4/Flora	69 790	1 296	–	freehold property	1979	2008	4 376	9 891	69.4	12.2	–	–	9.6	8.8
Lucerne, Schwanenplatz 3	16 250	308	–	sole ownership	1958	2004	250	1 512	10.8	62.6	–	–	18.7	7.9
Lucerne, Schweizerhofquai 6/ Gotthard Building	78 100	1 044	–	sole ownership	1889	2002	2 479	7 261	6.8	87.9	–	–	5.3	–
Lucerne, Weggisgasse 20, 22	18 810	331	–	sole ownership	1982		228	1 285	76.8	–	–	–	23.2	–
Meilen, Seestrasse 545	6 955	255	–	sole ownership land lease	2008		1 645	2 458	–	–	–	100.0	–	–
Meyrin, Route de Meyrin 210	2 345	124	–	sole ownership partial land lease	1979	1999	3 860	1 116	65.7	4.3	–	–	15.7	14.3
Morges, Les Vergers-de-la-Gottaz 1	23 820	–	–	sole ownership bought 30.06.2017	1795/ 2003	1995	11 537	3 698	–	–	–	100.0	–	–
Neuchâtel, Avenue J.-J. Rousseau 7	7 019	257	12.1	sole ownership	1991	1992	1 020	3 127	–	70.0	–	–	22.5	7.5
Neuchâtel, Rue de l'Ecluse 19/parking	633	20	–	sole ownership	1960	1997	715	–	–	–	–	–	–	–
Neuchâtel, Rue du Temple-Neuf 11	5 167	139	–	sole ownership	1953	1993	262	1 155	18.3	57.5	–	–	13.9	10.3
Neuchâtel, Rue du Temple-Neuf 14	42 810	1 081	4.7	sole ownership	1902/ 2014		1 928	6 896	45.5	17.9	–	–	11.0	25.6
Niederwangen b. Bern, Riedmoosstrasse 10	41 430	1 175	0.4	sole ownership	1985	2006	12 709	12 926	33.2	13.1	–	–	45.7	8.0
Oberbüren, Buchental 2	13 060	376	–	sole ownership	1980	2007	6 401	6 486	34.3	1.8	–	–	62.4	1.5
Oberbüren, Buchental 3	3 350	156	2.6	sole ownership	1964		4 651	2 342	20.7	32.6	–	–	31.5	15.2
Oberbüren, Buchental 3a	3 264	117	–	sole ownership	1964		3 613	2 464	–	–	–	–	100.0	–
Oberbüren, Buchental 4	26 730	738	–	sole ownership	1990		4 963	9 547	38.5	20.3	–	–	41.2	–
Oberbüren, Buchental 5	961	33	–	sole ownership	1920		3 456	1 649	–	12.1	–	–	–	87.9
Oberwil, Mühlemattstrasse 23	2 944	155	–	freehold property land lease	1986		6 200	1 652	75.9	4.2	–	–	16.3	3.6
Oftringen, Spitalweidstrasse 1/ shopping centre a1	81 770	2 646	16.3	sole ownership	2006		42 031	19 968	78.9	3.2	1.4	–	13.8	2.7
Olten, Bahnhofquai 18	28 540	789	0.7	sole ownership	1996		2 553	5 134	–	93.6	–	–	6.4	–
Olten, Bahnhofquai 20	40 700	1 010	–	sole ownership	1999		1 916	7 366	–	85.4	–	–	14.6	–
Olten, Frohburgstrasse 1	6 868	55	9.8	sole ownership	1899	2009	379	1 196	–	78.3	–	–	21.7	–
Olten, Frohburgstrasse 15	11 670	295	8.0	sole ownership	1961	1998	596	1 882	–	75.4	–	–	12.0	12.6
Olten, Solothurnerstrasse 201	6 854	167	–	sole ownership	2006		5 156	1 592	62.3	–	–	–	31.5	6.2
Olten, Solothurnerstrasse 231–235/ Usego	25 250	696	50.9	sole ownership	1907	2011	12 922	11 617	4.9	58.1	–	–	9.9	27.1
Opfikon, Müllackerstrasse 2, 4/ Bubenholz	46 050	750	–	sole ownership	2015		6 169	10 802	–	–	–	100.0	–	–
Ostermundigen, Mitteldorfstrasse 16	34 540	798	–	sole ownership	2009		7 503	10 925	–	–	–	100.0	–	–
Otelfingen, Industriestrasse 19/21	100 580	3 642	15.8	sole ownership	1965	2000	101 933	80 440	–	16.6	–	–	78.1	5.3
Otelfingen, Industriestrasse 31	20 750	731	14.6	sole ownership	1986	1993	12 135	11 561	–	34.6	0.4	–	57.3	7.7
Payerne, Route de Bussy 2	24 710	604	–	sole ownership	2006		12 400	6 017	84.0	4.4	–	–	7.1	4.5

