



SWISS PRIME SITE

---

# FINANCIAL REPORT

---

2016

# STRUCTURE OF THE ANNUAL REPORT

Swiss Prime Site's Annual Report is divided into three parts, all of which are available for download as PDF files via the website [www.sps.swiss](http://www.sps.swiss).



## STRATEGY & MANAGEMENT REPORT

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



## CORPORATE GOVERNANCE & COMPENSATION REPORT

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



## FINANCIAL REPORT

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

---

### NOTES FOR READERS

previous year's figures are enclosed in brackets.



# CONTENTS

---

## **3 SUMMARY OF KEY FIGURES**

---

## **5 VALUATION EXPERT'S REPORT**

---

## **15 CONSOLIDATED FINANCIAL STATEMENTS**

- 16 Consolidated income statement
  - 17 Consolidated statement of comprehensive income
  - 18 Consolidated balance sheet
  - 19 Consolidated cash flow statement
  - 20 Consolidated statement of changes in shareholders' equity
  - 21 Notes to the consolidated financial statements
  - 84 Report of the statutory auditor
- 

## **91 FINANCIAL STATEMENTS OF SWISS PRIME SITE AG**

- 92 Income statement
  - 93 Balance sheet
  - 94 Notes to the financial statements
  - 100 Proposed appropriation of balance sheet profit
  - 102 Report of the statutory auditor
- 

## **105 EPRA KEY FIGURES**

---

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

---

## **113 PROPERTY DETAILS**



---

# SUMMARY OF KEY FIGURES

---

# SUMMARY OF KEY FIGURES

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

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

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

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

2015: acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

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

---

# VALUATION EXPERT'S REPORT

---

# VALUATION EXPERT'S REPORT, WÜEST PARTNER AG, ZURICH

**The properties of Swiss Prime Site are valued by Wüest Partner AG on a half-yearly basis (properties under construction on a quarterly basis) at their current fair values. The present valuation is valid as at 31 December 2016.**

## VALUATION STANDARDS AND PRINCIPLES

The fair value derived as at the balance sheet date 31 December 2016 coincides with the fair value described in the International Financial Reporting Standards (IFRS) according to IAS 40 «Investment Property» and IFRS 13 «Fair Value Measurement». In this context, fair value corresponds to the particular price that an independent market participant would receive for the sale of an asset under normal market conditions at the relevant valuation date (i.e. exit price).

## DEFINITION OF FAIR VALUE

The exit price is the sales price stated in the purchase agreement to which the parties have mutually agreed. Transaction costs, usually consisting of brokerage commissions and transaction taxes as well as land register and notary costs, are not taken into account in determining fair value. In accordance with paragraph 25 of IFRS 13, fair value is therefore not adjusted for the transaction costs incurred by the purchaser at the time of sale (gross fair value), which corresponds to the valuation practice in Switzerland.

The valuation at fair value implies that the hypothetical transaction for the asset subject to valuation would take place on the market with the largest volumes and highest level of business activity (principal market) – as well as the market where transactions are executed with sufficient frequency and volume – so enough price information is available for that relevant market (active market). In the case that such a market cannot be identified, the principal market for the asset is assumed that maximises the sales price for the divestment of the particular asset.

## IMPLEMENTATION OF FAIR VALUE

Fair value was determined for the first time as at 30 June 2013 on the basis of applying the highest-and-best-use standard for a property. Highest-and-best-use is the utilisation of a property that maximises its value. This assumption implies use that is technically/physically feasible, legally permissible and financially realisable. Since the measurement of fair value implies maximised utilisation, the highest and best use can deviate from the actual or planned use of a property. Future investment spending for a property's improvement or value growth is accordingly taken into account in the fair value.

Application of the highest-and-best-use approach is based on the principle of materiality of possible difference in value relative to the value of the particular property and total real estate assets, as well as relative to possible absolute difference in value. A property's potential added value, which fluctuates within the normal assessment tolerance of an individual valuation, is viewed as insignificant here and consequently disregarded.



Fair value is measured depending on the quality and reliability of the valuation parameters, with declining quality or reliability: level 1 market price, level 2 modified market price and level 3 model-based valuation. At the same time, different parameters at different hierarchies can be applied in measuring a property's fair value. Here, the overall valuation is categorised according to the lowest level of the fair value hierarchy, in which the valuation parameters are assigned the highest priority.

Determining the value of Swiss Prime Site's real estate portfolio is carried out with a model-based valuation technique according to level 3, based on input parameters that are not directly observable on the market, whereby adapted level 2 input parameters may be applied here as well (e.g. market rents, operating/maintenance costs, discount/capitalisation rates, proceeds from the sale of owner-occupied residential property). Unobservable input factors are applied only when relevant observable input factors are unavailable.

Valuation techniques are used that are appropriate for the given circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The relevant valuation technique used here is an income-based approach, modelled on the basis of the discounted cash flow valuation method widely applied in Switzerland.

Properties under construction and development sites designed for future use as investment properties are valued at project fair values, taking into account current market conditions, still-outstanding investment costs and a risk premium according to the progress of the project (IAS 40/IFRS 13).

Properties under construction that are designated for future divestment (e.g. apartments in freehold property) are valued at cost (IAS 40.9): i.e. current activities and costs are recognised and subsequent valuation carried out at the lower of cost and realisable value, according to IAS 2.

The valuation guarantees a high degree of transparency, uniformity, relevance and completeness. The relevant legal provisions, as well as the specific national and international standards, are complied with (i.e. regulations for real estate companies listed on SIX, IFRS and others). In order to ensure an independent valuation and thus the highest possible degree of objectivity, the business activity of Wüest Partner AG excludes both trading and related transactions on a commission basis, as well as the management of properties. The valuation principles are always based on the most recent information regarding the properties and the real estate market. The data and documents pertaining to the properties are provided by the owner and assumed to be accurate. All real estate market data are derived from continuously updated databases held by Wüest Partner AG (Immo-Monitoring 2017).

## **VALUATION METHOD**

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

## DEVELOPMENT OF THE REAL ESTATE PORTFOLIO

In the reporting period from 1 January to 31 December 2016, five properties were acquired and three properties were divested.

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

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

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

Seven development properties are currently in the construction phase:

- > The property at Viktoriastrasse 21, 21a, 21b in Berne comprises a conversion project with total renovations as well as a new building project with townhouses. This future residential and hotel complex now no longer includes any condominiums, and construction will probably be concluded by 2019.
- > Route de Pré-Bois 16 in Geneva-Cointrin today comprises an existing parking facility, which is being shared with the neighbouring property. Because the building permit is legally valid, the property should be supplemented with a commercial building by 1 January 2018.
- > The Chemin de Riantbosson site in Meyrin is a commercial property including restaurant rental floor space. The new building will be concluded probably as at mid-April 2018.
- > The Chemin des Aulx development project in Plans-les-Ouates comprises office, commercial and retail floor space. Construction of the property should be carried out in several phases by 2023.
- > The property at Zürcherstrasse 39 in Schlieren had housed the former NZZ printing facility, which will be converted and concluded probably by 2019.
- > The property at Brandschenkestrasse 25 in Zurich will undergo total renovation and be utilised as a hotel starting from mid-2017.
- > The property at Etzelstrasse 14 in Zurich is a reconstruction project called «Etzelgut» located in Zurich-Wollishofen. Completion of this senior residence is planned as at 1 October 2017.

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

New building projects have been assessed at fair value on a quarterly basis since 1 January 2009, taking into account the specific risks associated with planning, production and leasing. The semi-annual valuations are only subject to review on a quarterly basis. New building projects that are designated for future divestment (e.g. apartments in freehold property) are valued at cost or the lower of cost and net realisable value.

**VALUATION RESULTS AS AT 31 DECEMBER 2016**

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

**CHANGES IN THE REAL ESTATE PORTFOLIO**

in CHF m

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

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

The positive performance turned in by the Swiss Prime Site portfolio is attributable primarily to the continuing low interest rate environment and, in turn, to the resulting diminishing expectations for returns on the part of investors. Additional factors boosting the value of the portfolio include newly concluded contracts at much higher revenue levels, consummation of investments and generally high quality of the properties situated in prime locations.

Value losses can be attributed primarily to changed rental potential, newly concluded contracts at a lower level, adjusted revenue forecasts and vacancies, or adjusted vacancy risks, as well as in some cases higher cost estimates for future repair work.

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

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

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

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

The low interest rates and resulting investment pressure are also spurring on indirect real estate investments. For the full-year 2015, the average total returns for listed real estate companies and real estate funds amounted to 9.2% and 4.2%, respectively. From the outset of 2016 to end-November, the performance of these indices continued to improve somewhat at 11.8% and 5.4%, respectively.

### **Construction market**

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

### **Overall commercial property market**

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

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

#### **Office property market**

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

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

#### **Retail property market**

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

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

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

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

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

Wüest Partner AG  
Zurich, 13 January 2017

Andreas Ammann  
Partner

Gino Fiorentin  
Partner

# ANNEX:

## VALUATION ASSUMPTIONS

### VALUATION ASSUMPTIONS AS AT 31 DECEMBER 2016

In addition to the previous comments on the valuation standards and methods, the most significant general valuation assumptions for the present valuations are presented in the following section.

### INVESTMENT PROPERTIES INCLUDING BUILDING LAND

Property valuations are fundamentally determined on a going-concern basis applying the «highest and best use» standards. At the same time, the valuation is based on the current rental situation and present condition of the property. Beyond the expiry of the existing rental agreements, earnings forecasts are based on the current market level.

On the cost side, the repair and maintenance costs as well as recurring property management costs are taken into account that are required to ensure realisation of sustainable income.

The valuation assumption is based on an average and expedient property management strategy. The specific scenarios of the owner are disregarded, or taken into account only to the extent that specific rental agreements had been made, or as far as they also seem plausible and practical to a third party. Possible optimisation measures consistent with the market – such as an improved rental situation in the future – are taken into account.

The valuation or calculation period (DCF method) extends for 100 years from the valuation date. A more detailed cash flow forecast is prepared for the first ten years, while approximate annualised assumptions are made for the remainder of the term.

The valuation implicitly assumes an annual inflation rate of 0.5%. However, cash flows and discount rates are generally reported on a real basis in the valuation reports.

The specific indexing of the existing rental agreements is taken into account. Following expiry of the agreements, an average indexing rate of 80% is used for the calculation, and rents are adjusted to the market level once every five years. Payments are generally assumed to be made monthly in advance after expiry of the rental agreements.

At the operating cost (owner's cost) level, it is generally assumed that completely separate ancillary cost accounts are maintained, and that ancillary and operating costs are outsourced, insofar as this is permitted by law. Maintenance costs (repair and maintenance costs) are determined on the basis of benchmarks and model calculations. The residual lifetime of the individual parts of the buildings is determined on the basis of a rough estimate of their condition, the regular renewal is modelled and the resulting annuities are calculated. The calculated values are subjected to a plausibility check based on benchmarks set by Wüest Partner AG and figures for comparable properties. Repair costs are included in the calculation at 100% for the first ten years, while the earnings forecast takes into account, where appropriate, possible increases in rent. From the 11th year, repair costs of up to 50% to 70% are allowed (value-preserving components only) without including possible rent increases. Costs for cleaning up contaminated sites are not quantified in the individual valuations and are to be considered separately by the Company.

The relevant discounting method is based on constant monitoring of the real estate market and is derived from models with plausibility checks, on the basis of a real interest rate that consists of the risk-free interest rate (long-term government bonds) plus general real estate-related risks in addition to property-specific premiums and is determined on a risk-adjusted basis. The average real discount rate, weighted by fair value, applied to investment properties (existing properties including initial valuation following completion) is 3.47% in the current valuation. Assuming an inflation rate of 0.5%,

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

The valuations are based on the rental tables of the property managers as at 1 January 2017, as well as on floor space details provided by the Company/property managers.

Risks relating to credit ratings of individual tenants are not explicitly taken into account in the valuation since it is assumed that appropriate contractual safeguards were concluded.

## **PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT SITES**

Properties under construction and development sites designed for future use as investment properties are valued at project fair values, taking into account current market conditions, still-outstanding investment costs and a risk premium according to the progress of the project (IAS 40/IFRS 13).

Properties under construction that are designated for future divestment (e.g. apartments in freehold property) are valued at cost: i.e. current activities and costs are recognised and subsequent valuation carried out at the lower of cost and realisable value, according to IAS 2. Planned or possible construction development as at the balance sheet date is therefore valued on the basis of the same assumptions and methods used for investment properties. To determine the current fair value as at the balance sheet date, the still-outstanding investment costs are taken into account in the cash flows, and the additional risks are reported as a return premium on the discount rate. Information regarding projected construction work, schedules, building costs and future rentals is obtained from Swiss Prime Site AG insofar as it is specifically available (building permits, plans, cost calculations/investment applications, etc.) or appears to be plausible.

## **DISCLAIMER**

The valuations carried out by Wüest Partner AG represent an economic assessment based on available information, most of which was provided by Swiss Prime Site AG. Wüest Partner AG did not conduct or commission any legal, structural engineering or other specific clarifications. Wüest Partner AG assumes that the information and documents received are accurate. However, no guarantee can be provided in this respect. Value and price may deviate from each other. Specific circumstances that influence the price cannot be taken into account when making a valuation. The valuation performed as at the reporting date is only valid at that specific point in time and may be affected by subsequent or yet unknown events, in which case a revaluation would be necessary.

Since the accuracy of valuation results cannot be guaranteed objectively, no liability can be derived from it for Wüest Partner AG and/or the author.

Zurich, 13 January 2017



---

# CONSOLIDATED FINANCIAL STATEMENTS

---

## CONSOLIDATED INCOME STATEMENT

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

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

.....  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

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

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

## CONSOLIDATED BALANCE SHEET

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

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

.....  
**CONSOLIDATED CASH FLOW STATEMENT**

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in CHF 1 000	Notes	Share capital	Capital reserves	Revaluation reserves	Retained earnings	Shareholders' equity attributable to shareholders of Swiss Prime Site AG	Non-controlling interests	Total shareholders' equity
<b>Total as at 01.01.2015</b>		<b>930 555</b>	<b>781 123</b>	<b>72 792</b>	<b>2 415 735</b>	<b>4 200 205</b>	<b>1 596</b>	<b>4 201 801</b>
Profit		–	–	–	355 905	355 905	–844	355 061
Revaluation of owner-occupied properties	18	–	–	38 032	–	38 032	–	38 032
Sale of owner-occupied properties		–	–	–43	43	–	–	–
Deferred taxes on revaluation of owner-occupied properties	12	–	–	–8 754	–	–8 754	–	–8 754
Remeasurement of net defined benefit obligations	24	–	–	–	–9 356	–9 356	–	–9 356
Deferred taxes on remeasurement of net defined benefit obligations	12	–	–	–	2 123	2 123	–	2 123
Other comprehensive income after income taxes		–	–	29 235	–7 190	22 045	–	22 045
<b>Comprehensive income</b>		<b>–</b>	<b>–</b>	<b>29 235</b>	<b>348 715</b>	<b>377 950</b>	<b>–844</b>	<b>377 106</b>
Acquisition of shareholding with non-controlling interests		–	–	–	–	–	491	491
Acquisition of non-controlling interests without change of control		–	–	–	–	–	–1 000	–1 000
Distribution from capital contribution reserves on 21.04.2015	25	–	–235 611	–	–	–235 611	–	–235 611
Conversion of 40 607 units of the CHF 300 million convertible bond into 2 860 803 registered shares	25	43 770	155 976	–	–	199 746	–	199 746
Capital increase on 29.05.2015	25	91 343	321 991	–	–	413 334	–	413 334
Share-based compensation	25	–	2 529	–	–	2 529	–	2 529
Purchase of treasury shares	25	–	–2 430	–	–	–2 430	–	–2 430
<b>Total as at 31.12.2015</b>		<b>1 065 668</b>	<b>1 023 578</b>	<b>102 027</b>	<b>2 764 450</b>	<b>4 955 723</b>	<b>243</b>	<b>4 955 966</b>
Profit		–	–	–	312 168	312 168	–963	311 205
Revaluation of owner-occupied properties	18	–	–	23 004	–	23 004	–	23 004
Deferred taxes on revaluation of owner-occupied properties	12	–	–	–5 291	–	–5 291	–	–5 291
Remeasurement of net defined benefit obligations	24	–	–	–	–976	–976	–	–976
Deferred taxes on remeasurement of net defined benefit obligations	12	–	–	–	225	225	–	225
Other comprehensive income after income taxes		–	–	17 713	–751	16 962	–	16 962
<b>Comprehensive income</b>		<b>–</b>	<b>–</b>	<b>17 713</b>	<b>311 417</b>	<b>329 130</b>	<b>–963</b>	<b>328 167</b>
Distribution from capital contribution reserves on 19.04.2016	25	–	–259 608	–	–	–259 608	–	–259 608
Conversion of 29 930 units of the CHF 190.35 million convertible bond into 1 827 383 registered shares	25	27 959	119 752	–	–	147 711	–	147 711
Issue of 0.25% convertible bond, equity component	25	–	4 236	–	–	4 236	–	4 236
Share-based compensation	25	–	2 971	–	–	2 971	–	2 971
Purchase of treasury shares	25	–	–2 851	–	–	–2 851	–	–2 851
<b>Total as at 31.12.2016</b>		<b>1 093 627</b>	<b>888 078</b>	<b>119 740</b>	<b>3 075 867</b>	<b>5 177 312</b>	<b>–720</b>	<b>5 176 592</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 BUSINESS ACTIVITIES

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

Further information regarding the individual business fields can be found in Note 4 «Segment reporting».

