



**SWISS PRIME SITE**

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# **FINANCIAL REPORT**

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**2017**

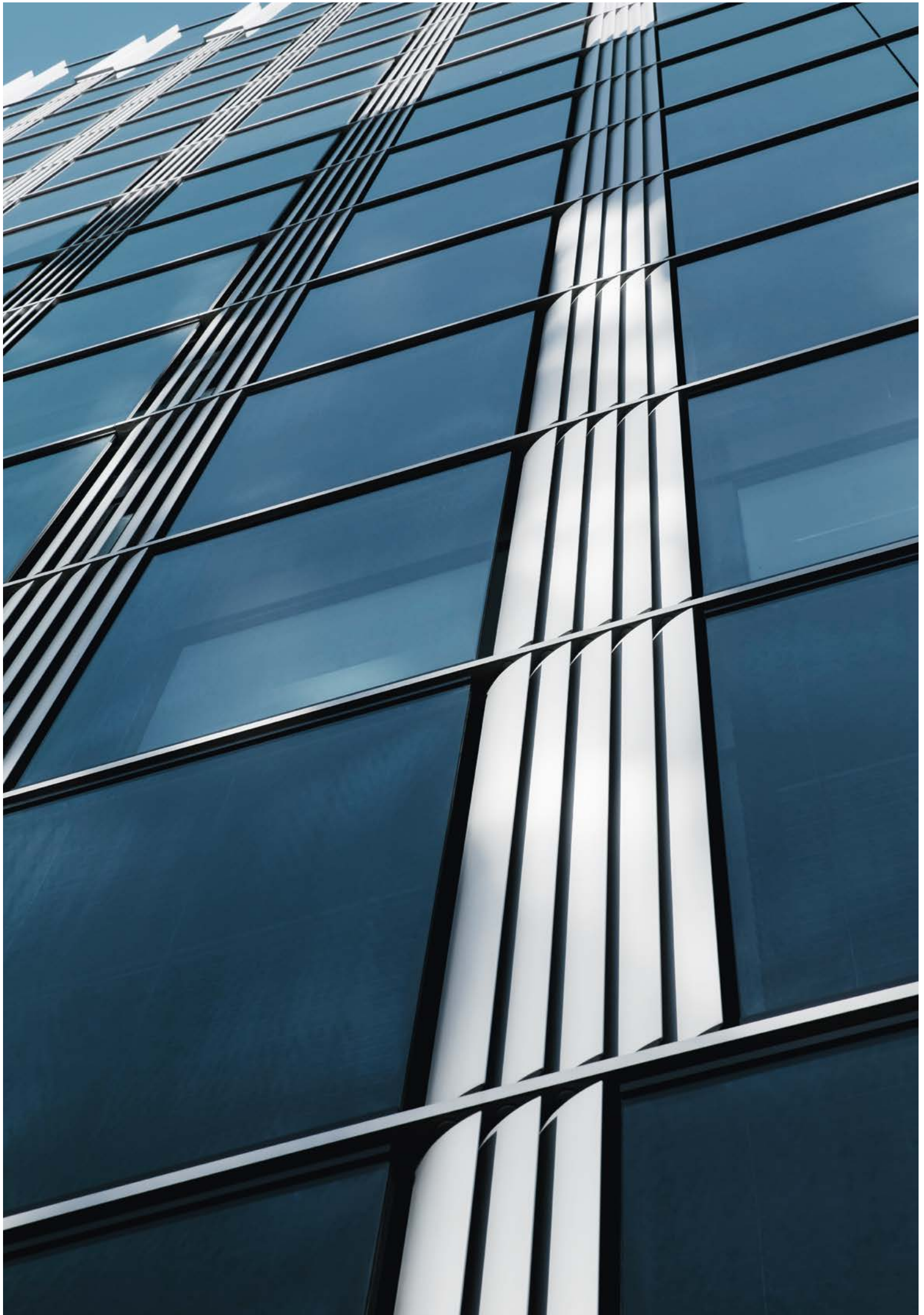


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# FINANCIAL REPORT

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



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**SUMMARY  
OF GROUP  
KEY FIGURES**

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# Summary of group key figures

Key financial figures	in	31.12.2016	31.12.2017	Change in %
Rental income from properties	CHF m	453.0	469.9	3.7
Income from real estate developments	CHF m	–	51.7	n/a
Income from real estate services <sup>1</sup>	CHF m	115.6	120.0	3.9
Income from retail	CHF m	133.6	136.2	1.9
Income from assisted living <sup>2</sup>	CHF m	328.2	359.9	9.7
Income from asset management	CHF m	13.2	9.9	–25.2
Total operating income	CHF m	1 049.5	1 154.8	10.0
Revaluation of investment properties, net	CHF m	69.3	65.9	–5.0
Result from investment property sales, net	CHF m	24.9	0.3	–98.9
Operating result before depreciation and amortisation (EBITDA)	CHF m	483.4	487.1	0.8
Operating result (EBIT)	CHF m	459.4	470.6	2.4
Profit	CHF m	311.1	305.5	–1.8
Cash flow from operating activities	CHF m	277.7	458.1	65.0
Shareholders' equity	CHF m	4 746.3	4 777.5	0.7
Equity ratio	%	45.0	43.1	–4.2
Borrowed capital	CHF m	5 811.7	6 317.6	8.7
Return on equity (ROE)	%	6.6	6.4	–3.0
Return on invested capital (ROIC)	%	3.8	3.5	–7.9
<b>Financial figures excluding revaluations and deferred taxes</b>				
Operating result before depreciation and amortisation (EBITDA)	CHF m	414.0	421.2	1.7
Operating result (EBIT)	CHF m	390.1	404.8	3.8
Profit	CHF m	275.6	307.4	11.5
Return on equity (ROE)	%	5.9	6.4	8.5
Return on invested capital (ROIC)	%	3.5	3.6	2.9
<b>Real estate portfolio</b>				
Fair value of real estate portfolio	CHF m	10 092.1	10 633.1	5.4
of which projects/development properties	CHF m	307.3	412.9	34.3
Number of properties	number	184	188	2.2
Rental floor space	m <sup>2</sup>	1 501 243	1 575 102	4.9
Vacancy rate	%	6.1	5.2	–14.8
Average discount rate	%	3.47	3.35	–3.5
<b>Employees</b>				
Number of employees as at balance sheet date	persons	5 621	5 910	5.1
Full-time equivalents as at balance sheet date	FTE	4 558	4 868	6.8