Property details as at 30.06.2017								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 m²	Total m² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Commercial properties without significant residential space														
Petit-Lancy, Route de Chancy 59	127 290	3 664	19.1	sole ownership	1990		13 052	22 736	1.9	67.3	6.4	–	21.0	3.4
Pfäffikon SZ, Huobstrasse 5	62 700	1 400	–	sole ownership	2004		7 005	11 660	–	–	–	100.0	–	–
Rapperswil-Jona, Rathausstrasse 8	19 130	477	0.5	sole ownership	1992	2008	1 648	3 143	23.6	50.6	–	–	25.6	0.2
Romanel, Chemin du Marais 8	19 670	610	–	sole ownership	1973	1995	7 264	6 791	88.3	0.2	–	–	10.4	1.1
Schwyz, Oberer Steisteg 18, 20	8 805	272	–	sole ownership	1988	2004	1 039	2 669	8.7	58.3	–	–	33.0	–
Solothurn, Amthausplatz 1	13 240	426	0.4	sole ownership	1955	1988	1 614	3 353	17.8	57.9	–	–	24.3	–
Spreitenbach, Industriestrasse/Tivoli	11 080	249	–	freehold property	1974	2010	25 780	980	87.2	–	–	–	12.8	–
Spreitenbach, Müslistrasse 44	4 396	111	–	sole ownership	2002		2 856	516	–	6.9	30.3	–	4.0	58.8
Spreitenbach, Pfadackerstrasse 6/Limmatpark	74 950	3 256	14.4	sole ownership	1972	2003	10 318	27 371	56.7	28.1	–	–	14.5	0.7
St. Gallen, Spisergasse 12	11 530	245	–	sole ownership	1900	1998	208	1 070	82.7	–	–	–	–	17.3
St. Gallen, Zürcherstrasse 462–464/ Shopping Arena	303 330	8 120	0.8	sole ownership parking 73/100 co-ownership	2008		33 106	39 489	58.3	9.5	11.3	–	19.5	1.4
Stadel b. Niederglatt, Buechenstrasse 80 [1]	16 000	–	–	financial lease	2008		3 947	2 674	–	–	–	100.0	–	–
Sursee, Moosgasse 20	11 210	322	3.1	sole ownership	1998		4 171	2 409	77.3	–	6.8	–	15.9	–
Thalwil, Gotthardstrasse 40	5 924	139	–	sole ownership	1958	2004	541	986	9.1	57.8	13.2	–	19.9	–
Thun, Bälliz 67	17 690	411	–	sole ownership	1953	2001	875	3 173	32.4	51.2	2.0	–	10.7	3.7
Thun, Göttibachweg 2–2e, 4, 6, 8	41 370	1 111	–	sole ownership land lease	2003		14 520	11 556	–	–	–	100.0	–	–
Uster, Poststrasse 10	8 175	186	–	sole ownership	1972	2012	701	1 431	17.1	61.3	–	–	21.6	–
Uster, Poststrasse 14/20	12 080	360	0.6	sole ownership	1854	2000	2 449	3 194	63.3	11.7	3.8	–	19.5	1.7
Vernier, Chemin de l'Etang 72/ Patio Plaza	95 560	2 522	20.4	sole ownership	2007		10 170	13 681	–	82.2	–	–	17.1	0.7
Vevey, Rue de la Clergère 1	12 590	349	–	sole ownership	1927	1994	717	3 055	15.7	73.1	–	–	11.2	–
Wabern, Nesslerenweg 30	18 380	504	–	sole ownership	1990		4 397	6 288	–	–	–	100.0	–	–
Wattwil, Ebnaterstrasse 45 [1]	1 141	–	–	freehold property (88/1000)	1986		539	335	–	100.0	–	–	–	–
Wil, Obere Bahnhofstrasse 40	18 430	431	–	sole ownership	1958	2008	1 105	2 877	80.4	8.6	–	–	7.2	3.8
Winterthur, Theaterstrasse 17	59 510	1 512	67.4	sole ownership	1999		7 535	14 532	–	74.8	1.3	–	5.8	18.1
Winterthur, Untertor 24	10 020	155	–	sole ownership	1960	2006	290	1 364	69.9	–	–	–	30.1	–
Worblaufen, Alte Tiefenaustrasse 6	78 230	2 360	–	49/100 co-ownership	1999		21 596	18 213	–	87.4	–	–	12.0	0.6
Zollikon, Bergstrasse 17, 19	11 610	323	15.1	sole ownership	1989	2004	1 768	2 126	26.1	44.1	–	–	29.8	–
Zollikon, Forchstrasse 452–456	16 980	367	–	sole ownership	1984/ 1998		2 626	2 251	–	68.4	–	–	31.6	–
Zuchwil, Dorfackerstrasse 45/ Birchi Centre	28 470	1 191	32.6	sole ownership land lease	1997		9 563	13 271	76.0	1.6	–	–	13.3	9.1
Zug, Zählerweg 4, 6/ Dammstrasse 19/ Landis + Gyr-Strasse 3/Opus 1	131 320	2 470	0.1	sole ownership	2002		7 400	15 805	–	90.3	–	–	9.7	–
Zug, Zählerweg 8, 10/ Dammstrasse 21, 23/Opus 2	165 790	3 673	–	sole ownership	2003		8 981	19 903	–	91.1	–	–	8.9	–
Zurich, Affolternstrasse 52/ MFO building	13 380	288	–	sole ownership	1889	2012	1 367	2 776	–	53.1	25.8	–	21.1	–