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

### 2.1 Principles of consolidated reporting

The consolidated financial statements of Swiss Prime Site AG, Frohburgstrasse 1, Olten, were prepared in accordance with International Financial Reporting Standards (IFRS) and correspond to article 17 of the Directive on Financial Reporting of the Swiss stock exchange (SIX Swiss Exchange). The consolidated financial statements comprise the holding company as well as its group companies (hereinafter jointly referred to as «group companies»).

The consolidated financial statements are essentially based on the historical cost principle. Deviations from this principle are referred to in Notes 2.8 to 2.39. These apply to the investment properties, properties and owner-occupied properties under construction, development sites (except those designated for sale) and owner-occupied properties. In accordance with the fair value model of IAS 40 «Investment property» and due to the revaluation model of IAS 16 «Property, plant and equipment», these properties are valued at fair value. In addition, securities and derivatives are recognised at stock-exchange prices or at fair values as at the balance sheet date. The significant accounting principles are explained in the following section.

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

These consolidated financial statements were prepared in Swiss francs (CHF). All amounts, except for the figures per share, are rounded to CHF 1000. All group companies maintain their accounts in Swiss francs as well. Transactions denominated in foreign currencies are immaterial.

### 2.2 Amendments relative to IFRS accounting principles

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

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

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

The following new and revised standards and interpretations have been adopted, but will go into effect at a later time and were not prematurely applied to these consolidated financial statements. The impact

thereof on Swiss Prime Site's consolidated financial statements has not yet been systematically analysed, so the estimated effects as disclosed in the following section represent only an initial assessment by the Executive Board.

Standard/ interpretation	Title	Impact	Entering into force	Planned application by Swiss Prime Site
IAS 7 rev.	Disclosure initiative	1	01.01.2017	Financial year 2017
IAS 12 rev.	Recognition of deferred tax assets for unrealised losses	1	01.01.2017	Financial year 2017
IAS 40 rev.	Transfers of investment property	2	01.01.2018	Financial year 2018
IFRS 2 rev.	Classification and measurement of share based payments	1	01.01.2018	Financial year 2018
IFRS 9	Financial instruments	2	01.01.2018	Financial year 2018
IFRS 15	Revenue from contracts with customers	2	01.01.2018	Financial year 2018
IFRS 16	Leases	3	01.01.2019	Financial year 2019

1 No or no significant impact on the consolidated financial statements is anticipated.

2 The effects on the consolidated financial statements cannot yet be determined with sufficient certainty.

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

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

### 2.3 Valuations and assumptions

The preparation of semi-annual and annual accounts in accordance with IFRS accounting principles requires the use of appraisal values and assumptions that influence the amounts recognised as assets and liabilities, the disclosure of contingent assets and liabilities as at the balance sheet date and the revenues and expenses recognised during the reporting period. Although these appraisal values have been determined by Swiss Prime Site according to the best knowledge of the Executive Board with respect to current events and possible future measures, the results actually achieved may deviate from these appraisal values.

#### Fair value measurements

A number of Swiss Prime Site's accounting principles and disclosures require measurement of certain financial assets and liabilities at fair value. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly business transaction between market participants at the measurement date.

Swiss Prime Site uses, to the extent possible, the data observable in the market for the measurement of fair value of an asset or liability. Based on the input factors used in the valuation techniques, fair value is classified in various levels of the fair value hierarchy, as follows:

#### Fair value hierarchies

Level 1	Fair value was determined on the basis of quotations in active markets for identical assets and liabilities.
Level 2	Fair value was determined on the basis of input factors other than the quotations of level 1. The input factors for financial assets and liabilities in markets must be directly (for example quotations) or indirectly (for example derived from quotations) observable.
Level 3	Fair value was determined on the basis of input factors which are not based on observable markets.



When the input factors used to measure the fair value of an asset or liability might be classified in various levels of the fair value hierarchy, the fair value is categorised in its entirety in the same level of the fair value hierarchy as the lowest factor that is significant to the entire measurement.

The group holds investment properties, building land, properties under construction and development sites as well as properties held for sale with a book value of CHF 9 132.379 million [CHF 8 792.025 million], owner-occupied properties and owner-occupied properties under construction with a book value of CHF 959.721 million [CHF 894.582 million]. The properties are measured at fair value according to the principles of IFRS 13 «Fair value measurement». The valuations are based on estimates and assumptions that are described in Note 17 «Investment properties».

Impairment of goodwill and brand names

With respect to goodwill and brand names with indefinite useful life, assumptions as to the calculation of the value in use are applied in the impairment test, which is performed at least annually. The main assumptions with regard to the calculation of value in use are growth rates and discount rates. These assumptions may prove to be incorrect in the future. Moreover, the effective cash flows may differ from the discounted projections.

The book values based on these assumptions and valuations are specified in Note 20 «Goodwill and intangible assets».

Deferred taxes

Deferred tax liabilities are calculated on the valuation difference between the book value of an asset or a liability for consolidation purposes and the value relevant for tax purposes. In principle, deferred taxes are to be apportioned on all temporary differences at the current or future anticipated and full rate (balance sheet liability method).

If the revaluation of properties under IFRS compared with the tax base is due to recaptured, previously claimed depreciation, the tax is reported and treated separately on an individual property basis and taking into account the property gains tax.

Revaluations exceeding the recapture of previously claimed depreciation are taxed using two different systems. In cantons that do not levy any special taxes, the tax on the property gain is calculated at the respective valid maximum income tax rates. The other cantons levy a separate property gains tax, which also contains speculation premiums or discounts relating to and depending on the effective duration of ownership, in addition to the ordinary rate for property gains tax.

Accordingly, property gains taxes are reduced in proportion to the increased duration of ownership of the property. Swiss Prime Site generally assumes ownership for a minimum period of 20 years, meaning that potential speculation premiums are not taken into account. Determination of the minimum holding period is subject to considerable discretion. Devaluations below cost (losses) can also be taken into account due to the practice of the Swiss Federal Court and the circulation letter 27 of the Swiss Tax Conference dated 15 March 2007 regarding intercantonal loss offsetting.

Of the total losses carried forward, deferred tax assets are only recognised if the losses carried forward can probably be offset against future profits.

The tax liabilities resulting from these assumptions and valuations are described in Note 23 «Deferred tax liabilities».

#### **2.4 Scope of consolidation and consolidation methods**

The consolidated financial statements of Swiss Prime Site comprise Swiss Prime Site AG and all its group companies, controlled directly or indirectly via majority of votes or under a single management. These group companies are included in the financial statements within the scope of full consolidation.

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

The consolidation is based on the audited annual financial statements of the group companies as at 31 December 2016, which have been prepared applying uniform accounting principles. All significant transactions and balances between the individual group companies as well as intercompany profits are eliminated.

Investments in associates in which Swiss Prime Site exercises a decisive influence, but which it does not control, are valued according to the equity method. In this case, the fair value of the pro-rated net assets is determined at the time of acquisition. These investments are recognised for the first time as pro-rated equity including any goodwill as investments in associates. In subsequent reporting periods after the acquisition, this value is adjusted to reflect Swiss Prime Site's share in the additional equity generated or net income earned. All balances/transactions with investments valued according to the equity method are reported separately as items with associates.

Companies in which Swiss Prime Site holds an investment of less than 20% are recognised at fair value (provided that this value can be reliably determined), either as securities or as non-current financial investments.

Investments in group companies and associates are included in the consolidated financial statements from the time when control of the group companies or associates is taken – or when significant influence is gained – and they are no longer included from the time when control is relinquished or significant influence is lost. These two dates are not necessarily identical to the date of acquisition or sale.

## **2.5 Capital consolidation**

Capital consolidation is carried out using the purchase method. The difference between the purchase price of an acquired company and the fair value of the net assets acquired is recognised in the balance sheet as goodwill from acquisitions. Goodwill is subject to an impairment test annually or at shorter intervals, if there is any indication of impairment.

## **2.6 Segment reporting**

Segment reporting complies with IFRS 8 «Operating segments» and is based on the management approach. Swiss Prime Site's primary decision-making authority is the Executive Board. The group's operational activities are divided into three segments that are subject to reporting requirements: Real Estate (comprising purchase and sale, lease and development of properties, as well as real estate services and the central group functions); Retail (consisting of sales activities in the retail trade); and Assisted Living (providing senior residences and geriatric care services). All properties are basically reported under the Real Estate segment, including the owner-occupied properties that are provided for the Retail and Assisted Living segments.

The Real Estate segment is subject to mandatory reporting, in which the real estate and real estate services operations are aggregated. The real estate operations comprise purchase, sale, lease and development of properties. Real estate services are provided especially in the area of property management. The aggregation of these two operations in one segment subject to mandatory reporting is based on the economically comparable characteristics with regard to dependencies on market trends for leasing as well as comparable trends in revenue growth.

The disclosure on investments in non-current assets in the segment reporting comprises all investments in non-current assets including goodwill, with the exception of financial instruments and deferred tax assets during the reporting period.

## **2.7 Comparative figures of the previous period**

The presentation of the comparative periods and figures is in accordance with IAS 1 «Presentation of financial statements». The figures for the comparative period are shown in the text in brackets [ ].

## **2.8 Cash**

Cash comprises cash in hand and sight deposits held at financial institutions. Cash also comprises fixed-term deposits with financial institutions and short-term money market investments with a residual term to maturity of a maximum of three months, which are recognised in the balance sheet at nominal values.

**2.9 Securities**

Securities (qualified as held for trading, according to IFRS and affecting net income) include tradable equities held on a short-term basis that are valued at fair value as well as term deposits with a residual term to maturity of more than three months that are recognised at nominal value. Unrealised and realised gains from securities are recognised as a financial result in the income statement.

**2.10 Accounts receivable**

Accounts receivable and other receivables are valued at amortised cost, which generally corresponds to the nominal value, less any requisite impairments for non-collectable receivables. Receivables can be short term (as a rule) or long term. The receivables of the Real Estate as well as Assisted Living segments are subject to individual valuation with strict credit-rating guidelines. The value of the receivables of the Retail segment is adjusted using statistical figures regarding default risk.

**2.11 Impairments on receivables**

To cover debtor risk, outstanding receivables are evaluated at the end of the reporting period by means of maturity lists and legal case reporting with respect to collectability. The necessary impairments are formed, and impairments that are no longer necessary are released. The setup/release of impairments is carried out in other operating expenses.

**2.12 Inventories**

Inventories are valued at average cost price, but not exceeding the net realisable value. The value of inventories with long storage periods and goods that are hard to sell is impaired.

**2.13 Trading properties**

Trading properties that are intended for future sale (e.g. condominiums) are valued at the lower of cost or net realisable value, according to IAS 2 «Inventories». The realisation of sales is recorded in operating income as «Income from the sale of trading properties» at the time of transfer to ownership (transfer of benefits and risks). The recognised costs are reported as expense from the sale of trading properties in operating expenses upon realisation of sales.

**2.14 Assets held for sale**

These are assets or groups of assets held for sale that have not yet been sold, but will be sold with high probability. Classifying such a divestment as highly probable necessitates the fulfilment of various criteria, including that the competent management level has determined a plan for divesting the asset (or group of assets) and actively commenced the process of searching for a buyer and executing the plan. Furthermore, the asset (or group of assets) must be actively offered for acquisition at a price that is appropriately relative to the current fair value. The divestment should also take place within a one-year period according to expectations. These assets are valued at the lower of book value or fair value less sales costs. Investment properties held for sale are subject to IFRS 5 «Non-current assets held for sale and discontinued operations» only with respect to their classification, but not for valuation purposes and are therefore recognised at fair value according to IFRS 13 «Fair value measurement».

**2.15 Accrued income and prepaid expenses**

Accrued income and prepaid expenses comprise prepaid expenses relating to the next reporting period and income for the current reporting period that will not be received until a later date.

**2.16 Non-current financial investments**

Non-current financial investments comprise tenants' loans with a residual term to maturity of more than one year and are valued at amortised cost less any requisite impairments. Impairment losses are recognised in the income statement. Tenants' improvements and other collaterals are used as security for such loans. If necessary, loans secured by real estate can also be granted, provided that the pledged real estate collateral is located in Switzerland. The maximum loan-to-value ratio per property amounts to 70% of the fair value. Under financial investments, free capital can be invested in Swiss francs and euros. Investments in first-class, stock exchange-listed shares, in bonds with a minimum rating by a leading rating agency of «A» and money market paper are permitted. These financial investments are valued similar to securities (see Note 2.9 «Securities»).

### **2.17 Investment properties and building land**

Investment properties and building land are classified according to IAS 40 «Investment property». The valuation at the time of initial classification is carried out at cost, taking into account directly account-able transaction costs. Thereafter, the valuation is carried out at fair value in accordance with IFRS 13 «Fair value measurement».

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

The change in fair value is recognised in the income statement. Related deferred tax liabilities or assets on such sums are debited, or credited, to the consolidated income statement as deferred tax expense or deferred tax income. For further information regarding the calculation of the fair value see Note 17 «Investment properties».

### **2.18 Properties under construction and development sites**

According to IAS 40 «Investment property» properties under construction and development sites with future utilisation as investment properties are recognised at fair value according to IFRS 13 already during construction – the same as other investment properties – provided that the fair value can be reliably determined. The existence of a legally valid building permit is an important indicator for Swiss Prime Site to reliably determine the fair value of a property under construction or a development site. The change in fair value is recognised in the income statement.

If a reliable valuation of the fair value of properties under construction and development sites is not possible, they are recognised at cost less any required impairments.

Direct allocable borrowing costs for properties under construction are recognised as capitalised interest expenses.

Insofar as the following criteria are fulfilled on a cumulative basis, existing investment properties are reclassified as properties under construction and development sites at the time of realisation:

- > total depletion of the property (elimination of the property's usefulness)
- > planned investments of more than 30% of fair value
- > duration of renovation longer than 12 months

Following completion of the development or total modification, these properties are classified as either commercial properties without significant residential space or mixed properties.

Existing investment properties are maintained under the category investment properties for the duration of modification or renovation, insofar as the aforementioned criteria are unfulfilled.

### **2.19 Owner-occupied properties and owner-occupied properties under construction**

Owner-occupied properties and owner-occupied properties under construction are recognised on the balance sheet at fair value, according to IFRS 13. Positive revaluation is credited to other comprehensive income unless it is due to reversed, previously claimed impairments. In case of a negative valuation, any previous increases in value are first reversed in group shareholders' equity until the corresponding revaluation reserve is released, and any further devaluation is debited to the consolidated income statement. Owner-occupied properties under construction with future use are treated similarly. As with investment properties, owner-occupied properties are revalued on a semi-annual basis. Given disposal of an owner-occupied property, the attributable cumulated result from revaluation within shareholders' equity is reclassified from the revaluation reserves to retained earnings.

### **2.20 Tangible assets**

Tangible assets are recognised at acquisition or production costs less cumulated depreciation and impairment. Expenses for repairs and maintenance are charged directly to the consolidated income statement. Depreciation is calculated according to the straight-line method based on the economic useful life.

**2.21 Intangible assets and goodwill**

Intangible assets are recognised at cost less amortisation and impairment and include software for which a license was obtained from third parties or which was developed by third parties or within the group, as well as customer relationships and brand names. The amortisation period for software is five years and for customer base five to ten years, respectively (straight line). Goodwill is not amortised. An indefinite useful life is assumed for the brand names currently recognised in the balance sheet.

**2.22 Depreciation and amortisation**

Useful life of assets

Asset categories	Years
Owner-occupied property Jelmoli – The House of Brands, Seidengasse 1, Zurich	100
Other owner-occupied properties	60
Equipment	20
Furniture and tenants' improvements	8
Computer and software	5
Customer base	5–10
Goodwill and brand names	indefinite

**2.23 Impairment of tangible and intangible assets including goodwill**

The value of tangible and intangible assets is always reviewed if changed circumstances or events indicate the possibility of an overvaluation in the book values. If the book value exceeds the realisable value (fair value less disposal costs or higher value in use), an impairment is applied to the realisable value.

Goodwill and other intangible assets with indefinite useful life are subject to an impairment test annually or at shorter intervals if there is any reason to presume an impairment.

**2.24 Leasing**

Swiss Prime Site as lessor

Property leases and land lease contracts are basically operating lease contracts, which are generally recognised in the consolidated income statement linearly over the duration of the contract. In some of the rental agreements, target turnovers have been agreed upon with the tenants (i.e. turnover-based rents). If these are exceeded on an annual basis, the resulting rental income is booked or accrued in the reporting year.

Swiss Prime Site as lessee

Contracts relating to the use of land and properties, for which land lease or right of use payments are effected, should be subject to review in terms of whether they are to be classified as an operating or finance lease.

Payments within the scope of operating leases are recognised in the income statement linearly over the term of the lease or rental agreement, or duration of the land lease. Land lease payments during construction of new buildings are recognised as cost on the balance sheet.

Given finance lease transactions, the asset and leasing liability are recognised on the balance sheet. As at the balance sheet date, Swiss Prime Site held one owner-occupied property subject to a finance lease.

**2.25 Income taxes**

Income taxes consist of current income taxes and deferred taxes.

Current income taxes comprise the expected tax liability on the taxable profit calculated at the tax rates applicable on the balance sheet date, property gains taxes on real estate sales and adjustments to tax liabilities or tax assets for previous years.

Deferred taxes are calculated on temporary valuation differences between the book value of an asset or a liability in the consolidated balance sheet and its tax base (i.e. balance sheet liability method). Determination of the deferred taxes takes into account the expected date of settlement of the temporary differences. In this regard, the tax rates used are those applicable or determined at the balance sheet date.