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

<sup>2</sup> acquisition of BOAS Senior Care as at 29.02.2016

Preparation of the consolidated financial statements has been carried out in accordance with Swiss GAAP FER since the beginning of 2017. The previous year's figures were adjusted accordingly (restatement).



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**ANNUAL REPORT  
FOR THE  
FINANCIAL YEAR  
2017**

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# Annual Report for the financial year 2017

Swiss Prime Site closed out the financial year 2017 with favourable results. Operating income reached a new record high of CHF 1 154.8 million, climbing by 10.0% versus the figure of 2016. The Real Estate segment (core business) (+14.6%) as well as the real estate-related group companies (+7.2%) contributed to the performance. The value of the real estate portfolio increased to CHF 10.6 billion [CHF 10.1 billion] as at the balance sheet date. The net yield on the real estate portfolio amounted to 3.7% [3.7%]. The vacancy rate declined to a level of 5.2% [6.1%], thus improving by roughly one percentage point. Overall, Swiss Prime Site realised profit of CHF 305.5 million [CHF 311.1 million] or CHF 307.4 million [CHF 275.6 million] excluding revaluations and deferred taxes. Earnings per share (EPS) excluding revaluations and deferred taxes amounted to CHF 4.30 [CHF 3.91].

Swiss Prime Site reported its results according to Swiss GAAP FER accounting standards for the first time in 2017 (IFRS to 31 December 2016). The previous year's results were adjusted (i.e. restated) according to the new standards. The changeover was carried out in line with the accounting principles applied to date according to IFRS. The degree of transparency in the disclosure was maintained for the most part. The most significant differences in the balance sheet are reclassification of owner-occupied properties to investment properties, offsetting goodwill from acquisitions against shareholders' equity, and elimination of net defined benefit obligations from the application to date of IAS 19 «Employee benefits». The switch in accounting standards resulted in a reduction in shareholders' equity amounting to CHF 430.3 million. The equity ratio as at 31 December 2016 consequently edged down slightly from 46.6% to 45.0%. The income statement is particularly affected by the elimination of amortisation on the customer base from acquisitions, other accounting standards applicable to pension plans and the new standard stipulating that all value changes to properties are to be fully recorded in the results of the relevant reporting period. With the changeover to Swiss GAAP FER, Swiss Prime Site also newly defined the group's segment structure and consequently adjusted its segment reporting. Swiss Prime Site now comprises the two segments Real Estate (core business) and Services (real estate-related group companies).

Swiss Prime Site's core Real Estate business once again turned in a positive performance in the financial year 2017. Amid a competitive overall market, Swiss Prime Site Immobilien invested in significant development and new building projects as well as initiated future-oriented conversions of existing properties. Key new leasing activities or contract renewals exhibited a favourable trend amounting to floor space of roughly 200 000 square metres (12% of the portfolio), most of which were carried out at the same or better conditions. These activities resulted in a reduction in vacancies by 15% or 25 000 square metres. The pro rata proceeds from the partial divestment of the «Espace Tourbillon» project in Geneva were booked according to the percentage of completion (POC) method in the second half-year 2017. With the acquisition of the three buildings in Winterthur situated in close proximity to the «Roter Turm» investment property, Swiss Prime Site now owns the entire real estate site. The respective construction phases were initiated for important projects such as «YOND» in Zurich, «Stücki Park» in Basel, «Schönburg» in Berne and «Espace Tourbillon» in Geneva. Reorganisation within the core Real Estate business enhanced the market profile significantly and stepped-up the focus on customers.

The real estate-related group companies Wincasa, Jelmoli – The House of Brands, Tertianum and Swiss Prime Site Solutions that together form the Services segment also succeeded in turning in an impressive performance in the past financial year 2017. Wincasa implemented new services individually tailored to its clients. Jelmoli enhanced the attractiveness of its retail assortment. Tertianum harmonised its market presence and further expanded its network of locations according to plan. All these initiatives paved the way for better results at the top as well as bottom line.

## Operating income

in CHF m	01.01.– 31.12.2016	01.01.– 31.12.2017	Change in %
<b>Real Estate segment</b>	<b>417.4</b>	<b>478.4</b>	<b>14.6</b>
Rental income from properties	416.0	424.4	2.0
Income from real estate developments	–	51.7	n/a
Other operating income	1.5	2.3	53.3
<b>Services segment</b>	<b>704.2</b>	<b>754.6</b>	<b>7.2</b>
Rental income from properties	91.1	100.7	10.5
Income from real estate services	133.0	142.2	6.9
Income from retail	133.6	136.2	1.9
Income from assisted living	328.2	360.1	9.7
Income from asset management	13.2	9.9	–25.2
Other operating income	5.1	5.6	11.0
<b>Eliminations</b>	<b>–72.1</b>	<b>–78.2</b>	<b>8.4</b>
<b>Total group</b>	<b>1 049.5</b>	<b>1 154.8</b>	<b>10.0</b>

Swiss Prime Site reported a 10.0% increase in operating income to CHF 1 154.8 million in 2017. The core Real Estate business as well as the real estate-related group companies that comprise the Services segment contributed to the positive performance.