[1] property included in Services segment

Property details as at 30.06.2017 | **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 m²	Total m² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Commercial properties without significant residential space														
Zurich, Affolternstrasse 54, 56/ Cityport	181 310	4 221	3.0	sole ownership	2001		9 830	23 486	–	91.9	–	–	7.8	0.3
Zurich, Albisriederstrasse 203, 207, 243 ²	40 490	1 164	12.8	sole ownership	1942–2003		13 631	12 686	–	64.2	20.8	–	10.9	4.1
Zurich, Bahnhofstrasse 42	125 370	934	–	sole ownership	1968	1990	482	2 003	42.7	44.6	–	–	12.7	–
Zurich, Bahnhofstrasse 69	58 030	795	24.3	sole ownership	1898	2007	230	1 120	10.8	77.8	–	–	11.1	0.3
Zurich, Bahnhofstrasse 106	51 090	602	–	sole ownership	1958		200	1 196	11.8	53.1	–	–	32.1	3.0
Zurich, Carl-Spitteler-Strasse 68/70	97 720	2 024	–	sole ownership	1993		11 732	19 343	–	–	–	100.0	–	–
Zurich, Flurstrasse 55/ Medienpark	145 700	1 332	38.0	sole ownership	1979	2013–2015	8 270	24 244	1.7	70.3	4.1	–	22.0	1.9
Zurich, Flurstrasse 89	7 707	235	–	sole ownership	1949	2003	2 330	3 331	–	12.0	–	–	11.3	76.7
Zurich, Fraumünsterstrasse 16	143 400	1 993	16.7	sole ownership	1901	1990	2 475	7 896	16.7	73.3	–	–	10.0	–
Zurich, Hagenholzstrasse 60/ SkyKey	301 510	5 575	–	sole ownership	2014		9 573	41 251	0.3	85.7	9.8	–	4.2	–
Zurich, Hardstrasse 201/ Prime Tower	600 880	10 097	–	sole ownership	2011		10 416	48 138	0.7	87.3	5.5	–	6.4	0.1
Zurich, Hardstrasse 219/ Eventblock Maag	15 430	554	7.0	sole ownership	1929–1978		8 002	7 183	–	21.7	–	–	19.1	59.2
Zurich, Josefstrasse 53, 59	83 340	1 861	6.8	sole ownership	1962/1972	2001	2 931	12 114	8.9	75.0	1.4	–	14.7	–
Zurich, Jupiterstrasse 15/ Böcklinstrasse 19	23 630	465	–	sole ownership	1900/1995	1996	1 630	1 829	–	–	–	100.0	–	–
Zurich, Kappenbühlweg 9, 11/ Holbrigstrasse 10/ Regensdorferstrasse 18a	69 230	1 496	–	sole ownership	1991		9 557	14 790	–	–	–	100.0	–	–
Zurich, Maagplatz 1/Platform	179 030	3 533	–	sole ownership	2011		5 942	20 319	2.1	91.1	0.5	–	4.9	1.4
Zurich, Manessestrasse 85	53 740	1 313	26.9	sole ownership	1985	2012	3 284	8 270	4.5	66.7	–	–	24.9	3.9
Zurich, Ohmstrasse 11, 11a	33 990	1 119	–	sole ownership	1927	2007	1 970	6 010	54.9	23.5	2.2	–	14.4	5.0
Zurich, Restelbergstrasse 108	9 838	176	–	sole ownership	1936	1997	1 469	672	–	–	–	100.0	–	–
Zurich, Schaffhauserstrasse 339	8 626	231	15.7	sole ownership	1957	1997	307	1 726	12.7	69.3	–	–	18.0	–
Zurich, Seidengasse 1/ Jelmoli – The House of Brands	815 100	14 492	–	sole ownership	1898	2010	6 514	36 777	64.6	3.7	13.3	–	12.8	5.6
Zurich, Siewerdtstrasse 8	20 200	582	–	sole ownership	1981		1 114	3 687	–	91.1	–	–	8.9	–
Zurich, Sihlcity	195 582	5 479	1.0	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	40 640	907	0.2	sole ownership	1885	2007	1 155	2 858	3.9	71.2	13.6	–	6.5	4.8
Zurich, Stadelhoferstrasse 18	28 410	550	–	sole ownership	1983	2004	1 046	1 914	19.5	49.0	11.9	–	19.0	0.6
Zurich, Stadelhoferstrasse 22	36 330	789	5.2	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	102 690	1 920	3.3	sole ownership	1957	1999	1 534	6 201	10.9	64.3	2.1	–	19.7	3.0
Zurich, Steinmühleplatz/ Jelmoli parking	40 730	1 639	0.1	sole ownership with concession	1972	2009	1 970	84	86.6	13.4	–	–	–	–
Zurich, Talacker 21, 23	78 650	1 469	–	sole ownership	1965	2008	1 720	4 904	9.6	64.2	–	–	26.2	–
Total I	**9 535 650**	**214 706**	**5.3**				**1 029 581**	**1 478 622**	**21.8**	**41.1**	**5.5**	**8.5**	**16.6**	**6.5**

² land split and reclassification from investment properties to properties under construction due to new construction