Tax effects from losses carried forward and tax credits are recognised as deferred tax assets if it seems likely that the losses carried forward can be offset against future profits within the stipulated statutory periods.

#### **2.26 Financial liabilities**

Financial liabilities include current financial liabilities that fall due for redemption within the year and non-current financial liabilities with residual terms to maturity of more than 12 months. Financial liabilities can consist of loans secured by real estate, borrowed capital components of convertible bonds, bonds and other financial debts. All loans were granted to Swiss Prime Site in Swiss francs. A maximum loan-to-value ratio of 65% of the fair value of the entire real estate portfolio is permitted. Financial liabilities are recognised in the balance sheet at cost.

#### **2.27 Derivative financial instruments**

Derivative financial instruments can be utilised within the scope of ordinary business activities (for example, to hedge interest risks). Hedge accounting in the context of IAS 39 «Financial instruments: recognition and measurement» is not used. Derivative financial instruments are reported at fair value and, given positive or negative fair value, recognised in the balance sheet as financial investments or other financial liabilities, respectively. They can be short or long term in nature. Profits and losses are reported in net financial income. Further information is provided in Note 33 «Financial instruments and financial risk management».

#### **2.28 Advance payments**

Advance payments comprise in particular payments from tenants for rent claims or payments on account for cumulative ancillary costs, as well as payments for property divestments as long as the benefits and risks have not yet been transferred. Advance payments are recognised in the balance sheet at nominal value.

#### **2.29 Provisions**

Provisions comprise liabilities that are uncertain because of their due date or amount. A provision is set up if a past event creates a legal or constructive obligation, and if future outflows of resources can be reliably estimated. Given any legal disputes, the amount of the provisions recognised for obligations is based on how the Executive Board judges the outcome of the dispute in good faith, according to the facts known at the balance sheet date.

#### **2.30 Convertible bonds**

The full amount of a convertible bond is recognised as a liability. If the convertible bond is issued on conditions that differ from a bond without conversion rights, it is divided into borrowed capital and equity components. The issuing costs are attributed to the borrowed capital and equity component based on their initial book values. Given premature redemption, the purchase price (less paid accrued interest) is compared with the pro rata book value. The loss or income attributable to the borrowed capital component from the redemption is recognised in net financial income. Given a conversion, the number of shares to be issued based on the conversion is determined by using the conversion price. The nominal value of the converted shares is credited to share capital and the residual amount to capital reserves.

#### **2.31 Shareholders' equity**

Shareholders' equity is subdivided into share capital, capital reserves, revaluation reserves, retained earnings and non-controlling interests. The nominal share capital of the Company is stated in share capital. Nominal value changes are recognised in share capital. Revaluation gains of owner-occupied properties are recognised as revaluation reserves insofar as they exceed previous impairments. Impairments of owner-occupied properties primarily reduce the revaluation reserves. All impairments exceeding these reserves are recognised in the income statement. Profits/losses are credited/debited to retained earnings, respectively. Remeasurement of net defined benefit obligations and the resulting deferred taxes recognised in other comprehensive income are debited/credited to retained earnings.

Any dividend payments are debited to retained earnings. All other changes of capital are recorded in the capital reserves.

**2.32 Treasury shares**

Treasury shares are recognised at acquisition cost in shareholders' equity (capital reserves). Proceeds from the sale of treasury shares are set off directly against shareholders' equity (capital reserves).

**2.33 Dividends**

In compliance with Swiss statutory provisions and the Company's Articles of Association, dividends are treated as an appropriation of profit in the financial year in which they were approved by the Annual General Meeting and subsequently paid out.

**2.34 Employee benefits**

All of Swiss Prime Site's pension plans are treated as defined benefit plans according to IAS 19 «Employee benefits».

The amount reported in the balance sheet corresponds to the difference between the fair value of pension plan assets and the present value of pension provision obligations. The present value of pension provision obligations from defined benefit plans is determined by external experts according to the projected unit credit method. The actuarial appraisals are prepared separately for each benefit plan. Actuarially derived overfunding is only recognised as net pension plan assets in the balance sheet to the extent that the group stands to gain a resulting future economic benefit in the form of reduced contributions in the context of IFRIC 14 «IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction».

Any changes in the present value of pension provision obligations and the fair value of pension plan assets are recognised at the time of occurrence.

Pension costs comprise the following three components:

- > service costs, recognised in the income statement (personnel costs)
- > net interest expenses, recognised in the income statement (personnel costs)
- > rereasurement of net defined benefit obligations, recognised in other comprehensive income

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

Net interest expenses correspond to the amount derived from multiplying net pension provision obligations (or pension plan assets) at the beginning of the financial year by the discount rate, taking into account the changes resulting from contributions and pension payments in the financial year.

Remeasurement gains consist of the following:

- > actuarial profits and losses from developments in the present value of defined benefit liabilities that result due to changes in assumptions and deviations from experience
- > gains on assets, less contributions, included in net interest expenses
- > changes in unrecognised assets less effects included in net interest expenses

Remeasurement gains are recognised in other comprehensive income and cannot be reclassified to the income statement.

**2.35 Share plans and share-based compensation**

The fees paid to the Board of Directors as well as the variable compensation paid to the Executive Board members and members of management employed by Swiss Prime Site Group AG are effected at 50% in the form of Swiss Prime Site AG shares. For the other members of the Executive Board, drawing shares of up to 25% of the variable compensation was optional until 2016. The fair value of these shares on the date they are granted is recognised as personnel costs according to the principles of IFRS 2 «Share-based payment», with a corresponding increase in shareholders' equity over the vesting period. The entitlements are settled by means of treasury shares.

### **2.36 Operating income and realisation of income**

Operating income includes all rental income from leasing properties, income from the sale of development properties, income from real estate services, income from the Retail segment, income from the Assisted Living segment and other operating income. Vacancy costs are deducted directly from the target rental income. Operating income is recorded upon maturity or upon provision of services.

Gains from the divestment of properties and investments are presented net, taking into account any incidental selling expenses incurred, after operating income. In this context, the gain or loss of sale of investment properties is calculated as the difference between the net sales price and the carrying amount of the investment property according to the consolidated balance sheet of the past financial year plus any investments.

Realisation of income is generally recognised in all segments when the right of use and risk has passed to the customer. Income from retail trade activities is recognised at the date of delivery of the goods, or in services operations in accordance with the extent of the services provided. For the divestment of properties, this date is designated in the sales contract (generally transfer to owner).

### **2.37 Interest**

Interest on loans as well as land lease interest for qualified properties and owner-occupied properties under construction and development sites, in addition to trading properties, are attributed to cost. With this method, financial expenses and real estate costs, respectively, are relieved but, at the same time, the revaluation gain is lowered correspondingly.

Other interest on borrowed capital is recognised in the income statement using the effective interest rate method. Interest expense and interest income are apportioned as set out in the loan agreements and directly debited or credited to the financial result accordingly.

### **2.38 Transactions with related parties**

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

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

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

Basic earnings per share are determined by dividing the consolidated profit attributable to shareholders of Swiss Prime Site AG by the weighted average number of outstanding shares. Diluted earnings per share are determined by deducting expenses in connection with the convertible bonds, such as interest (coupon), amortisation of the proportional costs and tax effects. The potential shares (options and the like) that might lead to a dilution of the number of shares must be taken into account when determining the average number of outstanding shares.



### 3 ACQUISITIONS

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

##### 3.1.1 BOAS Senior Care

As at 29 February 2016, 100% of the shares in BOAS Senior Care were acquired for CHF 70.807 million in cash. BOAS Senior Care is the leading group for senior housing and geriatric care centres in French-speaking Switzerland, with 15 operating facilities (632 geriatric care beds and 176 apartments). The acquisition paves the way for Tertianum Group to achieve comprehensive geographic coverage of Switzerland in the assisted living sector and further extend its market leadership.

The fair values of the identifiable assets and liabilities of BOAS Senior Care as at the acquisition date of 29 February 2016 were as follows:

in CHF 1 000	29.02.2016
<b>Assets</b>	
Cash	3 737
Accounts receivable	7 227
Other current receivables	1 618
Inventories	334
Accrued income and prepaid expenses	4 199
Current financial investments	10 494
<b>Total current assets</b>	<b>27 609</b>
Tangible assets	3 998
Intangible assets	1 423
Deferred tax assets	2 936
<b>Total non-current assets</b>	<b>8 357</b>
<b>Total assets</b>	<b>35 966</b>
<b>Liabilities</b>	
Accounts payable	6 525
Current financial liabilities	3 247
Other current liabilities	3 622
Accrued expenses and deferred income	3 642
<b>Total current liabilities</b>	<b>17 036</b>
Non-current financial liabilities	1 357
Other non-current financial liabilities	396
Pension provision obligations	16 108
Long-term provisions	299
<b>Total non-current liabilities</b>	<b>18 160</b>
<b>Total liabilities</b>	<b>35 196</b>
<b>Total identifiable net assets at fair value</b>	<b>770</b>
Offset with loan	20 000
Cash settlement (purchase price)	50 807
<b>Goodwill</b>	<b>70 037</b>

## Acquired receivables

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

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

### 3.1.2 Résidence les Sources BOAS SA, Saxon

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

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

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

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

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

The transaction costs amounted to CHF 1.867 million and were recognised in the consolidated income statement in consultancy costs under other operating expenses (reported in cash flow from operating activities). Net money outflow amounted to CHF 52.570 million in the reporting period (reported in cash flow from investing activities).

### **3.2 immoveris, Berne**

As at 27 May 2016, 100% of two companies immoveris ag and immoveris properties ag were acquired. The acquisitions underpin Wincasa AG's market position as the leading integrated real estate services provider in Switzerland. The balance sheet totals of the two companies amounted to CHF 2.499 million at the date of acquisition. Immoveris properties ag was merged into Wincasa AG as at 1 July 2016.

### **3.3 Sternmatt Pflegewohngruppen, Lucerne**

As at 5 January 2015, the operating business of Sternmatt Pflegewohngruppen, Lucerne, was acquired for CHF 5.100 million in cash. The acquisition price included tangible assets of CHF 0.350 million, pension plan liabilities of CHF 0.083 million and goodwill of CHF 4.833 million. Goodwill comprises primarily future estimated earnings. Goodwill is deductible for tax purposes.

Sternmatt Pflegewohngruppen in Lucerne provides a home for people with dementia thanks to special residences with adapted structures. The facility comprises 27 geriatric care units, which were 100% occupied at the time of acquisition. With the acquisition of Sternmatt Pflegewohngruppen, Swiss Prime Site also acquired 35 employees.

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

As at 1 July 2015, 100% of the shares in WGDM Papillon AG, were acquired for CHF 2.398 million in cash. The acquisition price included assets amounting to CHF 3.922 million, liabilities of CHF 3.866 million and goodwill of CHF 2.342 million. Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. Goodwill is not deductible for tax purposes.

WGDM Papillon AG is a residential community for people with dementia, featuring 17 geriatric care beds and 12 day-care units.

### **3.5 SENIOcare Group**

As at 1 October 2015, 100% of the shares in SENIOcare Group were acquired for CHF 144.483 million in cash. With 29 operating facilities (1 128 geriatric care beds and 224 apartments), SENIOcare Group is the leading provider of geriatric care centres in Switzerland in terms of revenues. The geographic distribution of SENIOcare's operating facilities ideally complements Tertianum's current locations. The company's services portfolio comprises the areas of assisted living and inpatient geriatric care.

The fair values of the identifiable assets and liabilities of SENIOcare Group as at the acquisition date of 1 October 2015 were as follows:

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

#### Acquired receivables

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

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

From the date of acquisition until 31 December 2015, the acquired companies generated a contribution to consolidated operating income of CHF 33.611 million and to profit of CHF 1.008 million, of which the relevant contributions from SENIOcare Group amounted to CHF 27.854 million and CHF 0.264 million, respectively. For the full reporting period 2015, operating income amounted to CHF 116.189 million and

profit totalled CHF 0.751 million. If the acquisitions had taken place as at 1 January 2015, consolidated operating income and consolidated profit would have amounted to CHF 1 077.788 million and CHF 354.805 million, respectively, in the financial year 2015.

The transaction costs amounted to CHF 0.381 million and were recognised in the consolidated income statement in consultancy costs under other operating expenses (reported in cash flow from operating activities). The transaction costs were already settled on the balance sheet date. Net money outflow amounted to CHF 145.308 million (reported in cash flow from investing activities).

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

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

## 4 SEGMENT REPORTING

Swiss Prime Site is a group that primarily operates in the real estate business comprising buying and selling, managing and developing investment properties, in addition to operating the Real Estate Investment Management for the Swiss Prime Investment Foundation, as well as providing real estate services through Wincasa. Swiss Prime Site also operates in real estate-related business fields.

The consolidated financial data are subdivided into the segments subject to mandatory reporting as follows:

- > Real Estate, which also includes Wincasa and Real Estate Investment Management for the Swiss Prime Investment Foundation
- > Retail (Jelmoli), an integral part of Swiss Prime Site's expertise in the retail trade sector
- > Assisted Living (Tertianum), the growth driver for the segment's own portfolio as well as that of the Swiss Prime Investment Foundation

### SEGMENT INCOME STATEMENT 01.01. – 31.12.2016

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

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

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

SEGMENT INCOME STATEMENT 01.01. – 31.12.2015

in CHF 1 000	Real Estate segment	Retail segment <sup>1</sup>	Assisted Living segment <sup>2</sup>	Total segments	Eliminations	01.01.–31.12.2015 Total group
Rental income from properties	432 022	16 528	51 310	499 860	-53 989	445 871
thereof from third parties	378 033	16 528	51 310	445 871	-	445 871
thereof from other segments	53 989	-	-	53 989	-53 989	-
Income from sale of trading properties	105 081	-	-	105 081	-	105 081
Income from real estate services	109 472	-	-	109 472	-468	109 004
Income from retail <sup>1</sup>	-	137 005	-	137 005	-197	136 808
Income from assisted living <sup>2</sup>	-	-	184 980	184 980	-828	184 152
Other operating income	10 197	2 910	1 290	14 397	-103	14 294
<b>Operating income</b>	<b>656 772</b>	<b>156 443</b>	<b>237 580</b>	<b>1 050 795</b>	<b>-55 585</b>	<b>995 210</b>
<b>Revaluation of investment properties, properties under construction and development sites, net</b>	<b>153 586</b>	<b>-</b>	<b>-</b>	<b>153 586</b>	<b>-29 015</b>	<b>124 571</b>
<b>Result from investments in associates</b>	<b>12 118</b>	<b>-</b>	<b>-</b>	<b>12 118</b>	<b>-</b>	<b>12 118</b>
<b>Result from investment property sales, net</b>	<b>30 910</b>	<b>-</b>	<b>-</b>	<b>30 910</b>	<b>-</b>	<b>30 910</b>
Real estate costs	-59 176	-35 275	-64 103	-158 554	55 242	-103 312
Cost of trading properties sold	-62 917	-	-	-62 917	-	-62 917
Cost of goods sold	-	-65 630	-19 095	-84 725	1	-84 724
Personnel costs	-104 628	-39 215	-125 474	-269 317	73	-269 244
Other operating expenses	-34 427	-9 925	-15 940	-60 292	269	-60 023
Depreciation, amortisation and impairment	-6 077	-9 295	-4 770	-20 142	-9 017	-29 159
<b>Operating expenses</b>	<b>-267 225</b>	<b>-159 340</b>	<b>-229 382</b>	<b>-655 947</b>	<b>46 568</b>	<b>-609 379</b>
<b>Operating profit (EBIT)</b>	<b>586 161</b>	<b>-2 897</b>	<b>8 198</b>	<b>591 462</b>	<b>-38 032</b>	<b>553 430</b>
Financial expenses						-100 753
Financial income						4 615
<b>Profit before income taxes</b>						<b>457 292</b>

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

<sup>2</sup> acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

In the eliminations column, the revenues realised between the segments are eliminated. In addition, these eliminations contain ordinary depreciation and impairment on owner-occupied properties as well as the revaluations recorded that affect net income in the Real Estate segment on investment properties used within the group, which are recognised in the consolidated financial statements as owner-occupied properties.

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

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

## COMPOSITION OF OPERATING INCOME BY PRODUCTS AND SERVICES

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

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

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

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

2015: acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

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

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

## SEGMENT BALANCE SHEET AS AT 31.12.2016

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

## SEGMENT BALANCE SHEET AS AT 31.12.2015

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

Investments in associates of CHF 53.976 million [CHF 47.494 million] are included in the total assets of the Real Estate segment.

All assets held by Swiss Prime Site are located in Switzerland.



## 5 OPERATING INCOME

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Target rental income from investment properties	449 363	427 377
Rental income from additionally leased properties <sup>3</sup>	26 673	51 787
Rent loss from vacancies	–30 165	–26 193
<b>Rental income from properties</b>	<b>445 871</b>	<b>452 971</b>
<b>Income from sale of trading properties</b>	<b>105 081</b>	<b>–</b>
<b>Income from real estate services<sup>1</sup></b>	<b>109 004</b>	<b>115 577</b>
Income from retail, gross	152 291	149 658
Rebates	–15 483	–16 093
<b>Income from retail<sup>2</sup></b>	<b>136 808</b>	<b>133 565</b>
<b>Income from assisted living<sup>3</sup></b>	<b>184 152</b>	<b>328 198</b>
<b>Other operating income</b>	<b>14 294</b>	<b>19 158</b>
<b>Total operating income</b>	<b>995 210</b>	<b>1 049 469</b>

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

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

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

2015: acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015

Swiss Prime Site's primary business activity is leasing investment properties. Net rental income from properties as well as land lease income totalled CHF 452.971 million [CHF 445.871 million], including CHF 18.072 million [CHF 19.730 million] of variable rental income (comprising turnover-based rent and parking fee income). Rental income included rental income from either the acquisition date of the individual properties or since 1 January 2016 [1 January 2015].