The core Real Estate business continued to boost growth and pick up momentum in 2017. The Real Estate segment realised operating income of CHF 478.4 million (+14.6%). New leasing activities and contract renewals, acquisitions in the reporting period as well as prior year and successful vacancy management contributed to this earnings growth. The portfolio comprising a total of 188 properties (+4 versus the level at end-2016) showed a value of CHF 10.6 billion on the balance sheet date and realised an attractive net yield relative to the market of 3.7%. At 5.2%, the key vacancy rate was noticeably reduced versus the previous year's level [6.1%].

Income from the real estate-related group companies in the Services segment also increased year-on-year. With operating income of CHF 754.6 million, the segment achieved significant growth of 7.2% versus the previous year's mark. Leading real estate services provider Wincasa realised growth of 6.9% to CHF 142.2 million. The introduction of various new services paved the way for Wincasa to more solidly establish its position as an innovative leader in the sector in 2017. The company launched its new «Mixed-Use Site Management» service in 2017. Significant market demand looms for managing and marketing mixed-use property sites. Wincasa posted renewed growth in assets under management, achieving a new record-high level of CHF 66 billion. Jelmoli – The House of Brands was able to achieve growth in 2017 – despite fewer shopping days versus the previous year – realising revenues of CHF 136.2 million (+1.9%). Investments in the retail assortment such as men's fashion, new sales formats and in the building are exhibiting the desired positive effects. Continuation of the online strategy has picked up momentum and will provide impetus in 2018 and beyond. Tests with delivery robots and Click&Collect services resonated favourably with clients. Tertianum succeeded in taking significant steps in the promising assisted living business field on the path toward further establishing its market position as the largest private provider in this sector. Tertianum achieved the intended expansion of its network of residences and geriatric care centres according to plan, which accordingly was also reflected in the income it realised in 2017, climbing to CHF 360.1 million (+9.7%). Execution of the harmonised branding strategy for the 76 operating businesses located throughout Switzerland was successfully concluded. Swiss Prime Site Solutions realised operating income of CHF 9.9 million [CHF 13.2 million]. The real estate assets of Swiss Prime Investment Foundation managed by Swiss Prime Site Solutions increased to roughly CHF 1.4 billion in 2017.

## Operating result (EBIT)

in CHF m	01.01.– 31.12.2016	01.01.– 31.12.2017	Change in %
Real Estate segment	420.8	422.0	0.3
Services segment	38.7	48.6	25.7
<b>Total group</b>	<b>459.4</b>	<b>470.6</b>	<b>2.4</b>

Swiss Prime Site Group reported an operating result (EBIT) amounting to CHF 470.6 million [CHF 459.4 million] in 2017. The core Real Estate business as well as Services segment contributed to the favourable results. The performance at the operating level in addition to the partial divestment of the «Espace Tourbillon» project provided a significant contribution to earnings in the Real Estate segment.

With an operating result (EBIT) of CHF 422.0 million [CHF 420.8 million], the core Real Estate segment still remains Swiss Prime Site's most significant earnings driver. The EBIT figure includes revaluation gains of CHF 65.9 million [CHF 69.6 million]. The rising value of the real estate portfolio once again demonstrates that Swiss Prime Site is pursuing the right strategy, aimed at focusing exclusively on first-class properties and sites. The positive trend in revaluations was attributable primarily to properties under construction and development sites as well as to rental agreements that were renewed early and for long-term durations. Rental income improved significantly in some cases. Particularly noteworthy is the fact that newly concluded rental agreements primarily focused on retail floor space situated in central locations. The weighted average real discount rate of 3.35% decreased by 12 basis points versus the rate at end-2016. The pro rata pre-tax profit booked according to the percentage of completion (POC) method resulting from the partial divestment of the «Espace Tourbillon» project amounted to CHF 27.5 million (result from investment property sales in 2016: CHF 24.9 million). The increase in operating expenses in the Real Estate segment of CHF 124.6 million [CHF 99.8 million] was attributable to the aforementioned divestment of real estate developments.

The Services segment posted a significant increase in EBIT, generating a total of CHF 48.6 million (+25.7%). Within the Services segment, Tertanium in particular exhibited a favourable trend, as anticipated. Expansion of the network and integration of the acquired locations showed the intended economies of scale. The favourable and stable results reported by real estate services provider Win-casa were attributable to rising revenues as well as investments in the workforce and improvements in efficiency by means of more streamlined and digitalised processes. Jelmoli – The House of Brands reaped rewards from consistently positive customer reactions to its new retail assortment, closing 2017 with a significantly better performance versus the previous year. The increase in operating expenses in the Services segment of CHF 705.7 million [CHF 665.3 million] was attributable primarily to rising personnel costs relating to the BOAS Senior Care acquisition carried out in the previous year.

Swiss Prime Site Group employed a workforce totalling 5910 persons [5621] on the balance sheet date.