Property details as at 30.06.2017

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 m²	Total m² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Mixed properties														
Geneva, Route de Malagnou 6/ Rue Michel-Chauvet 7	15 900	379	8.3	sole ownership	1960/ 1969	1989	1 321	1 617	–	47.7	11.6	–	3.8	36.9
Geneva, Rue de la Croix-d'Or 7/Rue Neuve-du-Molard 4–6	62 520	1 155	14.9	sole ownership	1974/ 1985	1994	591	3 472	38.4	24.3	–	–	3.6	33.7
Geneva, Rue des Alpes 5	27 030	434	5.6	sole ownership	1860		515	2 682	10.8	45.2	–	–	0.6	43.4
St. Gallen, Spisergasse 12	5 750	111	–	sole ownership	1423	1984	165	617	31.6	17.7	–	–	24.1	26.6
Thônex, Rue de Genève 104–108	92 470	2 413	0.1	sole ownership	2008		9 224	11 680	56.0	0.4	3.5	–	8.2	31.9
Zurich, Nansenstrasse 5/7	48 340	1 268	1.3	sole ownership	1985		1 740	5 864	39.1	27.0	–	–	6.1	27.8
Zurich, Querstrasse 6	4 325	89	–	sole ownership	1927	1990	280	563	13.3	–	–	–	–	86.7
Zurich, Schulstrasse 34, 36	13 570	274	–	sole ownership	1915	1995	697	1 721	–	36.1	–	–	7.8	56.1
Total II	**269 905**	**6 123**	**4.0**				**14 533**	**28 216**	**38.0**	**18.4**	**2.1**	**–**	**6.4**	**35.1**
Undeveloped properties														
Basel, Hochbergerstrasse 60/ parking	3 300	121	0.6	sole ownership			5 440	–	–	–	–	–	–	–
Berne, Weltpoststrasse 1–3/ Weltpostpark	7 316	–	–	sole ownership land lease			11 700	–	–	–	–	–	–	–
Dietikon, Bodacher	–	8	–	sole ownership			13 615	–	–	–	–	–	–	–
Dietikon, Bodacher/ Im Maienweg	2 044	–	–	sole ownership			4 249	–	–	–	–	–	–	–
Dietikon, Bodacher/ Ziegelägerten	1 840	5	–	sole ownership			3 825	–	–	–	–	–	–	–
Meyrin, Route de Pré-Bois	12 350	12	–	sole ownership			9 118	–	–	–	–	–	–	–
Niederwangen b. Bern, Riedmoosstrasse 10	3 617	–	–	sole ownership			5 895	–	–	–	–	–	–	–
Oberbüren, Buchental/parking	744	14	–	sole ownership			1 825	–	–	–	–	–	–	–
Spreitenbach, Joosäcker 7	–	27	–	sole ownership			16 405	–	–	–	–	–	–	–
Wangen b. Olten, Rickenbacherfeld	4 693	–	–	sole ownership			11 197	–	–	–	–	–	–	–
Total III	**35 904**	**187**	**0.4**				**83 269**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Property details as at 30.06.2017 | **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 m²	Total m² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Properties under construction and development sites														
Berne, Viktoriastrasse 21, 21a, 21b	73 960	–	–	sole ownership	1970		14 036	–	–	–	–	–	–	–
Meyrin, Route de Pré-Bois 14	11 750	–	–	sole ownership land lease	2003		2 156	–	–	–	–	–	–	–