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

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

Income from the sale of trading properties in the previous year relates to the one-time sale of condominiums at the Maag site in Zurich.

Wincasa AG provides services primarily for various institutional investors, in addition to services for the group's real estate holdings.

The Retail segment comprises Jelmoli – The House of Brands. The restaurant operating business of Clouds Gastro AG was transferred to Candrian Catering AG as at 1 July 2015.

The Assisted Living segment consists of Tertianum Group and SENIOcare Group as well as BOAS Senior Care Group, which was acquired as at 29 February 2016. The share of rent from the accommodation prices of the residence guests was reported in target rental income from investment properties and rental income from additionally leased properties.

Other operating income of CHF 19.158 million [CHF 14.294 million] included income from Real Estate Investment Management and various other income from the Real Estate, Retail and Assisted Living segments.

### Details on rental income

The following table depicts the breakdown of the contractual end of the term of individual rental agreements, based on future net annual rental income and land lease income from investment properties (excluding properties under construction and development sites, and excluding additionally leased properties) as at 31 December 2016:

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

<sup>1</sup> includes all indefinite rental agreements (residential, parking facilities, commercial properties etc.)

Future rental income has been presented from the Real Estate segment perspective and based on the rental agreements of the group's properties as at 31 December 2016 [31 December 2015].

### Largest external tenants

As at the balance sheet date, the five largest external tenants accounted for 20.1% [20.9%] of future annual rental income and land lease income (Real Estate segment perspective). These individual tenants have good credit ratings and consist of the following corporations, in particular:

in %	31.12.2015	31.12.2016
Coop	6.6	6.2
Migros	5.0	4.8
Swisscom	3.5	3.4
Swiss Post	2.9	2.9
Inditex S.A.	2.9	2.8

According to IAS 17 «Leases», rental agreements represent leasing transactions. The rental agreements are generally indexed; in the case of retail property, additional turnover-based rents are sometimes agreed. Rental agreements are normally concluded for a term of five to ten years, often with a five-year extension option.

### Swiss Prime Site as grantor of land leases

Land leases should be checked insofar as they are operating or finance leases using general criteria according to IAS 17 «Leases». Based on analyses and present value tests, it was determined that all current land lease contracts are operating leases.

KEY LAND LEASE FIGURES

Land lease areas	384 m <sup>2</sup> to 2 839 m <sup>2</sup>
Residual terms to maturity	5 to 69 years
Contract extension options	none to 3 times 5 years
Price adjustments	annually to every 10 years
Pre-emption rights	none, unilateral and bilateral

FUTURE LAND LEASE INCOME

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Land lease income up to 1 year	826	847
Land lease income from 1 year up to 5 years	3 303	3 389
Land lease income after 5 years	7 973	7 394
<b>Total future land lease income</b>	<b>12 102</b>	<b>11 630</b>

6 RESULT FROM INVESTMENTS IN ASSOCIATES

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

7 RESULT FROM INVESTMENT PROPERTY SALES

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

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

## 8 REAL ESTATE COSTS

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

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

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

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

## 9 PERSONNEL COSTS

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

As at 31 December 2016, Swiss Prime Site employed a workforce of 5 621 [4 446] persons. The increase is attributable particularly to the acquisitions in the Assisted Living segment.

Personnel costs reflected salaries from all segments, in addition to compensation to the members of the Board of Directors, including the relevant social security contributions incurred, as well as expenses for leasing of personnel.

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

## 10 OTHER OPERATING EXPENSES

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

Expenses for tangible assets included maintenance and repair expenses as well as leasing expenses.

Capital taxes were calculated according to the effective tax rates on the basis of intercantonal tax allocation. The capital taxes of Swiss Prime Site AG, SPS Beteiligungen Alpha AG, SPS Beteiligungen Gamma AG and Tertianum Gruppe AG were reduced due to the holding privilege.

Administrative expenses included costs incurred for the reporting process, other administrative expenses and costs for various services provided by third parties, such as management fees and communication.

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

## 11 FINANCIAL RESULT

### FINANCIAL EXPENSES

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

### FINANCIAL INCOME

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

## 12 INCOME TAXES

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

Current income taxes were calculated at the effective maximum tax rates. At the same time, agreements with the relevant tax authorities were considered as well. According to IAS 12 «Income taxes», current income taxes were divided into current income taxes for the reporting period and current income taxes for other accounting periods.

Deferred taxes were split into deferred taxes due to revaluation and depreciation, sales of investment properties, tax rate changes and reductions resulting from duration of ownership deductions, losses carried forward and other deferred taxes. Deferred taxes are subject to the risk of tax rate changes as well as changes in the cantonal tax regulations. In the reporting year, the tax rate reduction was effective in the canton of Vaud.

### Reconciliation of income taxes

Income taxes were calculated using the effective relevant tax rates. Deferred taxes were calculated with the estimated tax rates. Liabilities for current income taxes were recognised in the balance sheet as current income tax liabilities under current liabilities.

Factors leading to the deviation of the effective tax burden from the average tax rate of 23% [23%]:

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Profit before income taxes	457 292	378 709
Income taxes at average tax rate of 23%	–105 177	–87 103
Taxes at other rates (including property gains taxes)	4 999	22 665
Adjustment for current income taxes for other accounting periods	–4 762	–2 309
Effect of unrecognised losses carried forward	3 159	–757
Taxes on intercompany revenues and expenses	2	–
Other effects	–452	–
<b>Total income taxes</b>	<b>–102 231</b>	<b>–67 504</b>

### Deferred taxes

Where the revaluations according to IFRS versus the fiscal values were due to recaptured, previously claimed depreciation, the taxes were allocated per property after deduction of any applicable property gains tax and taken into account separately. In this case, tax rates of between 4.9% and 17.9% [4.9% and 17.9%] were applied.

Upward revaluations exceeding the recaptured, previously claimed depreciation are subject to tax using two different systems. Cantons that do not levy any special taxes also calculate taxes at the above rates. The other cantons levy a separate property gains tax using rates of between 4.0% and 25.0% [4.0% and 25.0%], depending on duration of ownership.

Accordingly, property gains taxes are reduced in proportion to the increased duration of ownership of the property. Swiss Prime Site generally assumes ownership for a minimum period of 20 years, meaning that potential speculation premiums are not taken into account. Deferred tax expenses as a result of depreciation and revaluations according to commercial law amounted to CHF 59.300 million [CHF 83.131 million].

Total deferred tax expense of CHF 34.138 million [CHF 50.303 million] was debited to the consolidated income statement. This was mainly attributable to the fact that deferred tax liabilities or deferred tax assets had to be taken into account for revaluations and depreciation under commercial law. Of the total deferred tax assets subject to losses carried forward, only those were recognised that can probably be offset with future profits. The other deferred tax assets on losses carried forward were not recognised due to the insufficient future probability of offsetting losses.

**DEFERRED TAX ASSETS**

in CHF 1 000	31.12.2015	31.12.2016
Taxable losses carried forward of group companies	79 410	79 488
<b>Possible tax effect on taxable losses carried forward at expected tax rate</b>	<b>11 473</b>	<b>13 100</b>
Losses carried forward which can in all probability be offset with future profits	-79 410	-73 311
Total recognised deferred tax assets at expected tax rate	-11 473	-11 679
<b>Total deferred tax assets not recognised at expected tax rate</b>	<b>-</b>	<b>1 421</b>
Recognised deferred tax assets on losses carried forward	11 473	11 679
Other deferred tax assets	13 487	13 741
<b>Total deferred tax assets</b>	<b>24 960</b>	<b>25 420</b>

**EXPIRING TAXABLE LOSSES CARRIED FORWARD**

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

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

**Deferred tax liabilities not recognised on the balance sheet**

On the balance sheet date, there were total temporary outside basis differences (i.e. temporary differences between IFRS book values of investments in subsidiaries and their lower income tax values) amounting to CHF 2 590.190 million [CHF 2 425.200 million], for which no deferred tax liabilities were recognised since the group controlled the timing of the reversal of the temporary differences and it is probable that these will not be reversed in the foreseeable future. The resulting amount not recognised in the balance sheet totalled CHF 10.360 million [CHF 9.700 million].

## DEFERRED TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME

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

## 13 CASH

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

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

## 14 ACCOUNTS RECEIVABLE

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

Most of the accounts receivable related to claims for rent and ancillary costs, to customer claims for real estate management services and to accounts receivable from the Retail segment as well as the Assisted Living segment.

## DEVELOPMENT OF IMPAIRMENT

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

Impairment changes were recognised in other operating expenses.



**MATURITIES OF RECEIVABLES**

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

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

**15 INVENTORIES**

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

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

**16 ASSETS HELD FOR SALE**

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

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

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

## 17 INVESTMENT PROPERTIES

### CHANGE IN INVESTMENT PROPERTIES

in CHF 1000	Building land	Commercial properties without significant residential space	Mixed properties	Total investment properties	Properties held for sale	Properties under con- struction/ develop- ment sites	Total
<b>Total as at 01.01.2015</b>	<b>53 132</b>	<b>8 118 596</b>	<b>253 139</b>	<b>8 424 867</b>	<b>254 418</b>	<b>228 470</b>	<b>8 907 755</b>
Purchases	3 481	–	–	3 481	–	32 563	36 044
Follow-up investments	6 013	102 385	444	108 842	681	32 292	141 815
Capitalised borrowing costs	–	1 940	–	1 940	–	1 882	3 822
Reclassifications	3 201	24 280	–	27 481	–198 491	171 010	–
Net transfer of investment properties to owner-occupied properties	–	–29 875	–	–29 875	–	–	–29 875
Disposal by sale	–	–221 836	–15 120	–236 956	–43 836	–111 315	–392 107
Positive fair value adjustment	2 114	249 543	4 017	255 674	782	2 327	258 783
Negative fair value adjustment	–1 651	–105 635	–2 833	–110 119	–13 554	–10 539	–134 212
<b>Fair value adjustment</b>	<b>463</b>	<b>143 908</b>	<b>1 184</b>	<b>145 555</b>	<b>–12 772</b>	<b>–8 212</b>	<b>124 571</b>
<b>Total as at 31.12.2015</b>	<b>66 290</b>	<b>8 139 398</b>	<b>239 647</b>	<b>8 445 335</b>	<b>–</b>	<b>346 690</b>	<b>8 792 025</b>
Purchases	–	229 404	27 901	257 305	–	–	257 305
Follow-up investments	18 795	60 117	677	79 589	–	52 949	132 538
Capitalised borrowing costs	40	285	–	325	–	704	1 029
Reclassifications	–50 301	132 330	–	82 029	13 000	–95 029	–
Net transfer of investment properties to owner-occupied properties	–	–51 085	–	–51 085	–	–	–51 085
Disposal by sale	–	–59 926	–	–59 926	–	–	–59 926
Positive fair value adjustment	1 303	162 205	3 216	166 724	–	2 732	169 456
Negative fair value adjustment	–229	–88 031	–2 288	–90 548	–	–18 415	–108 963
<b>Fair value adjustment</b>	<b>1 074</b>	<b>74 174</b>	<b>928</b>	<b>76 176</b>	<b>–</b>	<b>–15 683</b>	<b>60 493</b>
<b>Total as at 31.12.2016</b>	<b>35 898</b>	<b>8 524 697</b>	<b>269 153</b>	<b>8 829 748</b>	<b>13 000</b>	<b>289 631</b>	<b>9 132 379</b>

**FURTHER DETAILS ON INVESTMENT PROPERTIES**

in CHF 1000	Building land	Commercial properties without significant residential space	Mixed properties	Total investment properties	Properties held for sale	Properties under con- struction/ develop- ment sites	Total
<b>Fire insurance values<sup>1</sup></b>							
On 01.01.2015	3 547	5 876 118	149 722	6 029 387	233 070	318 033	6 580 490
On 01.01.2016	7 547	5 607 122	131 653	5 746 322	–	555 112	6 301 434
<b>On 31.12.2016</b>	<b>1 975</b>	<b>5 916 828</b>	<b>148 005</b>	<b>6 066 808</b>	<b>19 423</b>	<b>303 500</b>	<b>6 389 731</b>
<b>Net rental income<sup>2</sup></b>							
01.01.–31.12.2015	501	399 688	15 157	415 346	–	3 852	419 198
<b>01.01.–31.12.2016</b>	<b>327</b>	<b>387 816</b>	<b>11 009</b>	<b>399 152</b>	<b>1 451</b>	<b>581</b>	<b>401 184</b>
<b>Vacancy rate in %</b>							
01.01.–31.12.2015	1.7	6.2	4.1	6.2	–	42.7	6.7
<b>01.01.–31.12.2016</b>	<b>2.6</b>	<b>6.2</b>	<b>4.4</b>	<b>6.1</b>	<b>–</b>	<b>8.3</b>	<b>6.1</b>

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

<sup>2</sup> generated with own investment properties and owner-occupied properties

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

The fair values of the designated properties are all categorised as hierarchy level 3, based on the input factors of the applied valuation technique (see Note 2.3 «Valuations and assumptions»). This is attributable to the fact that the significant input factors for the valuation – such as discount rates or market rents – must be generally derived from information stemming from less active markets.

**Valuation techniques and significant, unobservable input factors**

The individual valuation of the designated properties is carried out by means of the discounted cash flow method (DCF method), under which the fair value of a property is determined by the total future expected net earnings discounted to the valuation date. The calculation period extends 100 years from the valuation date. A more detailed cash flow forecast is prepared for the first ten years, while approximate annualised assumptions are used for the remainder of the term.

IFRS 13 «Fair value measurement» requires the determination of fair value of real estate based on the highest-and-best-use concept, which corresponds to use of a property that maximises its value. This assumption implies a use that is physically feasible, legally permissible and financially realisable. Since the determination of fair value implies maximised benefits, the highest and best use can deviate from the actual or planned use of a property because of unconformity with strategy. Future capital expenditures that improve or enhance the value of a property are accordingly taken into account in the fair value measurement.

## Valuation techniques

### Building land

The valuation was determined based on the residual method, valuation of the property at the time of completion according to the DCF method (same calculation as for existing properties) and taking into account outstanding investments as well as development risk.

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

The valuation was determined based on the DCF method, taking into account the underlying cash flows, expected rental income and operating and maintenance costs over the entire projection period.

Commercial properties for which the valuation was based on the highest-and-best-use concept

The valuation was determined based on the DCF method. For seven [five] properties the highest and best use did not correspond to the effective use.

For one property, the valuation was based on potential conversion to condominiums. For the other six properties, the valuations were based on scenarios such as consideration of additional gross floor space for residential or office use, leasing land in land lease, development scenarios (demolition and construction of office buildings), or conversion to retail floor space.

Properties and owner-occupied properties under construction and development sites

The fair value was determined based on the residual method, valuation of the property at the time of completion according to the DCF method (same calculation as for residential and commercial properties) and taking into account outstanding investments as well as development risk. According to the highest-and-best-use concept, conversion into condominiums or continuation/leasing were taken into consideration in the DCF method. In accordance with the applied highest-and-best-use approach, the assumptions used were consistent with the ones described above for commercial properties for which continuation of current use was presumed for the valuation and for commercial properties that were valued according to the highest-and-best-use concept.

## APPLICABLE UNOBSERVABLE INPUT FACTORS AS AT 31.12.2016

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

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

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

APPLICABLE UNOBSERVABLE INPUT FACTORS AS AT 31.12.2015

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

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

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

**Additional information on valuation assumptions**

Rental income

Rental income was incorporated in the valuation based on current rent prices and contractually stipulated conditions (including indexing). For fixed-term rental agreements, the sustainably realisable potential rental income for the period following the fixed term from the current perspective was used. The determination of the market-based potential rent was derived from the most recently concluded rental agreements for the relevant property, or other comparable properties in the immediate vicinity, as well as from real estate market research provided by Wüest Partner AG. The rent potential for retail properties (retail trade business, restaurants, etc.) was determined based on calculations for realistic revenue figures. For existing rental agreements comprising different uses, the rent potential was determined based on separate, individual uses. Tenants' extension options were then taken into account, when the effective rent fell below the derived market rent. For indefinite-term rental agreements, the adjustment to the determined rent potential was carried out considering general legal conditions for rental properties as well as property-specific fluctuations. Credit risks of the respective tenants were not explicitly taken into account in the valuation since relevant contractual safeguards were concluded, as required. The valuation of current vacant rental properties took into account a market- and property-specific marketing period.

For properties for which conversion into condominiums was an underlying assumption, rental income was applied up until the most immediate time of conversion of the rental property into condominiums. Consideration of such rental income was subject to the acknowledgement of the terms stipulated in the rental agreements, particularly the earliest termination of agreement, extension options as well as general legal conditions and practices. In this regard, assumptions regarding termination deadlines were based on current applicable laws governing rental property.

Operating and maintenance costs

The process of determining operating and maintenance costs took into account past experience, authorised budgets and benchmark values from a data pool provided by Wüest Partner AG. For properties for which conversion into condominiums has been presumed, costs were applied only up until the estimated point in time of sale of the last condominium.