## Profit

The financial result improved by 6.5% in 2017 versus the previous year's figure. Financial expenses declined to CHF 77.8 million [CHF 86.0 million] as result of the persistent execution of the prudent financing strategy. Swiss Prime Site forecasts a renewed improvement in the cost of borrowed capital due to further refinancing activities in 2017 and beyond. Profit amounted to CHF 305.5 million [CHF 311.1 million] or CHF 307.4 million [CHF 275.6 million] excluding revaluations and deferred taxes. Earnings per share (EPS) excluding revaluations and deferred taxes rose to CHF 4.30 [CHF 3.91], thus forming a solid foundation for an attractive dividend distribution.

in CHF m	01.01.– 31.12.2016	01.01.– 31.12.2017	Change in %
Operating result (EBIT)	459.4	470.6	2.4
Financial expenses	–86.0	–77.8	–9.4
Financial income	4.9	2.0	–58.4
Income tax expenses	–67.2	–89.3	32.9
Profit	311.1	305.5	–1.8
Profit excluding revaluations and deferred taxes	275.6	307.4	11.5

## Balance sheet figures

Swiss Prime Site Group issued a nine-year bond amounting to CHF 250.0 million with a coupon of 0.825% in May 2017. The launch enabled the Company to successfully continue pursuing its long-term strategy aimed at extending the term to maturity of financial liabilities as well as benefiting from the current attractive market situation. The weighted average residual term to maturity of interest-bearing financial liabilities increased as a result to 4.7 [4.5] years. The weighted average interest rate on financial liabilities declined to 1.5% [1.8%] in 2017. Swiss Prime Site realised a better interest rate spread of 2.2% [1.9%] relative to the realised net yield of 3.7% on the real estate portfolio.

	in	31.12.2016	31.12.2017	Change in %
Equity ratio	%	45.0	43.1	–4.2
Return on equity (ROE)	%	6.6	6.4	–3.0
Net property yield	%	3.7	3.7	–
Weighted average interest rate on financial liabilities	%	1.8	1.5	–16.7
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.5	4.7	4.4
Loan-to-value ratio of property portfolio (LTV)	%	44.4	45.6	2.7
NAV before deferred taxes per share <sup>1</sup>	CHF	81.32	82.87	1.9
NAV after deferred taxes per share <sup>1</sup>	CHF	66.41	66.85	0.7

<sup>1</sup> Services segment (real estate-related business fields) included at book values only

Swiss Prime Site Group's financial strength is solid. The equity ratio amounted to 43.1% as at year-end 2017, thus hovering in the forecast target corridor of roughly 45.0%. The loan-to-value (LTV) ratio of the real estate portfolio remained nearly unchanged at 45.6%. NAV after deferred taxes climbed to CHF 66.85 per share [CHF 66.41], exceeding the previous year's mark by 0.7%. The return on equity (ROE) amounted to 6.4% [6.6%] and is therefore also hovering in the desired long-term target range.

## Outlook

Swiss Prime Site successfully closed out the financial year 2017. The course has been set for a prevailing positive performance. The targets set for the financial year 2018 include boosting operating income and EBIT before revaluations. Successful leasing activities and a renewed reduction in the vacancy rate will lead to a significant surge in rental income. Income from real estate development will once again provide a significant contribution to EBIT. Swiss Prime Site anticipates a further boost in income from the real estate-related services business. And finally, further growth of the real estate portfolio and a well-filled development project pipeline valued at CHF 2.1 billion will pave the way for a stable and attractive distribution to the shareholders.





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**VALUATION  
EXPERT'S  
REPORT**

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# Valuation Expert's Report, Wüest Partner AG, Zurich

The properties of Swiss Prime Site Immobilien AG are valued by Wüest Partner AG on a half-yearly basis at their fair values. The present valuation is valid as at 31 December 2017.

## Valuation standards and principles

The fair values determined as at the balance sheet date 31 December 2017 coincide with the fair values as they are outlined in Swiss GAAP FER 18 sec. 14. 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 current value. The fair value is therefore not adjusted for the transaction costs incurred by the purchaser at the time of sale (gross fair value). No liabilities on the part of Swiss Prime Site Immobilien AG regarding potential taxes (with the exception of ordinary property taxes) and financing costs are taken into account either, 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 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 capital expenditures that improve or enhance the value of a property are accordingly taken into account in the fair value measurement.

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.

Determining the value of Swiss Prime Site Immobilien AG's real estate portfolio is carried out with a model-based valuation based on input parameters that are not directly observable on the market, whereby adapted, observable input parameters may be applied here as well (for example, 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, according to Swiss GAAP FER 18. Any profit is taken into account on a pro rata basis, insofar as its realisation can be determined with sufficient certainty.

Properties under construction that are designated for future divestment (for example condominiums) are recognised in the balance sheet at the lower of cost or investment costs and net realisable value, according to Swiss GAAP FER 17. Consequently, current activities and investment costs are recognised and the subsequent valuation carried out at the lower value.

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, Swiss GAAP FER 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 national and 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.

## Trend in the real estate portfolio

In the reporting period from 1 January to 31 December 2017, five properties were acquired and one property and two sections of a project were divested. Of the five acquired properties, one was combined with an existing property. In addition, one existing property was divided.

Swiss Prime Site Immobilien AG's overall real estate portfolio therefore changed on a net basis by plus four properties and now comprises a total of 188 properties. In detail, one existing property (Parking Centro in Locarno) – with a fair value of CHF 13.0 million as at 31 December 2016 – and two sections of the Chemin des Aulx «Espace Tourbillon» project in Plan-les-Quates were divested in the reporting period. Five acquisitions were carried out in the reporting period, including two existing properties: Vergers de la Gottaz 1 «Residence de la Gottaz» in Morges and Theaterstrasse 15a-c «Mäander» in Winterthur – which was combined with the «Roter Turm» existing property at Theaterstrasse 17 – into one property, as well as three project properties including Esplanade de Pont-Rouge 5, 7, 9 in Lancy, Riva Paradiso «Du Lac» in Paradiso and Gartenstrasse 7-15 in Richterswil) with aggregate fair values of CHF 299.17 million as at 31 December 2017.