Meyrin, Chemin de Riantbosson, Avenue de Mategnin	27 710	–	–	sole ownership			4 414	–	–	–	–	–	–	–
Paradiso, Riva Paradiso 3 & 20	17 000	10	–	sole ownership partial land lease bought 01.03.2017			3 086	–	–	–	–	–	–	–
Plan-les-Ouates, Chemin des Aulx/ Espace Tourbillon [3]	29 790	17	–	sole ownership			28 429	–	–	–	–	–	–	–
Richterswil, Gartenstrasse 7–15	10 820	14	–	sole ownership bought 01.03.2017			5 154	–	–	–	–	–	–	–
Schlieren, Zürcherstrasse 39	36 570	221	–	sole ownership	1992/ 2003		26 684	–	–	–	–	–	–	–
Zurich, Albisriederstrasse/ Rütiwiesweg [2]	35 420	–	–	sole ownership			9 114	–	–	–	–	–	–	–
Zurich, Brandschenkestrasse 25	160 770	43	–	sole ownership	1910	2015 –2017	3 902	–	–	–	–	–	–	–
Zurich, Etzelstrasse 14	18 470	–	–	sole ownership	1967		1 809	–	–	–	–	–	–	–
Total IV	**422 260**	**305**	**–**				**98 784**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Overall total	**10 263 719**	**221 321**					**1 226 167**	**1 506 838**	**22.1**	**40.7**	**5.4**	**8.3**	**16.4**	**7.1**
Rent losses from vacancies		–11 645												
Consolidated subtotal segment, excluding leased properties		**209 676**	**5.3**											
Intercompany eliminations		–27 128												
Rental income from third parties, Services segment		19 120												
Consolidated subtotal, excluding leased properties		**201 668**	**5.5**											
Rental income from leased properties, Services segment		29 420												
Consolidated overall total, including leased properties		**231 088**												

[2] land split and reclassification from investment properties to properties under construction due to new construction
[3] part of the project is held for sale

VALUATION EXPERT'S REPORT AS OF 31 DECEMBER 2016

The contents of this Annex represent an excerpt from the Company's Annual Reports as at 31 December 2016. Hence, any references to a page or pages not included in this Annex refer to the respective page(s) in the Company's Annual Report as at 31 December 2016. The original of these Property Details is written in German. In case of inconsistencies between the German original and this English translation, the German version shall prevail.

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

Fair value as at 31.12.2015		**9 686.6**
+ 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	
Fair value as at 31.12.2016		**10 092.1**

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