Repair costs, construction expenses for conversion to condominiums

Repair costs for preserving the value of the properties as well as long-term costs were determined with

the support of construction cost analysis tools, taking into account the investment plans prepared by Swiss Prime Site. These tools were used to derive the future investment needs, considering the age of the property, new construction costs and the current condition of individual property components. Repair costs were incorporated in the valuation at 100% in the first ten years, taking into account any potential rental price hikes in the earnings forecast. Starting from the 11th year, repair costs of up to 50% to 70% are allowed (value-preserving components only) without including possible rent increases.

The requisite construction expenses for transforming properties presumed as designated for conversion into condominiums are modelled and estimated by means of construction and renovation cost benchmarks provided by Wüest Partner AG.

#### Discounting

The applied discounting was based on ongoing monitoring of the real estate market and was derived and verified on the basis of real interest rates – comprising the risk-free interest rate (long-term government bonds) plus general real estate risks plus property-specific premiums – and determined on a risk-adjusted basis per property. The selected discounting factors were empirically evaluated and verified by means of known changes in ownership and transactions.

For properties for which conversion into condominiums has been presumed, the applied discount rate corresponded to a weighted average cost of capital (WACC), with an interest rate in line with a short-term bank financing rate as well as adequate return on equity. For continuing long-term rental contracts, a mixed value was applied that is derived from the current WACC and the conventional discount rate of an investment property, up until the point in time of possible conversion and sale as a condominium.

#### Sensitivity of fair value measurement to changes in unobservable input factors

An increase in the discount rate reduces fair value, whereas a rise in the market rent price and/or sales proceeds increases fair value. There are correlations between these input factors since they are to some extent dependent on market data. For properties under construction and development sites, the outstanding investments and time to completion of construction reduce fair value, whereas the incurrence of these costs over the period up until completion increases fair value.

In the following analysis, the existing properties (excluding building land, projects and development sites) were taken into account at the current fair value as at the balance sheet date of CHF 9 748.900 million (fair value of overall portfolio CHF 10 092.100 million).

In relation to potential changes in the market environment, sensitivity to discount rates is significant. Fair value changes due to the changes in discount rates were as follows (discount rate derived for overall portfolio, approximate calculation):

#### AVERAGE DISCOUNT RATE

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

An increase in the discount rate (expected return) over the entire portfolio of more than 50 basis points within a short period seems very improbable. In this regard, real estate returns trend much more sluggishly than nominal interest rates on bonds or mortgages. Vice versa, in the current environment marked by still moderate returns on real estate in Switzerland, a discount rate that is more than 30 basis points lower over the entire portfolio also seems improbable.

The impact of changes in market rent prices on fair value is also significant. However, substantial changes in rental income over the entire portfolio (with a varying diversity of uses and tenants) in accumulated form and within a shorter period are less probable, whereas more significant effects on the portfolio would occur with a prolonged time lag. A linear correlation between rental income and fair value can be approximately assumed, whereby the rental income forecast in the valuation comprises several components, such as current contractually guaranteed rents and market rental estimates after the present contracts have expired. If just one of these components changes, (for example, fair value declines by 3.7% given a reduction of market rent potential of 4.0%), the impact on fair value is diminished.

.....  
**CHANGE IN MARKET RENTAL POTENTIAL**

	Change in fair value in %	Change in fair value in CHF 1 000	Fair value in CHF 1 000
6.0%	5.6%	545 900	10 294 800
4.0%	3.7%	360 700	10 109 600
2.0%	1.9%	185 200	9 934 100
<b>0.0% (valuation as at 31.12.2016)</b>	–	–	<b>9 748 900</b>
–2.0%	–1.9%	–185 200	9 563 700
–4.0%	–3.7%	–360 700	9 388 200
–6.0%	–5.6%	–545 900	9 203 000
–8.0%	–7.5%	–731 200	9 017 700
–10.0%	–9.3%	–906 600	8 842 300

The sensitivity of fair value to changes in recurring real estate costs for operation and proper maintenance is considerably lower than in the case of the aforementioned factors. However, the impact of modified costs for renovations and restructuring or construction costs for projects can have substantial effects on the fair value of the relevant real estate. Since this concerns only a limited number of affected properties over the entire portfolio, the sensitivity is relativised in this regard.

Amid the current environment of negative interest rates, there is an investment crisis where real estate investments are accordingly gaining significance. Against such a backdrop of negative interest rates, institutional investors in particular are willing to pay high prices for properties situated in prime locations with corresponding low expectations for returns. This can lead to sales prices for individual properties that noticeably deviate from the fair value assessment.

## CURRENT DEVELOPMENT AND NEW BUILDING PROJECTS

### Berne, Viktoriastrasse 21, 21a, 21b (Schönburg)

Project description	The office property comprising total utilised floor space of more than 30 000 square metres was constructed as the Swiss Post headquarters in 1970 by Theo Hotz following a project contest. The effective layout plan is oriented toward the current condition and enables numerous uses, particularly also residential. Swiss Prime Site was able to acquire the Schönburg property in 2014 and (following Swiss Post's departure) decided to preserve the structure as well as the basements and create a high-quality residential and hotel complex based on extensive variant studies. The property should house a three-star business hotel with 180 rooms at the north wing, in addition to around 140 high-quality apartments spread across the eight upper floors. Attractive townhouses as well as a Coop grocery store and fitness studio will be constructed in the newly created low-level annex building on the east side. The main building's core will be practically restructured, and four additional emergency staircases and a new façade will be installed. The entire building technology and interior will be replaced. Construction costs are estimated at roughly CHF 130 million.
Project status	The building application submitted in August 2016 was approved in February 2017. Following a parallel project optimisation process with two total contractors, Losinger Marazzi was awarded the contract in the autumn of 2016 for execution of the project including the hotel development. Implementation planning is underway under the management of the total contractor. Installation of the façades and remediation of the site could begin in the spring of 2017.
Occupancy rate <sup>1</sup>	A rental agreement has been concluded with Hamburg-based hotel operator prizeotel for a state-of-the-art business hotel, as well as a lease with Coop for a retail business comprising roughly 1 000 square metres, in addition to an UPDATE brand fitness studio. No condominiums will be offered. Leasing of the apartments will commence in 2018. Various enquiries have already been submitted via the project website.
Completion	Ready for occupancy in late summer 2019

### Geneva-Cointrin, Route de Pré-Bois 16

Project description	The property is located in the community of Meyrin in the immediate vicinity of the Geneva-Cointrin Airport. A hotel was constructed on the neighbouring plot of land in 2003, and at the same time a subterranean level with underground garage and storage rooms was erected on the plot as preparatory construction for a future building extension. The hotel operator exercised its purchase option in 2005, and the transaction was concluded in 2010. Swiss Prime Site was able to acquire the property within the scope of the Jelvoli acquisition in 2009. The development project began in 2014 with the objective of offering the market flexible and turnkey floor space for small- and medium-sized enterprises (SMEs). The concept envisages a seven-storey office building with rentable space of roughly 2 600 square metres according to the Minergie standard. The rentable space per floor of nearly 400 square metres can be ideally allocated to up to four tenants and subdivided into minimum dimensions of 80 square metres. The floor space is therefore ideally suited for this target group. The investment volume (excluding land) amounts to roughly CHF 14 million.
Project status	The building permit and application for modification are legally validated. The company Induni SA has been assigned the task as total contractor. Construction activity commenced in November 2016. The requisite easements with the neighbours will be authenticated through notarisation at the outset of 2017.
Occupancy rate <sup>1</sup>	There is no advance leasing; the decision-making process with SMEs is rather brief. Marketing activities commenced at end-2016.
Completion	Beginning of 2018

### Meyrin, Chemin de Riantbosson

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

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



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

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 (ZIPL0), comprising land area of roughly 28 400 square metres. The development project is characterised by five above-ground building structures that are situated on a common three-storey subterranean basement. The flexible commercial buildings with a subterranean optimal logistics infrastructure for trucks are oriented toward the needs of major industrial as well as retail tenants. The upper floors are ideally suitable for high-tech, biotech, clean-tech and R&D tenants, in addition to commercial, trade or office utilisation. Total rentable floor space amounts to 93 000 square metres plus more than 900 parking places. Investment volume (excluding land) amounts to roughly CHF 330 million. The first phase should consist of the construction of three modules (A, B, C) as well as subterranean logistics together with parking facilities.
---------------------	--

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 <sup>1</sup>	Specific negotiations for roughly 40% of the first phase are currently underway in full swing, with the objective of signing rental agreements even before construction begins.
-----------------------------	---

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 8 500 square metres of floor space with a workforce of 500 employees. Within the scope of an interim utilisation strategy (2016/17), various floor spaces will be leased to a variety of technology start-up firms. The future event hall has already commenced operations and successfully established a position with events such as the Top 100 Swiss Start-Up Event. The project planning process is underway: the building application should be submitted around mid-year 2017. The construction start date is envisaged for 2018. Any potential theme-related interim utilisation (2016/2017) or ideas for step-by-step preparations and leasing of partial floor space are continuously flowing into the development process.
----------------	--

Occupancy rate <sup>1</sup>	Some floor space as well as halls and office space have been utilised by tenants from the electronics sector in the interim. The future event space open to the public has already been dispersed and can be booked prior to installation of the new building technology in 2018. Numerous event-filled days have already been reserved for 2017. A pop-up restaurant with a total of more than 4 000 visitors was constructed on the main event floor space from 3 November to 23 December 2016. Various enquiries for additional interim utilisation of the overall site have been submitted and are currently under review.
-----------------------------	--

Completion	2019
------------	------

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

<b>Zurich, Brandschenkestrasse 25 (Motel One)</b>	
Project description	The office property located at Brandschenkestrasse 25 is being modified as a roughly 400-room hotel. The investment volume amounts to around CHF 77.5 million to convert the courtyard-rimmed complex into a hotel. Modification of the four buildings situated on a total area of 3 900 square metres will be carried out under strict compliance with their diverse and, to some extent, landmark-protected architecture. The excellent urban location near the Bahnhofstrasse as well as the property's floor space offering are superbly appropriate for a hotel according to the operating and design concept of Motel One Group.
Project status	The execution order was issued to the total contractor at the beginning of 2015. The green light for construction was issued in September 2015. The modification activities are proceeding according to plan. The hotel plans to open its doors in late summer 2017.
Occupancy rate <sup>1</sup>	The entire building is leased to Motel One Group as at summer 2017.
Completion	Late summer 2017

<b>Zurich, Etzelstrasse 14 (Etzelgut)</b>	
Project description	Swiss Prime Site is constructing a new replacement building for Tertianum AG situated in a prime location in Zurich's urban district for a geriatric care facility, with a total of 51 geriatric care beds and an integrated dementia department with six rooms, providing space for ten dementia patients. The basic configuration includes modern-equipped kitchens, a patient-care bath and contemporary therapy rooms, in addition to various service rooms. Thanks to its proximity to the Morgental tram and bus station, the geriatric care facility benefits from the neighbouring local infrastructure with Migros, Swiss Post and additional services and is therefore ideally integrated into the community. Easy accessibility to public transportation offers the advantage that the geriatric care facility is well connected to Zurich's city centre, making it simple for family members to visit patients.
Project status	Concrete has been laid for the upper floors and the building shell is concluded.
Occupancy rate <sup>1</sup>	The building will be 100% utilised directly by the Tertianum group company.
Completion	1 October 2017

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

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

### CHANGE IN OWNER-OCCUPIED PROPERTIES

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

### TRANSFERRED DEPRECIATION AND IMPAIRMENT

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

UTILISATION OF OWNER-OCCUPIED PROPERTIES

	31.12.2015	31.12.2016
Berlingen, Seestrasse 110	completely	completely
Berlingen, Seestrasse 83, 88, 101, 154	completely	completely
Frauenfeld, St. Gallerstrasse 30–30c	completely	completely
Lucerne, Kreuzbuchstrasse 33/35	completely	completely
Meilen, Seestrasse 545	completely	completely
Olten, Frohburgstrasse 1	partly	partly
Opfikon, Müllackerstrasse 2, 4/Bubenholtz	completely	completely
Ostermundigen, Mitteldorfstrasse 16	completely	completely
Pfäffikon SZ, Huobstrasse 5	completely	completely
Stadel b. Niederglatt, Buechenstrasse 80	completely	completely
Thun, Göttibachweg 2–2e, 4, 6, 8	completely	completely
Wabern, Nesslerenweg 30	completely	completely
Wattwil, Ebnaterstrasse 45	completely	completely
Zurich, Carl-Spitteler-Strasse 68/70	completely	completely
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	completely	completely
Zurich, 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 1000	31.12.2015	31.12.2016
<b>Owner-occupied properties under construction as at 01.01.</b>	<b>52 890</b>	<b>–</b>
Additions	12 690	–
Capitalised borrowing costs	693	–
Disposals	–29 178	–
Positive fair value adjustment	6 035	–
Negative fair value adjustment	–	–
Reclassifications into/from investment properties and owner-occupied properties, net	–43 130	<b>17 700</b>
<b>Owner-occupied properties under construction as at 31.12.</b>	<b>–</b>	<b>17 700</b>

## TRANSFERRED DEPRECIATION AND IMPAIRMENT

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

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

The fire insurance value of these properties amounted to CHF 7.568 million as at the balance sheet date.

## 19 TANGIBLE ASSETS

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

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

## 20 GOODWILL AND INTANGIBLE ASSETS

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

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

### Impairment test for cash-generating units including goodwill and brand names

To perform the impairment test, goodwill and brand names are attributed to the cash-generating units of Swiss Prime Site that correspond to the operating segments before aggregation.

## GOODWILL

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

The amount to be realised by the cash-generating units was based on value in use.

Value in use was based on the following underlying key assumptions:

- > Taking into consideration past experience, cash flows were based on a business plan for the forthcoming four years. A constant growth rate of 1.0% [1.0%] was applied to cash flows of the detailed horizon of the subsequent periods for the cash-generating unit real estate services, while a relevant rate of 1.9% [2.0%] was used for the retail unit and 1.5% [1.5%] for the assisted living unit.
- > A pre-tax discount rate of 7.0% [6.7%] was applied to the cash-generating unit real estate services, while a relevant rate of 6.9% [7.4%] was used for the retail unit and 7.6% [7.0%] for the assisted living unit.

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

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

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

---

## 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
<b>Total brand names</b>	<b>53 141</b>	<b>51 906</b>

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

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

## 21 CURRENT LIABILITIES

Accounts payable comprised mainly liabilities from ancillary cost accounts, property expense and commercial invoices, as well as liabilities from the Assisted Living segment.

The breakdown of accrued expenses and deferred income was as follows:

in CHF 1 000	31.12.2015	31.12.2016
Renovation and project costs	52 350	43 608
Cost of goods sold	16 426	14 540
Other operating expenses	27 932	42 886
<b>Total accrued expenses and deferred income</b>	<b>96 708</b>	<b>101 034</b>

## 22 FINANCIAL LIABILITIES

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

The convertible bond of CHF 189.589 million reported in current financial liabilities as at 31 December 2015 matured on 21 June 2016; the unconverted amount of the bond of CHF 40.700 million was redeemed.

Non-current financial liabilities of CHF 3 801.973 million [CHF 3 689.488 million] were recognised in the balance sheet at amortised cost, which generally corresponded to the nominal value. There were no extraordinary debt covenants for loans secured by real estate or for bonds. The contractual limits are continually monitored and were complied with by the Company and.

To secure the financial liabilities, various credit line agreements were concluded under market conditions (at arm's length), both with third-party banks and with related banks. Within the scope of the general credit lines, the maximum credit available is determined and adjusted by the banks on the basis of the valuation of the land mortgage rights transferred to them as security. Increasing credit lines or individual loans, redemption of existing loans and refinancing are carried out continuously on the basis of the liquidity plan.

As at the balance sheet date, the loan-to-value ratio of the real estate portfolio amounted to 44.4% [44.0%].

## BONDS

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

The bonds are redeemed at their nominal value.

## CONVERTIBLE BONDS

	in	CHF 190.35 m 2016	CHF 250 m 2023
Issuing volume, nominal	CHF m	190.350	250.000
Nominal value as at 31.12.2016	CHF m	0.000	250.000
<b>Book value as at 31.12.2016</b>	<b>CHF m</b>	<b>0.000</b>	<b>243.241</b>
Book value as at 31.12.2015	CHF m	189.589	0.000
Conversion price	CHF	81.89	105.38
Interest rate	%	1.875	0.250
Term to maturity	years	5	7
Maturity	date	21.06.2016	16.06.2023
Securities number		13 119 623 (SPS11)	32 811 156 (SPS16)
<b>Fair value as at 31.12.2016 (level 1)</b>	<b>CHF m</b>	<b>0.000</b>	<b>248.250</b>
Fair value as at 31.12.2015 (level 1)	CHF m	192.806	0.000

In 2016, conversions took place with a volume amounting to nominal CHF 149.650 million [CHF 203.035 million], resulting in an increase in share capital of CHF 27.959 million [CHF 43.770 million] or 1 827 383 [2 860 803] registered shares and an addition to capital reserves of CHF 119.752 million [CHF 155.976 million]. The remaining amount of the CHF 190.35 million convertible bond of CHF 40.700 million was redeemed on 21 June 2016. The remaining amount of the CHF 300 million convertible bond of CHF 26.085 million was redeemed in the previous year on 20 January 2015.

Swiss Prime Site AG issued a convertible bond as at 16 June 2016, amounting to CHF 250.000 million with a term to maturity of seven years and interest rate of 0.25%. Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time between 27 July 2016 and 7 June 2023. The newly issued shares are secured by conditional capital.