The existing property located at Albisriederstrasse 203 in Zurich was divided between an existing property and a project property as at 30 June 2017.

The overall portfolio comprises 169 existing investment properties, 9 plots of building land and 10 development sites (Hochbergerstrasse 60 «Stücki Park» in Basel, Viktoriastrasse 21, 21a, 21b in Berne, Esplanade de Pont-Rouge 5, 7, 9 in Lancy, Chemin de Riantbosson,

Avenue de Mategnin in Meyrin, Route de Pré-Bois 14 in Meyrin, Riva Paradiso «Du Lac» in Paradiso, Chemin des Aulx in Plan-les-Ouates, Gartenstrasse 7-15 «Gartenstrasse» in Richterswil, Zürcherstrasse 39 in Schlieren and Albisriederstrasse/Rütiwiesweg «YOND» in Zurich).

Ten development properties are currently in the construction phase:

- At Hochbergerstrasse 60 in Basel, the already existing office and laboratory space of the «Stückli Park» property situated at the same location will be expanded by roughly 27000 square metres in two phases starting from 2018 to 2023.
- The property at Viktoriastrasse 21, 21a, 21b in Berne consists of a conversion project with total renovations as well as a new building project with townhouses. This future residential and hotel complex should be completed by 2019.
- Construction of a commercial building is planned at Esplanade de Pont-Rouge 5, 7, 9 in Lancy for 2023, within a development project with four construction sites.
- The property located at Chemin de Riantbosson, Avenue de Mategnin in Meyrin comprises a commercial property including restaurant rental floor space. The new building will probably be completed as at mid-April 2018.
- The property at Route de Pré-Bois 14 in Meyrin comprises a commercial building with developed office floor space. The property is under construction and should be completed by the beginning of 2018.
- For the property at Riva Paradiso, a new replacement building is envisaged on the lake shore. This future residential and geriatric care residence should be completed by 2021.
- 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. Sections C & D of the property were sold, so sections A, B and E now remain in the portfolio.
- The property at Gartenstrasse 7-15 in Richterswil comprises a project with senior-oriented residential housing use that also includes a geriatric care centre and senior apartments. This property will most likely be constructed by 2020.
- The property at Zürcherstrasse 39 in Schlieren had housed the former NZZ printing facility, which will be converted and completed probably by 2019.
- The property located at Albisriederstrasse/Rütiwiesweg in Zurich comprises a commercial building with modular intermediate floors that provide the space with a flexible design. «GRID» should be completed in spring 2019.

The former development properties at Brandschenkestrasse 25 as well as Etzelstrasse 14, both located in Zurich, were completed by the end of 2017 and are now classified as existing properties.

## Valuation results as at 31 December 2017

As at 31 December 2017, the fair value of Swiss Prime Site Immobilien AG's overall real estate portfolio (total 188 properties) amounted to CHF 10633.05 million. The fair value of the portfolio therefore increased by CHF 540.95 million or 5.4% compared with the level at 31 December 2016. Details regarding the trend in value are depicted in the following table.

## Changes in the real estate portfolio

in CHF m

<b>Fair value as at 31.12.2016</b>		<b>10 092.10</b>
+ changes in value of existing properties		124.56
+ acquisitions of existing properties		159.76
Morges, Vergers de la Gottaz 1	23.87	
Winterthur, Theaterstrasse 15a-c	135.89	
+ acquisition of projects		139.41
Lancy, Esplanade 5, 7, 9	108.42	
Paradiso, Riva Paradiso	19.57	
Richterswil, Gartenstrasse 7–15	11.42	
– minus divestments		– 13.00
Locarno, Parking Centro	– 13.00	
+ changes in value of building land		0.41
+ changes in value of projects		129.81
Basel, Hochbergerstrasse 60	10.45	
Berne, Viktoriastrasse 21, 21a, 21b	16.63	
Meyrin, Chemin de Riantbosson, Avenue de Mategnin	20.65	
Meyrin, Route de Pré-Bois 14	10.71	
Plan-les-Ouates, Chemin des Aulx	30.40	
Schlieren, Zürcherstrasse 39	1.49	
Zurich, Albisriederstrasse/Rütiwiesweg	39.48	
<b>Fair value as at 31.12.2017</b>		<b>10 633.05</b>

The change in value in existing properties amounted to +1.26% compared with the level at 1 January 2017. Of the 168 existing properties – excluding acquisitions (1), acquired building land (0), acquired project (3), plots of building land (9) and properties under construction (7) totalling 20 properties – 109 properties were valued higher, 1 property was valued the same and 58 properties were valued lower than as at 1 January 2017.

The positive performance turned in by Swiss Prime Site's 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 and/or durations, 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.

## Economic outlook

Forecasts for 2018 point to growth in real economic output of roughly 2%. In the wake of economic growth that fell short of expectations in the first two quarters of 2017, the second half-year saw an acceleration in growth. In fact, real gross domestic product (GDP) increased by 0.6% in the third quarter of 2017 versus the previous quarter. The brighter economic prospects are attributable to relatively high order backlog levels of companies in the manufacturing sector, among other factors. This tendentially export-oriented sector can rely on solidifying economies in the key consumer markets.

Against this backdrop, many companies are deciding to increasingly carry out investments again. Hence, on the one hand, modifications and redevelopments of existing properties are forging ahead, while on the other, expansion of the workforce is planned. The number of job vacancies increased by 7.5% year-on-year in the third quarter of 2017, with the expected expansion in the employment level underpinned across a broad front. Accordingly, the seasonally adjusted unemployment rate has continuously declined. In 2018, just 3.1% of the labour force should be registered as unemployed persons at a Regional Employment Placement Office.