The equity component resulting from the convertible option was recognised directly in shareholders' equity. The other embedded options of the convertible bond – i.e. premature redemption option under certain preconditions (clean-up call and issuer call) – as well as the put option granted under certain preconditions (delisting of shares put) are contained within the borrowed capital component and are not recognised separately.

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



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

	31.12.2015 Conversion price in CHF	31.12.2015 Number of possible shares	31.12.2016 Conversion price in CHF	31.12.2016 Number of possible shares
<b>Convertible bonds</b>				
1.875%-convertible bond 21.06.2011–21.06.2016, CHF 190.350 million	81.89	2 324 460	n/a	n/a
0.25%-convertible bond 16.06.2016–16.06.2023, CHF 250.000 million	n/a	n/a	105.38	2 372 367
<b>Total number of possible shares</b>		<b>2 324 460</b>		<b>2 372 367</b>

**23 DEFERRED TAX LIABILITIES**

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

Deferred tax liabilities resulted from differences in valuation between statutory reporting of financial results and reporting according to IFRS standards. They resulted particularly from revaluations and statutory depreciation of investment properties and owner-occupied properties. Conversely, deferred tax liabilities decreased as a result of property sales and changes in tax rates.

The calculation of deferred taxes on real estate assets was based on the assumption of a holding period of a minimum of 20 years. Given a holding period of 15 years, the relevant deferred tax liabilities on future property gains would have been roughly 3% higher. Given a reduction of the holding period to ten years, deferred tax liabilities would have been around 5% higher.

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

**24 PENSION PLANS**

**Information relating to Swiss Prime Site's defined benefit pension plans**

Swiss Prime Site maintains occupational pension plans for its employees to safeguard against the economic consequences of old age, disability and death, within the scope of various pension schemes (e.g. pension funds and collective foundations, set up primarily through a life insurance company) that are legally and financially independent of the employer. The pension plan assets are totally separated from the employer's assets as well as from insured employees' assets. The Swiss Federal Law on Occupational Old-age, Survivor's and Disability Insurance (BVG) and its regulatory statutes as well as Swiss Federal Law on Vesting in Pension Plans stipulate minimum benefits in the area of obligatory insurance and, to some extent, also the area of over-obligatory insurance. The respective benefit plans of the individual group companies are defined in the regulations of their pension fund or collective foundations and in the affiliation agreement as well as in the affiliation's pension plan. Swiss Prime Site maintained four [four] autonomous pension fund solutions, two [four] pension schemes in fully insured collective foundations and eight [three] pension schemes in (partially) autonomous collective foundations as at the balance sheet date.

The board of trustees of a pension scheme is the predominant governing body, comprising on equal terms the same number of employer and employee representatives. The board of trustees makes decisions regarding the contents of the pension regulations (particularly the insured benefits), financing of the pension scheme (e.g. employer and employee contributions) and asset management (e.g. investment of pension funds, assignment of asset management activities to an external party, reinsurance of regulatory obligations by a life insurance firm). Insofar as a group company is affiliated with a collective foundation, a respective administrative committee, in addition to the board of trustees of the collective foundation, is directly responsible for the pension scheme of the affiliated group company. In addition, these entities are set up on equal terms and make the relevant decisions for the pension scheme. The pension scheme is entered in the Occupational Old-age, Survivor's and Disability Insurance register and subject to supervision by a cantonal regulatory authority, or directly by the Swiss Federal Social Insurance Office (FSIO), depending on its geographic scope of activity.

The occupational pension plan functions according to the fully funded principle. In this context, an individual retirement fund is accumulated in the course of a working life, taking into account the insured party's annual salary and annual retirement credits plus interest. The interest rate on individual retirement funds amounted to 1.25% [1.50% to 1.75%]. The life-long pension is derived from the individual retirement funds available at the time of retirement multiplied by the current effective pension conversion rate of 4.85% to 6.80% [4.88% to 6.80%]. The employee has the option of drawing the pension benefits as a partial or full payment of capital. In addition to the pension benefits, the pension plan entitlements also comprise survivor's and disability pensions, calculated as a percentage of the insured annual salary. Upon an employee's exit from a group company, the individual retirement funds are transferred to the pension scheme of the new employer or a vested benefits account.

To finance the benefits, savings and risk contributions are collected from employee and employer as a percentage of the insured salary according to the respective pension regulations and/or premium accounts of the collective foundation. In this regard, the employer is responsible for a minimum of 50% of the financing.

Depending on the organisational structure of the pension institution, the employer can be exposed to various risks resulting from the occupational pension plan.

The autonomous pension schemes harbour risks from the savings process as well as from the asset management and directly bear the demographic risks (longevity, death, disability). The respective pension scheme can change its financing system at any time (e.g. contributions and future benefits). The pension scheme may require recapitalisation contributions from the employer for the duration of underfunding according to Swiss law (BVG), insofar as other measures do not achieve the objective.

The semi-autonomous pension schemes safeguard against the demographic risks through a life insurance company, but directly carry out the savings process and the asset management. The respective pension scheme can change its financing system at any time (e.g. contributions and future benefits). The pension scheme may require recapitalisation contributions from the employer for the duration of underfunding according to Swiss law (BVG), insofar as other measures do not achieve the objective. Regarding the insured demographic risks, additional risks also loom that the insurance coverage is only temporary in nature (e.g. cancellation by the life insurance firm), and that the inherent risks of the plan may lead to variable insurance premiums over time.

The fully insured pension schemes safeguard against any investment and demographic risks through a life insurance company. Consequently, the pension plan's funding ratio amounts to 100% at all times, according to Swiss law (BVG). However, additional risks also loom that the insurance coverage is only temporary in nature (e.g. cancellation by the life insurance firm), and that the inherent risks of the plan may lead to variable insurance premiums over time.

Furthermore, the respective collective foundation may cancel the affiliation agreement with the relevant group company subject to compliance with a notice of termination, compelling it to seek affiliation with another pension scheme. This could result in the transfer of an underfunding and/or longevity risks (current pensions) depending on the terms of the affiliation agreement and the current partial liquidation regulations.

### Actuarial assumptions

The following assumptions were applied to the valuation of the occupational benefit plans (presented as weighted averages):

#### ASSUMPTIONS

	in	31.12.2015	31.12.2016
Discount rate	%	1.0	0.6
Future salary increases	% p.a.	1.0	1.0
Future pension increases	% p.a.	0.0	0.0
Percentage of retirement benefits as pension upon retirement	%	20.0	20.0
Assumption to longevity of active insured persons with age of 45	years	41.6	42.8
Assumption to longevity of retirees with age of 65	years	21.5	22.3
Weighted average duration of defined benefit obligations	years	15.0	15.6

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

#### DEFINED BENEFIT OBLIGATIONS

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

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

2015: acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015. Transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

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

#### PLAN ASSETS

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

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

2015: acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015. Transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 01.07.2015

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

## NET DEFINED BENEFIT OBLIGATIONS

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

Net defined benefit obligations of CHF 96.807 million [CHF 106.583 million] were split into CHF 19.992 million [CHF 8.963 million] in assets and CHF 116.799 million [CHF 115.546 million] in obligations. The assets or available economic benefits were derived in the form of reduced future contribution payments.

## RECONCILIATION OF EFFECT OF ASSET CEILING

in CHF 1 000	31.12.2015	31.12.2016
<b>Asset ceiling as at 01.01.</b>	<b>-14 320</b>	<b>-8 904</b>
Interest expense on effect of asset ceiling	-172	-89
Change in effect of asset ceiling excluding interest expense	5 588	6 442
<b>Total asset ceiling as at 31.12.</b>	<b>-8 904</b>	<b>-2 551</b>

## DEFINED BENEFIT COST

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

### Changes to the pension plan

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

In the previous year, the conversion rates were reduced in the SPS and Jelmoli pension fund as well as SPS and Jelmoli welfare foundation. At the same time, support measures were implemented via a one-time deposit in the retirement funds. The over-obligatory conversion rates were reduced for Perla-vita Rosenau AG. In addition, a pension plan disposal resulted from the transfer of the restaurant operating business of Clouds Gastro AG to Candrian Catering AG as at 1 July 2015.

**REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS**

in CHF 1 000	01.01.– 31.12.2015	01.01.– 31.12.2016
Actuarial gain (+)/loss(–) on defined benefit obligations	– 14 300	– 26 557
Return on plan assets excluding interest income	– 644	19 139
Change in effect of asset ceiling excluding interest expense	5 588	6 442
<b>Remeasurement of net defined benefit obligations recognised in other comprehensive income</b>	<b>– 9 356</b>	<b>– 976</b>

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

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

**RECONCILIATION OF NET DEFINED BENEFIT OBLIGATIONS**

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

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

2015: acquisition of SENIOcare Group as at 01.10.2015, 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
<b>Total plan assets at fair value</b>	<b>651 983</b>	<b>740 742</b>

**Sensitivity analysis**

Sensitivity analyses were compiled for the key assumptions – while constantly maintaining the other assumptions – used to calculate defined benefit obligations, based on changes that were reasonably possible at the balance sheet date.

The discount rate as well as assumptions for future trends in salaries and future growth in pensions were increased and decreased, respectively, by fixed percentage points. Sensitivity to mortality rates was calculated through decreasing and/or increasing the mortality rate with a lump-sum factor, resulting in a roughly one-year increase or decrease, respectively, in the life expectancy of most of the age categories.

in CHF 1 000	31.12.2015	31.12.2016
<b>Value of defined benefit obligations as at 31.12.</b>	<b>749 662</b>	<b>834 998</b>
Defined benefit obligations as at 31.12. with discount rate –0.25%	778 869	868 505
Defined benefit obligations as at 31.12. with discount rate +0.25%	722 425	803 812
Defined benefit obligations as at 31.12. with life expectancy +1 year	775 366	864 077
Defined benefit obligations as at 31.12. with life expectancy –1 year	723 510	805 539
Defined benefit obligations as at 31.12. with pension increase +0.25%	770 409	858 396
Service cost (employer) of next year with discount rate +0.25%	23 102	29 105

## 25 SHAREHOLDERS' EQUITY

### SHARE CAPITAL

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

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

### AUTHORISED CAPITAL

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

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

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

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

.....  
**CONDITIONAL CAPITAL**

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

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

<sup>2</sup> of which for options and/or conversion rights CHF 40.738 million respectively 2 662 617 shares [CHF 40.284 million respectively 2 632 910 shares]  
of which for option rights granted to shareholders CHF 23.103 million respectively 1 510 000 shares [CHF 23.103 million respectively 1 510 000 shares]

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

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

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

.....  
**CAPITAL RESERVES**

	in CHF 1 000
<b>Capital reserves as at 01.01.2015</b>	<b>781 123</b>
Distribution from capital contribution reserves on 21.04.2015	- 235 611
Conversions of 40 607 units of the CHF 300 million convertible bond into 2 860 803 registered shares	155 976
Capital increase on 29.05.2015	321 991
Share-based compensation, 32 302 shares	2 529
Purchase of treasury shares, 32 400 shares	- 2 430
<b>Capital reserves as at 31.12.2015</b>	<b>1 023 578</b>
Distribution from capital contribution reserves on 19.04.2016	- 259 608
Conversions of 29 930 units of the CHF 190.35 million convertible bond into 1 827 383 registered shares	119 752
Issue of 0.25% convertible bond, equity component	4 236
Share-based compensation, 35 444 shares	2 971
Purchase of treasury shares, 34 000 shares	- 2 851
<b>Capital reserves as at 31.12.2016</b>	<b>888 078</b>

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

## REVALUATION RESERVES

in CHF 1 000

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

Revaluation reserves are not available to the Company shareholders.

## RETAINED EARNINGS

in CHF 1 000

<b>Retained earnings as at 01.01.2015</b>	<b>2 415 735</b>
Profit	355 905
Reclassification of cumulative revaluation gains from revaluation reserves	43
Remeasurement of net defined benefit obligations	- 9 356
Deferred taxes on remeasurement of net defined benefit obligations	2 123
<b>Retained earnings as at 31.12.2015</b>	<b>2 764 450</b>
Profit	312 168
Remeasurement of net defined benefit obligations	- 976
Deferred taxes on remeasurement of net defined benefit obligations	225
<b>Retained earnings as at 31.12.2016</b>	<b>3 075 867</b>

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

## NON-CONTROLLING INTERESTS

in CHF 1 000

<b>Non-controlling interests as at 01.01.2015</b>	<b>1 596</b>
Acquisition of shareholding with non-controlling interests	491
Acquisition of non-controlling interests without change of control	- 1 000
Comprehensive income, attributable to non-controlling interests	- 844
<b>Non-controlling interests as at 31.12.2015</b>	<b>243</b>
Comprehensive income, attributable to non-controlling interests	- 963
<b>Non-controlling interests as at 31.12.2016</b>	<b>- 720</b>

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

### Distributions

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



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

## 26 KEY FIGURES PER SHARE

The profit used to calculate earnings per share or diluted earnings per share was the reported profit attributable to shareholders of Swiss Prime Site AG.

### WEIGHTED AVERAGE NUMBER OF SHARES

	01.01.– 31.12.2015	01.01.– 31.12.2016
Shares issued as at 01.01.	60 820 602	69 651 534
Weighted number of shares issued on conversions	2 814 537	1 131 794
Weighted number of shares on capital increase on 29.05.2015	3 499 159	–
Average number of treasury shares (360 days)	–6 506	–2 098
<b>Total weighted average number of shares 01.01.–31.12. (360 days)</b>	<b>67 127 792</b>	<b>70 781 230</b>
Weighted number of shares issued on conversions	–2 814 537	–1 131 794
Effective number of converted shares	2 860 803	1 827 383
Highest possible number of shares that can be issued on conversions	2 324 460	2 372 367
<b>Basis for calculation of diluted earnings per share</b>	<b>69 498 518</b>	<b>73 849 186</b>

### BASIS FOR CALCULATION OF DILUTED EARNINGS PER SHARE

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

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

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

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

## 27 FUTURE OBLIGATIONS AND CONTINGENT LIABILITIES

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

Swiss Prime Site concluded agreements with various total contractors for the construction of new and modified buildings within the scope of new construction activities as well as restructuring and renovation of existing properties. The due dates for the respective residual payments for these total contractor agreements are shown in the table above. The relevant properties were as follows:

Properties	Planned completion	31.12.2015 Outstanding payments in CHF 1 000	31.12.2016 Outstanding payments in CHF 1 000
Basel, Freie Strasse 68/Motel One	2017	3 835	350
Berne, Viktoriastrasse 21, 21a, 21b/Schönburg	2019	–	100 833
Geneva Airport, Route de Pré-Bois	2018	–	7 696
Meyrin, Chemin de Riantbosson/Avenue de Mategnin	2018	–	23 327
Plans-les-Ouates, Chemin des Aulx	2019	–	133 800
Zurich, Brandschenkestrasse 25/Motel One	2017	43 517	13 792
Zurich, Etzelstrasse 14	2017	10 810	7 450
<b>Total outstanding payments/future obligations</b>		<b>58 162</b>	<b>287 248</b>

### Operating lease agreements

As at the balance sheet date, the following future obligations relating to land lease payments, leasing of office equipment as well as renting office, retail and residential floor space, as well as owner-occupied properties in the Assisted Living segment were in effect:

in CHF 1 000	31.12.2015	31.12.2016
Lease expenses up to 1 year	53 262	71 926
Lease expenses from 1 year up to 5 years	235 117	297 658
Lease expenses over 5 years	769 652	871 487
<b>Total future lease expenses</b>	<b>1 058 031</b>	<b>1 241 071</b>

In the reporting period, CHF 67.599 million [CHF 41.698 million] in real estate costs including land lease expenses as well as CHF 0.773 million [CHF 0.835 million] in lease expenses for the rental of office equipment were recognised in other operating expenses.

### Contingent liabilities

Since end-2013, there was a contingent liability related to an unresolved difference of opinion with the Swiss Federal Tax Administration (FTA). This dispute is related to interest on arrears with regard to the reporting procedure surrounding withholding tax on dividend distributions within the group. Notwithstanding what we view as proper and timely reporting of the distributions in 2012, four group companies received requests for effective payment of the withholding tax and interest on arrears toward the end of 2013 and beginning of 2014. Due to the risk of substantial interest on arrears, Swiss Prime Site paid the withholding tax on 24 December 2013 as a precautionary measure, which was subsequently reimbursed by the FTA on 10 January 2014.

Swiss Prime Site filed an objection to the decision that was issued by the FTA.

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

## 28 PLEDGED ASSETS

in CHF 1000	31.12.2015	31.12.2016
Fair value of affected investment properties	7 907 295	7 817 048
Fair value of affected owner-occupied properties	702 728	768 673
Nominal value of pledged mortgage notes	4 718 030	4 566 686
Current claim (nominal)	3 118 850	3 031 000

## 29 TRANSACTIONS WITH RELATED PARTIES

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

### Board of Directors and Executive Board

Disclosure of the following fixed compensation to members of the Board of Directors and the fixed and variable compensation to the Executive Board was based on the accrual principle (i.e. recognised in the relevant period, regardless of cash flow).

The compensation paid to the Board of Directors as well as the variable compensation paid to the Executive Board members employed by Swiss Prime Site Group AG are effected at 50% in the form of Swiss Prime Site AG shares. For the other members of the Executive Board, drawing shares of up to 25% of the variable compensation is optional. The corresponding expense was reported as share-based compensation. The number of Swiss Prime Site AG shares granted to the members of the Board of Directors and the Executive Board was determined using the closing price as at the end of the previous year of CHF 78.50 [CHF 73.00], less 10% discount to CHF 70.65 [CHF 65.70]. The shares are subject to blocking for periods of four and three years for members of the Board of Directors and Executive Board, respectively.