The high level of job security underpins private consumption, which should increase by 1.0% to 1.5% in 2018. The fact that private consumption cannot grow any stronger is due to diminishing demographic growth, which is currently flattening out following respective growth rates of minimum 1.0% per annum in the past ten years. These were high growth rates by international as well as historical comparison. Such growth rates are unlikely to have been achieved again in 2017, which is traceable to the fact that immigration levels have noticeably dropped since the labour market situation in Europe has improved relative to that in Switzerland. Net migration of the permanent resident foreign population amounted to 44 600 persons in the months of January to October 2017, declining by 7 600 persons versus the comparable previous year's period and by 18 200 persons versus the same period in 2015.

Inflation is currently hovering in the low-single-digit positive percentages, after a period of absence of a decade. The Swiss Consumer Price Index climbed higher by 0.8% in November 2017 versus the comparable previous year's month. For 2018, the Swiss National Bank (SNB) estimates an inflation rate of 0.7%, according to its conditional inflation forecast of 14 December 2017.

The euro appreciated in value versus the Swiss franc in summer 2017. The euro was trading mostly at less than CHF 1.10 versus the Swiss franc in recent years, while the exchange rate hovered at EUR/CHF 1.16 in mid-December. As a consequence of the change in exchange rate, the SNB described the Swiss franc as «still» overvalued, while the central bank had always assessed the Swiss currency as overvalued since the abolition of the minimum EUR/CHF exchange rate. However, the SNB's benchmark interest rate remains unchanged at -0.75%. The SNB's persistently negative interest rates are attributable to the prevailing very expansionary monetary policy pursued by the European Central Bank (ECB). Since the ECB aims to reduce its government bond purchasing programme in 2018 but nonetheless proceed further, investors anticipate persistently low interest rates for Continental Europe in the medium term as well. Government bond yields have been hovering at historically low levels already for some time, while Swiss ten-year government bond yields dipped into negative territory at -0.2% in mid-December. Amid this low interest rate environment, institutional investors continue to noticeably favour real estate investments.

The persistently low interest rates are also spurring on equity investments. The Swiss Performance Index (SPI) gained ground by 17.8% in the period between 3 January and 30 November 2017. In the same period, the average total return for stocks of listed real estate companies amounted to 4.8%, while the total return for real estate funds was slightly negative at -0.1%.

### **Construction market**

New construction investment in commercial properties (i.e. office, retail, restaurant and hotel floor space) declined continuously between the years 2012 and 2016. The office property segment saw a reduction in investment activity due, among other things, primarily to rising overcapacity. Nevertheless, the situation looks different in the interim. Construction of commercial properties is expanding again. Wüest Partner estimates growth in new construction investment of 2.1% in 2017, and forecasts point to growth of even 4% for the next year. Moreover, permits for the volume of building modifications are exhibiting new momentum.

The following four factors are contributing to the expansion of commercial property construction: First, low interest rates are providing a significant contribution to the stepped-up growth in new construction activity. Second, many owners are noticing some positive signs in the office property market. Third, the mostly positive business reports open a window of financial opportunity for companies to invest in their commercial properties. And fourth, the marketing activities for newly constructed office properties are more successful than those for older properties, as shown by the shorter advertising durations for new floor space. The better marketing opportunities for new floor space provide an incentive to invest in new office properties, although some – mostly older office properties – stand vacant.



In the residential property segment, new building production currently exceeds growth in additional households. Roughly 50 000 additional residential housing units will likely be added to the market in Switzerland in 2018. Hence, the number of vacant residential housing units could probably increase by around 10 000 units in the years 2017 and 2018, respectively.

### Office property market

The outlook for growth in real gross domestic product of 2% as well as acceleration in growth in employment levels in 2018 boost expectations for future demand for office properties. The Swiss Office property market basically paints a stable picture, which is evidenced by the recent trends in rent prices, among other factors. In the wake of the decline in rent prices for office properties by 6.5% – based on concluded contracts – between end-2012 and mid-2016, rents have stabilised again since that time. In addition, inflation rates are moving in positive territory again.

Overall, however, expectations indicate that the supply overhang of office property cannot be reduced through the additional demand impetus. Companies continue to enjoy a wide range of existing office properties from which to choose. Robust construction activities in the years 2011 to 2014 led to an oversupply and rising vacancy rates. Properties situated in unfavourable locations as well as older properties – because they often do not meet current requirements – exhibit disproportionately high vacancy rates. 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. For 2018, Wüest Partner forecasts a slight dip of 0.3% in advertised rent prices for office properties.

### Retail property market

Retail property owners continue to face challenges particularly because the online trade is still forging ahead. Shopping tourism still continues to play a role, but has lost momentum since summer 2017 because the Swiss franc has depreciated in value versus the euro. Wüest Partner's estimates indicate that retail floor-space turnover per square metre declined by a sales-weighted average of more than 10.0% between 2010 and 2016. The non-food sector in particular is consequently affected. For example, the multimedia and software sector had to cope with a decline in floor-space turnover of estimated 6.0% in 2016. In the sports and clothing sector, the relevant drop in floor-space turnover is estimated at roughly 5.0%. With the decline in retail sales figures, the capacity for spending on the part of retailers for rental properties decreases as well, which in turn affects the rental income potential for retail floor space and heightens the vacancy risks.

The amount of advertised retail floor space is hovering at a record high level. While roughly 400 000 square metres of retail floor space were advertised on a quarterly basis in the years 2007 to 2009, the amount of advertised floor space reached the 636 000 square-metre mark in the third quarter of 2017. The increase is attributable primarily to the trend in the agglomerations of major cities. Against the backdrop of the substantial supply of floor space and structural challenges, Wüest Partner forecasts a significant decline in market rents of 3.1% in 2018.

Demand requirements in the retail trade are changing. Contract durations are becoming shorter, and more flexible properties in particular are in demand that can adapt to the changing society. In terms of floor space, smaller properties have better marketing opportunities than large-scale properties and show lower insertion periods. An optimal mix of tenants as well as centralised location with high-pedestrian frequency continue to play a decisive role.

### Market for senior housing

Two primary characteristics of the market for senior housing are 1) that operating a geriatric care residence is a personnel-intensive business, and 2) the market can be regarded as a promising future market based on the expected growth. Indeed, the market for senior housing exhibits steady growth rates due to demographic ageing: i.e. based on the growing share of those persons in the population that are at least age 65. This share amounted to 18.1% in Switzerland in 2016.

According to employment statistics compiled by the Swiss Federal Statistical Office (SFSO), roughly 73 800 persons were employed in facilities in the healthcare industry in the third quarter of 2017 (on a full-time-equivalent basis). This corresponds to an increase of 2.2% year-on-year and growth of 41.2% compared with the level a decade ago.

Wüest Partner registered 1 559 senior housing and geriatric care facilities in 2015, of which 460 were private companies. The public sector operated nearly the same number of senior housing and geriatric care facilities, while the remainder were held by foundations and associations. These facilities provided 94 000 spaces for long-term residency and generated an average of CHF 4.7 million in revenues.

### **Hospitality**

The number of overnight stays in Swiss cities has increased by double-digit growth rates in the past ten years. These increases were attributable to business tourism, which exhibited more robust resilience toward exchange-rate fluctuations than holiday tourism. In the same period, traditional holiday destinations such as Grisons, Ticino and Valais registered double-digit-percentage declines in the number of overnight stays. Following some difficult years, tourism in Switzerland's Alpine region is seeing an upswing again. The favourable economic trend in many key markets of origin as well as the resulting pick-up in tourism-related spending are leading to a noticeable expansion in demand. Easing of the exchange-rate situation has a positive effect on tourism in Switzerland too. Growth in the number of foreign tourists in Switzerland currently exceeds the growth rate of Swiss tourists abroad.

The current upbeat momentum in the tourism industry is also manifested in the employment statistics. Roughly 64 400 persons were employed in the hospitality industry in the third quarter of 2017 (on a full-time-equivalent basis). This corresponds to an increase of 4.4% year-on-year, but a decrease of 8.6% versus the level of the comparable quarter ten years ago.

Convention tourism represents a particularly special segment in the hospitality industry, which accounted for 17.7% of overnight stays in 2015. The share of overnight stays in the convention tourism segment in the cities amounted to roughly one-third, while the mountain regions accounted for 5.0% of overnight stays (source: Meetings Report Switzerland, 2016). The Swiss hotel market is currently exhibiting stepped-up investment in construction activity. Accounting for 15.0% of all investments in the commercial property sector, the share of the hotel market is significantly higher than in previous years.

### **Investor market for commercial properties**

Returns on real estate investments are still hovering at attractive levels compared with those of other alternative investments from investors' perspective. Accordingly, investors' willingness to invest is still strong and expectations for returns are low. However, caution on the part of investors is increasingly noticeable regarding properties with some location deficiencies or higher vacancy risks. Because rent prices are also trending downward too, the transaction yields on commercial properties edged up slightly in 2017.

The lowest net initial returns on commercial properties were realised on transactions in Zurich City in the third quarter of 2017, which amounted to 2.3% and 2.4% for office and retail properties, respectively. Peak returns in Geneva amounted to 2.7% for retail property and 2.5% for office property.

Wüest Partner AG  
Zurich, 12 January 2018

Andreas Ammann  
Partner

Gino Fiorentin  
Partner

# Annex:

## Valuation assumptions

### Valuation assumptions as at 31 December 2017

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, 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.

In the valuation period or period under review (DCF method), 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) amounts to 3.35% in the current valuation. Assuming an inflation rate of 0.5%, this rate corresponds to a nominal discount rate of 3.87%. 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 2018, 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 with future utilisation as investment properties are valued at project fair values according to Swiss GAAP FER 18. In this context, 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 or as development risk. 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. Any profit is taken into account on a pro rata basis, insofar as its realisation can be determined with sufficient certainty.

Properties under construction that are designated for future divestment (e.g. condominiums) are recognised in the balance sheet at the lower of cost or investment costs and net realisable value according to Swiss GAAP FER 17: i.e. current activities and investment costs are recognised and the subsequent valuation carried out at the lower value.

## **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, 12 January 2018

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**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

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## Consolidated income statement