## COMPENSATION TO THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

in CHF 1000	01.01.– 31.12.2015	01.01.– 31.12.2016
Fixed compensation in cash, gross	4 459	4 199
Variable compensation in cash, gross	1 214	1 082
Share-based variable compensation <sup>1</sup>	1 385	1 409
Other compensation components	172	59
pension fund contributions	473	591
Other social security contributions	503	474
<b>Total compensation to the Board of Directors and Executive Board</b>	<b>8 206</b>	<b>7 814</b>
Expense allowance	120	157

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

#### Options

There were no outstanding or allocated options as at the balance sheet date.

#### Additional fees and compensation

No additional fees and compensation were paid.

#### Loans to members of governing bodies

There were no outstanding loans to governing bodies as at the balance sheet date.

#### Other related parties

There were existing current accounts payable relative to various pension funds and the SPS and Jel-moli welfare foundation of CHF 0.430 million [CHF 1.033 million]. The foundation Fondation Espace was granted an interest-bearing loan of CHF 1.490 million. CHF 0.915 million was allocated for the provision of real estate services as well as other services for related pension fund foundations.

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

Swiss Prime Site Group sold a real estate package to the Swiss Prime Investment Foundation in the previous reporting period, comprising eight properties at a price of CHF 411.467 million. This one-time package transaction under related parties was approved by the supervisory authority of the Swiss Prime Investment Foundation and executed at market conditions. The price determined for the transaction was based on estimates from three independent appraisal experts.

In the previous reporting period a condominium was sold to Markus Graf, CEO of Swiss Prime Site Group until 31 December 2015, at a price of CHF 1.230 million. The sale was executed at market conditions and is included in the income statement in income from the sale of trading properties.

There were no additional transactions with other related parties carried out either in the reporting period or previous period.

### 30 GROUP COMPANIES AND ASSOCIATES

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

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

Field of activity	31.12.2015		31.12.2016		
	Capital in CHF 1 000	Shareholding in %	Capital in CHF 1 000	Shareholding in %	
Clos Bercher SA, Bercher <sup>5</sup>	Assisted living	–	–	100	100.0
Ensemble artisanal et commercial de Riantbosson S.A., Olten <sup>1</sup>	Real estate	1 000	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz <sup>5</sup>	Assisted living	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux <sup>5</sup>	Assisted living	–	–	100	100.0
immoveris ag, Berne <sup>2</sup>	Real estate services	–	–	200	100.0
Jelmoli AG, Zurich	Retail	6 600	100.0	6 600	100.0
La Fontaine SA, Court <sup>5</sup>	Assisted living	–	–	100	100.0
La Résidence des Marronniers SA, Martigny <sup>5</sup>	Assisted living	–	–	100	100.0
Le Manoir AG, Gampelen <sup>5</sup>	Assisted living	–	–	100	100.0
Leora S.à.r.l., Villeneuve <sup>5</sup>	Assisted living	–	–	140	100.0
Les Tourelles S.à.r.l., Martigny <sup>5</sup>	Assisted living	–	–	20	100.0
Perlavita AG, Zurich	Assisted living	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg	Assisted living	300	100.0	300	100.0
Quality Inside SA, Crissier <sup>5</sup>	Assisted living	–	–	150	100.0
Résidence Bel-Horizon Sàrl, Ecublens <sup>5</sup>	Assisted living	–	–	20	100.0
Résidence de la Jardinerie SA, Delémont <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence du Bourg SA, Aigle <sup>5</sup>	Assisted living	–	–	50	100.0
Résidence Joli Automne SA, Ecublens <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence le Pacific SA, Etoy <sup>5</sup>	Assisted living	–	–	150	100.0
Résidence l'Eaudine SA, Montreux <sup>5</sup>	Assisted living	–	–	100	100.0
Résidence les Sources Saxon SA, Saxon <sup>7</sup>	Assisted living	–	–	100	100.0
SENIOcare AG, Wattwil <sup>9</sup>	Assisted living	2 400	100.0	2 400	100.0
SPS Beteiligungen Alpha AG, Olten <sup>8</sup>	Investments	650 000	100.0	450 000	100.0
SPS Beteiligungen Beta AG, Olten <sup>8</sup>	Investments	450 000	100.0	n/a	n/a
SPS Beteiligungen Gamma AG, Olten	Investments	300 000	100.0	300 000	100.0
SPS Immobilien AG, Olten	Real estate	50 000	100.0	50 000	100.0
Swiss Prime Site Fund Advisory AG II, Olten	Collective investments	100	100.0	100	100.0
Swiss Prime Site Group AG, Olten	Services	100	100.0	100	100.0
Tertianum AG, Zurich	Assisted living	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich <sup>9</sup>	Investments	–	–	50 000	100.0
Tertianum Management AG, Zurich <sup>4</sup>	Services	–	–	500	100.0
Tertianum Romandie Management SA, Crissier <sup>5</sup>	Services	–	–	100	100.0
Vitadomo AG, Zurich	Assisted living	100	100.0	100	100.0
WGDM Papillon AG, Winterthur <sup>6</sup>	Assisted living	100	100.0	n/a	n/a
Wincasa AG, Winterthur	Real estate services	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden <sup>3</sup>	Assisted living	1 000	51.0	1 000	51.0

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

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

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

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

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

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

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

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

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

This page contains information regarding the GRI Index 102-45

## INVESTMENTS IN ASSOCIATES VALUED ACCORDING TO THE EQUITY METHOD

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

## 31 MAJOR SHAREHOLDERS

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

## 32 RISK MANAGEMENT

### Principles

Swiss Prime Site places significant emphasis on its approach toward opportunities as well as risks and has therefore implemented a systematic and continuous risk management process. The objective of Swiss Prime Site's risk management is based on examining strategies and operating activities according to opportunities and risks, assessing the identified risks and controlling these risks with appropriate measures. At the same time, the focal point is directed at adequately mitigating any relevant potential losses, as well as consciously seizing opportunities. Risk management therefore provides a significant contribution to the continuity and successful development of the Company. The principles and processes of risk management are set out in separate regulations.

Risk management is an ongoing process in which all of the Company's employees are basically involved. The responsibility is assigned at appropriate levels to the various entities of the Company such as the Board of Directors and Executive Board, etc. Swiss Prime Site has divided the risk management process into the following sub-processes, in conformity with internationally recognised risk management frameworks:

- > Risk identification
- > Risk analysis and evaluation
- > Determination of risk-response strategy
- > Implementation of risk management and control measures
- > Risk communication and monitoring

The various risks are monitored and controlled by several Swiss Prime Site bodies and departments, as follows:

- > Board of Directors
- > Audit Committee of the Board of Directors
- > Members of executive management identified as risk owners
- > Internal risk management
- > Internal audit

**Risk types**

Swiss Prime Site's businesses are subject to specific risks that can be divided into the following primary categories (list is not exhaustive):

- > real estate-specific risks
- > environmental risks and risks associated with contamination
- > risks associated with construction activities
- > market risk and diversification
- > valuation risks
- > credit, refinancing and liquidity risks (Note 33)
- > risks associated with the real estate services business
- > retail business-specific risks
- > risks associated with the assisted living sector
- > regulatory and fiscal risks
- > risks associated with litigation

These risks are addressed by means of appropriate selection and diversification of properties and tenants, adjustments of the expiry profile of rental agreements, constructional measures, finance assurances, the degree of indebtedness, as well as regular monitoring of processes and procedures.

**33 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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

in CHF 1000	Fair value level 1	Fair value level 2	Fair value level 3	Total levels	31.12.2015 Book value
<b>Total sight deposits</b>					<b>232 485</b>
Accounts receivable					80 432
Current accounts receivable					574
Other receivables					26 564
Non-current financial investments		254	134	388	1 261
<b>Total receivables and non-current financial investments</b>					<b>108 831</b>
<b>Total financial assets, not recognised at fair value</b>					<b>341 316</b>
Securities	482			482	482
<b>Total financial assets held for trading</b>					<b>482</b>
<b>Total financial assets at fair value</b>					<b>482</b>
Accounts payable					13 307
Current financial liabilities					382 000
Other current liabilities					127 688
Other non-current financial liabilities					11 291
Mortgage-backed loans			2 913 692	2 913 692	2 737 525
Convertible bonds	192 806			192 806	189 589
Bonds	987 855			987 855	940 672
<b>Total financial liabilities at amortised cost</b>					<b>4 402 072</b>
<b>Total financial liabilities, not recognised at fair value</b>					<b>4 402 072</b>
Derivatives with negative fair value		6 871		6 871	6 871
<b>Total financial liabilities held for trading</b>					<b>6 871</b>
<b>Total financial liabilities at fair value</b>					<b>6 871</b>

No fair value information is disclosed for financial instruments such as current receivables and liabilities since their relevant book values represent an appropriate approximation of the fair value.

Non-current financial investments include two [two] fixed-rate loans amounting to CHF 0.385 million [CHF 0.385 million] with a residual term of up to seven [eight] years and an interest rate of 0% to 6%, as well as one variable-rate loan amounting to CHF 1.490 million [CHF 0 million].

The following table shows the valuation techniques used to determine the fair values at level 2 and level 3, as well as the significant, unobservable input factors:

#### FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE

Nature	Derivatives (swaps and caps)
Valuation technique	Market comparison process: fair value is based on brokers' listed prices. Similar contracts are traded on an active market, and the listed prices reflect the actual transactions for similar instruments.



**FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE**

Nature	Other non-current receivables, non-current financial investments, mortgage-backed loans
Valuation technique	Discounted cash flows

The valuation techniques remained unchanged year-on-year.

**Financing and liquidity risks**

Financial risk and capital management are addressed in accordance with the following principles of capital structure and interest commitment as determined by the Board of Directors in the investment regulations:

- > a maximum average of 65% borrowed capital may be used to finance the real estate portfolio
- > the equity ratio target is 40%, although the Board of Directors can approve a shortfall of this ratio
- > a return on equity (ROE) of 6% to 8% is targeted in the long term
- > borrowing with a residual term to maturity of less than one year should account for a maximum of 50% of financial liabilities
- > the objective is aimed at a balanced maturity profile of the financial liabilities

**SELECTED GROUP KEY FIGURES**

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

<sup>1</sup> without derivatives

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

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

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

Sight deposits are invested in secure investments. Foreign currencies are immaterial. Cash and cash equivalents are kept as low as possible and are used primarily to redeem loans. The goal is to invest available cash in real estate. To secure larger liabilities, unsecured but open credit lines are available. The Executive Board is responsible for the timely provision of the required cash. Hence, the Executive Board complies with, among others, the provisions of the investment regulations and use of rolling liquidity planning as a tool. The Board of Directors monitors compliance with the provisions of the investment regulations.

Overview of future contractual cash outflows (including interest) from all financial liabilities:

in CHF 1000	31.12.2016 Book value	Contractual cash flows	< 6 months		6 to 12 months		1 to 2 years		2 to 5 years		> 5 years	
			Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation
Accounts payable	15 088	15 088	–	15 088	–	–	–	–	–	–	–	–
Current financial liabilities	678 136	685 291	5 114	347 665	2 041	330 471	–	–	–	–	–	–
Other current liabilities	84 119	84 119	–	84 119	–	–	–	–	–	–	–	–
Non-current financial liabilities	3 801 973	4 116 886	32 708	–	32 465	–	63 378	280 422	124 893	2 130 017	51 335	1 401 668
<b>Total non-derivative financial liabilities</b>	<b>4 579 316</b>	<b>4 901 384</b>	<b>37 822</b>	<b>446 872</b>	<b>34 506</b>	<b>330 471</b>	<b>63 378</b>	<b>280 422</b>	<b>124 893</b>	<b>2 130 017</b>	<b>51 335</b>	<b>1 401 668</b>
Derivatives with negative fair value	3 536	3 309	–	522	–	490	–	730	–	1 567	–	–
<b>Total derivative financial liabilities</b>	<b>3 536</b>	<b>3 309</b>	<b>–</b>	<b>522</b>	<b>–</b>	<b>490</b>	<b>–</b>	<b>730</b>	<b>–</b>	<b>1 567</b>	<b>–</b>	<b>–</b>
<b>Total financial liabilities</b>	<b>4 582 852</b>	<b>4 904 693</b>	<b>37 822</b>	<b>447 394</b>	<b>34 506</b>	<b>330 961</b>	<b>63 378</b>	<b>281 152</b>	<b>124 893</b>	<b>2 131 584</b>	<b>51 335</b>	<b>1 401 668</b>

in CHF 1000	31.12.2015 Book value	Contractual cash flows	< 6 months		6 to 12 months		1 to 2 years		2 to 5 years		> 5 years	
			Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation
Accounts payable	13 307	13 307	–	13 307	–	–	–	–	–	–	–	–
Current financial liabilities	572 105	580 654	6 038	339 608	1 750	233 258	–	–	–	–	–	–
Other current liabilities	127 171	127 176	3	127 092	2	79	–	–	–	–	–	–
Non-current financial liabilities	3 689 488	4 051 951	37 812	–	37 811	–	69 035	513 777	153 495	1 504 433	60 656	1 674 932
<b>Total non-derivative financial liabilities</b>	<b>4 402 071</b>	<b>4 773 088</b>	<b>43 853</b>	<b>480 007</b>	<b>39 563</b>	<b>233 337</b>	<b>69 035</b>	<b>513 777</b>	<b>153 495</b>	<b>1 504 433</b>	<b>60 656</b>	<b>1 674 932</b>
Derivatives with negative fair value	6 871	6 871	–	1 812	–	1 832	–	934	–	2 071	–	222
<b>Total derivative financial liabilities</b>	<b>6 871</b>	<b>6 871</b>	<b>–</b>	<b>1 812</b>	<b>–</b>	<b>1 832</b>	<b>–</b>	<b>934</b>	<b>–</b>	<b>2 071</b>	<b>–</b>	<b>222</b>
<b>Total financial liabilities</b>	<b>4 408 942</b>	<b>4 779 959</b>	<b>43 853</b>	<b>481 819</b>	<b>39 563</b>	<b>235 169</b>	<b>69 035</b>	<b>514 711</b>	<b>153 495</b>	<b>1 506 504</b>	<b>60 656</b>	<b>1 675 154</b>

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.5 [4.4] years due to the contractual maturities.

**Currency risks**

Currency risk is the risk that movements in the exchange rates could have an effect on the profit or book value of the financial instruments held by Swiss Prime Site. There is currently no significant currency risk.

**Credit risks**

Credit risk is the risk that Swiss Prime Site suffers financial losses if a customer or counterparty of a financial instrument does not meet its contractual obligations. In order to minimise counterparty risk, the particular counterparties for concluding derivative financial instrument transactions are diligently selected in terms of credit ratings and diversification. The quality of the transactions and settlements is subject to monitoring on an ongoing basis. In order to achieve a positive impact on cash flows, outstanding debt risk is managed through active debt management.

Rent defaults are prevented as far as possible by maintaining a balanced tenant mix and avoiding dependencies on major tenants. First, arrears are prevented by performing strict credit rating checks before entering into a contract. Second, efficient debt collection and legal case reporting by the property managers ensure that debt levels are kept as low as possible.

The threat of outstanding debt risks is influenced by general economic development. As a result, it is possible that tenants have a good credit rating at the time of signing a contract, but then run into payment difficulties if the economic situation deteriorates.

Credit risk is limited to the book value of the relevant financial assets.

.....  
**MAXIMUM DEFAULT RISKS**

in CHF 1000	31.12.2015	31.12.2016
Sight deposits	232 485	157 632
Securities	482	479
Accounts receivable	80 432	93 946
Current accounts receivable	574	–
Other receivables	26 564	9 328
Non-current financial investments	1 261	2 750
<b>Maximum credit risk</b>	<b>341 798</b>	<b>264 135</b>

**Interest risks**

Interest risk is the risk that movements in interest rates can have an effect on the profit and/or fair value of the financial instruments held by Swiss Prime Site.

## FIXED AND VARIABLE INTEREST-BEARING FINANCIAL INSTRUMENTS

in CHF 1 000	31.12.2015	31.12.2016
<b>Fixed interest-bearing financial instruments</b>		
Financial assets	1 261	1 260
Financial liabilities	4 266 164	4 490 243
<b>Surplus of fixed interest-bearing financial liabilities</b>	<b>4 264 903</b>	<b>4 488 983</b>
<b>Variable interest-bearing financial instruments</b>		
Financial assets	232 485	159 122
<b>Surplus of variable interest-bearing financial assets</b>	<b>232 485</b>	<b>159 122</b>

Interest risks are continuously monitored and assessed by the Executive Board. Depending on the expected trends in long-term interest rates and taking into account the current market environment, an individual decision as to the term to maturity is made with each refinancing. At the same time, particular attention is paid to a balanced maturity profile, and the entire interest exposure is continuously taken into account. Derivatives are used as well.

The group's cash is invested on a short-term basis. For more information regarding interest-bearing borrowed capital, see Note 22 «Financial liabilities».

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

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

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

### Interest rate sensitivity of fixed interest-bearing financial instruments

Swiss Prime Site has not recognised any fixed interest-bearing financial instruments at fair value in the balance sheet. Therefore, a change in interest rates would not affect comprehensive income.

### Interest rate sensitivity of variable interest-bearing financial instruments

The following sensitivity analysis is based on the book values of variable interest-bearing financial instruments as at the balance sheet date and shows how the interest result would change if the interest level increased or decreased by 0.5%.

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

**Derivatives and hedge accounting**

Swiss Prime Site utilises various derivatives (swaps and caps) for the purpose of partial interest fixing of variable interest-bearing financial liabilities. No hedge accounting in the context of IAS 39 «Financial instruments: recognition and measurement» is used. Swaps are balanced on a net basis.

**Other price risk**

Other price risk is the risk of changes in fair value of securities, which can have an effect on the fair value of securities held by Swiss Prime Site as well as on profit.

A change in the fair value of securities amounting to 10% would accordingly increase or decrease profit by CHF 0.048 million [CHF 0.048 million]. The fair value of securities corresponds to the stock exchange price as at the balance sheet date.

**34 EVENTS AFTER THE BALANCE SHEET DATE**

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

There were no other events occurring between 31 December 2016 and the date of publication of these consolidated financial statements that would result in adjustment of the carrying amounts of the group's assets and liabilities as at 31 December 2016, or which would need to be disclosed at this point.



# Statutory Auditor's Report

To the General Meeting of Swiss Prime Site AG, Olten

## Report on the Audit of the Consolidated Financial Statements

### Opinion

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

In our opinion the consolidated financial statements (pages 16 to 83) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Article 17 of the Directive on Financial Reporting (Directive Financial Reporting, DFR) of SIX Swiss Exchange and Swiss law.

### Basis for Opinion

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

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

### Key Audit Matters



**Valuation of the real estate portfolio**



**Completeness and accuracy of deferred tax liabilities**



**Goodwill impairment testing**

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



**Valuation of the real estate portfolio**

**Key Audit Matter**

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

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

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

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

**Our response**

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

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

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

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

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

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



## Completeness and accuracy of deferred tax liabilities

### Key Audit Matter

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

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

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

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

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

### Our response

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

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

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

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

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





**Goodwill impairment testing**

**Key Audit Matter**

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

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

**Our response**

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

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

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

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

For further information on goodwill refer to the following:

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



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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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



## **Report on Other Legal and Regulatory Requirements**

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

Jürg Meisterhans  
Licensed Audit Expert  
Auditor in Charge

Claudius Rügsegger  
Licensed Audit Expert

Zurich, 24 February 2017

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

KPMG AG is a subsidiary of KPMG Holding AG, which is a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity. All rights reserved.n.

---

**FINANCIAL  
STATEMENTS  
OF SWISS  
PRIME SITE AG**

---

## INCOME STATEMENT

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

---

**BALANCE SHEET**

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

## **1 ACCOUNTING PRINCIPLES AND VALUATION**

### **1.1 General**

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

### **1.2 Securities**

Securities held on a short-term basis are valued at stock-exchange prices at the balance sheet date. Formation of a fluctuation reserve has been waived.

### **1.3 Interest-bearing liabilities**

Interest-bearing liabilities are recognised in the balance sheet at nominal value. Discounts on bonds and convertible bonds as well as issuing costs are recorded in accrued income and prepaid expenses and amortised over the term to maturity of the bond or convertible bond.

### **1.4 Treasury shares**

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

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

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

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

Since Swiss Prime Site AG prepares its consolidated financial statements according to recognised accounting standards (International Financial Reporting Standards (IFRS)), the Company has dispensed with providing information in the Notes regarding to interest-bearing liabilities and audit fees as well as the presentation of a cash flow statement, in accordance with the relevant legal requirements.

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

### **2.1 Dividend income**

Dividend income includes the dividends of SPS Beteiligungen Alpha AG of CHF 23.200 million [CHF 173.000 million] for the financial year 2016. The dividends were recorded as receivables. This approach was permitted since the companies close their accounts on the same balance sheet date, and the resolution to pay the dividend concluded.



## 2.2 Other financial income

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

## 2.3 Financial expenses

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

## 2.4 Other operating expenses

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

## 2.5 Other current receivables

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

## 2.6 Financial investments

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

## 2.7 Investments

### DIRECT INVESTMENTS

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

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

## INDIRECT INVESTMENTS

	31.12.2015 Capital in CHF 1 000	31.12.2015 Shareholding interest in %	31.12.2016 Capital in CHF 1 000	31.12.2016 Shareholding interest in %
Clos Bercher SA, Bercher <sup>5</sup>	–	–	100	100.0
Ensemble artisanal et commercial de Riantbosson S.A., Olten <sup>1</sup>	1 000	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz <sup>5</sup>	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux <sup>5</sup>	–	–	100	100.0
immoveris ag, Berne <sup>2</sup>	–	–	200	100.0
Jelmoli AG, Zurich	6 600	100.0	6 600	100.0
La Fontaine SA, Court <sup>5</sup>	–	–	100	100.0
La Résidence des Marronniers SA, Martigny <sup>5</sup>	–	–	100	100.0
Le Manoir AG, Gampelen <sup>5</sup>	–	–	100	100.0
Leora S.à.r.l., Villeneuve <sup>5</sup>	–	–	140	100.0
Les Tourelles S.à.r.l., Martigny <sup>5</sup>	–	–	20	100.0
Parkgest Holding SA, Geneva	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	5 160	27.1	5 160	27.1
Perlavita AG, Zurich	100	100.0	100	100.0
Perlavita Rosenau AG, Kirchberg	300	100.0	300	100.0
Quality Inside SA, Crissier <sup>5</sup>	–	–	150	100.0
Résidence Bel-Horizon Sàrl, Ecublens <sup>5</sup>	–	–	20	100.0
Résidence de la Jardinerie SA, Delémont <sup>5</sup>	–	–	100	100.0
Résidence du Bourg SA, Aigle <sup>5</sup>	–	–	50	100.0
Résidence Joli Automne SA, Ecublens <sup>5</sup>	–	–	100	100.0
Résidence le Pacific SA, Etoy <sup>5</sup>	–	–	150	100.0
Résidence l'Eaudine SA, Montreux <sup>5</sup>	–	–	100	100.0
Résidence les Sources Saxon SA, Saxon <sup>7</sup>	–	–	100	100.0
SENIOcare AG, Wattwil <sup>3</sup>	2 400	100.0	2 400	100.0
SPS Beteiligungen Beta AG, Olten <sup>4</sup>	450 000	100.0	n/a	n/a
SPS Beteiligungen Gamma AG, Olten	300 000	100.0	300 000	100.0
SPS Immobilien AG, Olten	50 000	100.0	50 000	100.0
Swiss Prime Site Fund Advisory AG II, Olten	100	100.0	100	100.0
Swiss Prime Site Group AG, Olten	100	100.0	100	100.0
Tertianum AG, Zurich	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich <sup>9</sup>	–	–	50 000	100.0
Tertianum Management AG, Zurich <sup>4</sup>	–	–	500	100.0
Tertianum Romandie Management SA, Crissier <sup>5</sup>	–	–	100	100.0
Vitadomo AG, Zurich	100	100.0	100	100.0
WGDM Papillon AG, Winterthur <sup>6</sup>	100	100.0	n/a	n/a
Wincasa AG, Winterthur	1 500	100.0	1 500	100.0
Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden <sup>3</sup>	1 000	51.0	1 000	51.0

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

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

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

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

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

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

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

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

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

## 2.8 Current interest-bearing liabilities

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

## 2.9 Other current liabilities

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

## 2.10 Non-current interest-bearing liabilities

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

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

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

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

## 2.11 Treasury shares

As at the balance sheet date, Swiss Prime Site AG held 1336 [2741] treasury shares. Swiss Prime Site Group AG additionally held 0 [39] shares of Swiss Prime Site AG, as at the balance sheet date. Purchases and sales were carried out at the applicable daily market rate.

Change in number of treasury shares	Volume-weighted average share price in CHF	2015 Number of treasury shares	Volume-weighted average share price in CHF	2016 Number of treasury shares
Holdings of treasury shares on 01.01.	–	2 682	–	2 741
Purchases at the volume-weighted average share price	74.95	9 600	81.05	9 000
Share-based compensation	74.95	–9 541	81.23	–9 889
Sales at the volume-weighted average share price <sup>1</sup>	–	–	84.61	–516
Holdings of treasury shares on 31.12.	–	2 741	–	1 336

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

### 3 ADDITIONAL INFORMATION

#### 3.1 Full-time employees

Swiss Prime Site AG has no employees.

#### 3.2 Convertible bonds

	in	CHF 190.35 m 2016	CHF 250 m 2023
Issuing volume, nominal	CHF m	190.350	250.000
<b>Book value as at 31.12.2016</b>	<b>CHF m</b>	<b>0.000</b>	<b>250.000</b>
Book value as at 31.12.2015	CHF m	190.350	0.000
Conversion price	CHF	81.89	105.38
Interest rate	%	1.875	0.250
Term to maturity	years	5	7
Maturity	date	21.06.2016	16.06.2023
Securities number		13 119 623 (SPS11)	32 811 156 (SPS16)

#### 3.3 Bonds

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

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

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

<sup>1</sup> until 12.04.2016

<sup>2</sup> since 12.04.2016

<sup>3</sup> until 31.12.2015

<sup>4</sup> since 01.01.2016

### 3.5 Major shareholders

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

### 3.6 Significant events after the balance sheet date

There were no significant events occurring after the balance sheet date that would have an impact on the book values of the reported assets or liabilities, or which would need to be disclosed at this point.

#### 4 PROPOSED APPROPRIATION OF BALANCE SHEET PROFIT

The Board of Directors proposes to the Annual General Meeting to appropriate the balance sheet profit for the financial year ended 31 December 2016 of CHF 335.239 million as follows:

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

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





# Statutory Auditor's Report

To the General Meeting of Swiss Prime Site AG, Olten

## Report on the Audit of the Financial Statements

### Opinion

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

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

### Basis for Opinion

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

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

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

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

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

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

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

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

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





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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Jürg Meisterhans  
Licensed Audit Expert  
Auditor in Charge

Claudius Rügsegger  
Licensed Audit Expert

Zurich, 24 February 2017

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

KPMG AG is a subsidiary of KPMG Holding AG, which is a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity. All rights reserved.



---

# EPRA KEY FIGURES

---

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

**EPRA EARNINGS AND EPRA EARNINGS PER SHARE**

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

**EPRA NET ASSET VALUE (NAV)**

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

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

### EPRA TRIPLE NET ASSET VALUE (NNAV)

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

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

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

### EPRA VACANCY RATE

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



---

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

---

## FIVE-YEAR SUMMARY OF KEY FIGURES

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

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

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

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

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

2015: acquisition of SENIOcare Group as at 01.10.2015, WGDM Papillon AG as at 01.07.2015 and Sternmatt Pflegewohngruppen as at 05.01.2015



## FIVE-YEAR SUMMARY OF KEY FIGURES

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

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

## FIVE-YEAR SUMMARY OF KEY FIGURES

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

---

# PROPERTY DETAILS

---

**PROPERTY DETAILS AS AT 31.12.2016**
**OVERVIEW OF TYPE OF USE**

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

## PROPERTY DETAILS AS AT 31.12.2016

## OVERVIEW OF TYPE OF USE

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

**PROPERTY DETAILS AS AT 31.12.2016**
**OVERVIEW OF TYPE OF USE**

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

## PROPERTY DETAILS AS AT 31.12.2016

## OVERVIEW OF TYPE OF USE

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

**PROPERTY DETAILS AS AT 31.12.2016**
**OVERVIEW OF TYPE OF USE**

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

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



## PROPERTY DETAILS AS AT 31.12.2016

## OVERVIEW OF TYPE OF USE

City, address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
<b>COMMERCIAL PROPERTIES WITHOUT SIGNIFICANT RESIDENTIAL SPACE</b>														
Zurich, Flurstrasse 55/ Medienpark <sup>2</sup>	145 330	2 577	90.6	sole ownership	1979	2013– 2015	8 270	24 244	1.7	73.9	2.2	–	22.0	0.2
Zurich, Flurstrasse 89	7 697	470	–0.1	sole ownership	1949	2003	2 330	3 331	–	12.0	–	–	11.3	76.7
Zurich, Fraumünsterstrasse 16	142 500	5 075	13.2	sole ownership	1901	1990	2 475	7 927	16.6	73.0	–	–	10.4	–
Zurich, Hagenholzstrasse 60/ SkyKey	298 130	11 149	–	sole ownership	2014		9 573	41 253	0.3	85.7	9.8	–	4.2	–
Zurich, Hardstrasse 201/ Prime Tower	597 680	20 632	–	sole ownership	2011		10 416	48 142	0.7	87.3	5.5	–	6.4	0.1
Zurich, Hardstrasse 219/ Eventblock Maag	15 500	1 049	7.4	sole ownership	1929– 1978		8 002	6 958	–	21.6	–	–	16.3	62.1
Zurich, Josefstrasse 53, 59	83 290	3 960	2.0	sole ownership	1962/ 1972	2001	2 931	12 114	8.9	75.0	1.4	–	14.7	–
Zurich, Jupiterstrasse 15/ Böcklinstrasse 19	23 450	932	–	sole ownership	1900/ 1995	1996	1 630	1 829	–	–	–	100.0	–	–
Zurich, Kappenbühlweg 9, 11/ Holbrigstrasse 10/ Regensdorferstrasse 18a	68 450	2 991	–	sole ownership	1991		9 557	14 790	–	–	–	100.0	–	–
Zurich, Maagplatz 1/Platform	176 040	6 973	–	sole ownership	2011		5 942	20 319	–	91.1	–	–	4.8	4.1
Zurich, Manessestrasse 85	53 370	2 471	39.4	sole ownership	1985	2012	3 284	8 278	4.5	66.7	–	–	25.8	3.0
Zurich, Ohmstrasse 11, 11a	35 490	2 215	–	sole ownership	1927	2007	1 970	6 138	53.7	23.0	2.2	–	16.2	4.9
Zurich, Restelbergstrasse 108	9 760	351	–	sole ownership	1936	1997	1 469	672	–	–	–	100.0	–	–
Zurich, Schaffhauserstrasse 339	8 657	463	7.8	sole ownership	1957	1997	307	1 726	12.7	69.3	–	–	18.0	–
Zurich, Seidengasse 1/ Jelmoli – The House of Brands	814 270	28 983	–	sole ownership	1898	2010	6 514	36 771	64.6	3.7	13.3	–	12.8	5.6
Zurich, Siewerdtrasse 8	20 530	1 206	–	sole ownership	1981		1 114	3 688	–	91.1	–	–	8.9	–
Zurich, Sihlcity	195 580	10 842	1.3	242/1000 co-ownership	2007		10 162	23 634	42.3	24.7	18.9	–	7.7	6.4
Zurich, Sihlstrasse 24/ St. Annagasse 16	39 350	1 908	–	sole ownership	1885	2007	1 155	2 855	3.9	68.8	13.7	–	6.5	7.1
Zurich, Stadelhoferstrasse 18	28 290	1 097	–	sole ownership	1983	2004	1 046	1 914	19.5	49.0	11.9	–	19.0	0.6
Zurich, Stadelhoferstrasse 22	36 170	1 600	0.8	sole ownership partial land lease	1983	2004	1 024	3 067	11.6	50.9	4.6	–	30.7	2.2
Zurich, Steinmühleplatz 1/ St. Annagasse 18/Sihlstrasse 20	100 630	3 920	0.2	sole ownership	1957	1999	1 534	6 205	10.9	64.9	2.1	–	19.1	3.0
Zurich, Steinmühleplatz/ Jelmoli parking	40 820	3 280	0.5	sole ownership with concession	1972	2009	1 970	84	86.9	13.1	–	–	–	–
Zurich, Talacker 21, 23	77 870	2 980	–	sole ownership	1965	2008	1 720	4 904	9.6	64.2	–	–	26.2	–
<b>Total I</b>	<b>9 479 718</b>	<b>429 444</b>	<b>6.0</b>				<b>1 031 171</b>	<b>1 473 039</b>	<b>21.9</b>	<b>41.3</b>	<b>5.4</b>	<b>8.3</b>	<b>16.7</b>	<b>6.4</b>

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

**PROPERTY DETAILS AS AT 31.12.2016**

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

**OVERVIEW OF TYPE OF USE**

Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
1 616	-	47.7	11.6	-	3.8	36.9
3 472	38.4	24.3	-	-	3.6	33.7
2 682	10.8	45.2	-	-	0.6	43.4
617	31.6	17.7	-	-	24.1	26.6
11 662	56.1	0.4	3.5	-	8.2	31.8
5 871	39.1	27.1	-	-	6.1	27.7
563	13.3	-	-	-	-	86.7
1 721	-	36.1	-	-	7.8	56.1
<b>28 204</b>	<b>38.0</b>	<b>18.4</b>	<b>2.1</b>	<b>-</b>	<b>6.4</b>	<b>35.1</b>

**BUILDING LAND**

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

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

## PROPERTY DETAILS AS AT 31.12.2016

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

## OVERVIEW OF TYPE OF USE

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

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

<b>1 501 243</b>	<b>22.2</b>	<b>40.9</b>	<b>5.3</b>	<b>8.1</b>	<b>16.5</b>	<b>7.0</b>
------------------	-------------	-------------	------------	------------	-------------	------------

<sup>3</sup> Reclassified from building land to properties under construction due to new construction

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



Paper: Refutura 100% recycled, the blue angel and FSC® certified, CO<sub>2</sub> neutral



Headquarters

---

Swiss Prime Site AG  
Frohburgstrasse 1  
CH-4601 Olten

Zurich Office

---

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

Geneva Office

---

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

Phone +41 58 317 17 17 | [info@sps.swiss](mailto:info@sps.swiss) | [www.sps.swiss](http://www.sps.swiss)