in CHF 1 000	Notes	01.01.– 31.12.2016	01.01.– 31.12.2017
Rental income from properties	5	452 971	469 858
Income from real estate developments	5	–	51 748
Income from real estate services	5	115 577	120 033
Income from retail	5	133 565	136 158
Income from assisted living	5	328 198	359 933
Income from asset management	5	13 199	9 878
Other operating income	5	5 959	7 188
<b>Operating income</b>		<b>1 049 469</b>	<b>1 154 796</b>
<b>Revaluation of investment properties, net</b>	<b>16</b>	<b>69 327</b>	<b>65 879</b>
<b>Result from investments in associates</b>		<b>8 631</b>	<b>2 039</b>
<b>Result from investment property sales, net</b>		<b>24 947</b>	<b>262</b>
<b>Result from sale of participations, net</b>		<b>–</b>	<b>–362</b>
Real estate costs	6	–130 752	–132 518
Cost of real estate developments		–	–24 266
Cost of goods sold		–100 746	–101 708
Personnel costs	7	–375 948	–415 788
Depreciation on tangible assets	17	–19 307	–13 781
Amortisation on intangible assets	17	–4 654	–2 695
Other operating expenses	8	–61 552	–61 228
<b>Operating expenses</b>		<b>–692 959</b>	<b>–751 984</b>
<b>Operating result (EBIT)</b>		<b>459 415</b>	<b>470 630</b>
Financial expenses	9	–85 958	–77 843
Financial income	9	4 863	2 021
<b>Profit before income taxes</b>		<b>378 320</b>	<b>394 808</b>
Income taxes	10	–67 190	–89 325
<b>Profit</b>		<b>311 130</b>	<b>305 483</b>
Attributable to shareholders of Swiss Prime Site AG		312 093	305 330
Attributable to non-controlling interests		–963	153
<b>Earnings per share (EPS), in CHF</b>	<b>24</b>	<b>4.41</b>	<b>4.27</b>
<b>Diluted earnings per share, in CHF</b>	<b>24</b>	<b>4.23</b>	<b>4.16</b>

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

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



## Consolidated balance sheet

in CHF 1 000	Notes	31.12.2016	31.12.2017
<b>Assets</b>			
Cash	11	160 326	159 148
Securities		479	483
Accounts receivable	12	93 946	81 927
Other current receivables		8 261	9 685
Inventories	13	28 463	31 013
Accrued income and prepaid expenses		35 450	36 802
Assets held for sale	15/16	13 000	15 224
<b>Total current assets</b>		<b>339 925</b>	<b>334 282</b>
Investment properties	16	10 079 100	10 617 826
Tangible assets	17	62 806	63 855
Investments in associates		53 976	53 976
Deferred income tax assets	10	11 902	9 169
Other financial investments		2 750	3 374
Intangible assets	17	7 567	12 602
<b>Total non-current assets</b>		<b>10 218 101</b>	<b>10 760 802</b>
<b>Total assets</b>		<b>10 558 026</b>	<b>11 095 084</b>
<b>Liabilities and shareholders' equity</b>			
Current financial liabilities	20	678 136	621 585
Accounts payable		15 088	17 938
Other current liabilities		126 975	154 889
Real estate developments	14	–	13 252
Accrued expenses and deferred income	19	120 401	135 659
<b>Total current liabilities</b>		<b>940 600</b>	<b>943 323</b>
Non-current financial liabilities	20	3 805 509	4 228 960
Deferred tax liabilities	21	1 065 637	1 145 331
<b>Total non-current liabilities</b>		<b>4 871 146</b>	<b>5 374 291</b>
<b>Total liabilities</b>		<b>5 811 746</b>	<b>6 317 614</b>
Share capital	23	1 093 627	1 093 627
Capital reserves	23	888 187	624 201
Treasury shares	23	– 109	– 3
Retained earnings	23	2 765 295	3 060 212
<b>Shareholders' equity attributable to shareholders of Swiss Prime Site AG</b>		<b>4 747 000</b>	<b>4 778 037</b>
Non-controlling interests	23	– 720	– 567
<b>Total shareholders' equity</b>		<b>4 746 280</b>	<b>4 777 470</b>
<b>Total liabilities and shareholders' equity</b>		<b>10 558 026</b>	<b>11 095 084</b>

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

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

## Consolidated cash flow statement

in CHF 1 000	Notes	01.01.– 31.12.2016	01.01.– 31.12.2017
<b>Profit</b>		<b>311 130</b>	<b>305 483</b>
Depreciation		23 961	16 476
Revaluation of investment properties, net	16	-69 327	-65 879
Result from investment property sales, net		-24 947	-262
Result from sales of participations, net		-	362
Result from investments in associates		-8 631	-2 039
Other non-cash items affecting net income		2 972	3 374
Financial expenses	9	85 958	77 843
Financial income	9	-4 863	-2 021
Income tax expenses	10	67 190	89 325
Change in accounts receivable		-5 275	13 201
Change in inventories and real estate developments		-2 541	10 781
Change in other receivables and accrued income and prepaid expenses		7 296	8 708
Change in accounts payable		-9 542	251
Change in other current liabilities and accrued expenses and deferred income		-33 852	30 834
Income tax payments		-61 814	-28 349
<b>Cash flow from operating activities</b>		<b>277 715</b>	<b>458 088</b>
Investments in investment properties	16	-388 719	-317 051
Divestments of investment properties	16	84 445	13 623
Investments in tangible assets	17	-17 965	-14 589
Acquisitions of group companies, less acquired cash	3	-54 980	-72 646
Divestments of group companies, less disposed cash	3	-	777
Investments in financial investments		-110 000	-965
Divestments of financial investments		122 240	951
Investments in intangible assets	17	-3 574	-7 730
Interest payments received		593	718
Dividends received		2 434	2 298
<b>Cash flow from investing activities</b>		<b>-365 526</b>	<b>-394 614</b>
Distribution from capital contribution reserves	23	-259 608	-264 471
Purchase of treasury shares	23	-2 851	-2 783
Issue of bond		249 911	249 050
Issue of convertible bond		246 910	-
Redemption of convertible bond	20	-40 700	-
Change in current financial liabilities		-113 247	-105 788
Change in non-current financial liabilities		22 832	136 158
Interest paid		-90 039	-76 818
<b>Cash flow from financing activities</b>		<b>13 208</b>	<b>-64 652</b>
<b>Change in cash</b>		<b>-74 603</b>	<b>-1 178</b>
Cash at beginning of period		234 929	160 326
<b>Cash at end of period</b>		<b>160 326</b>	<b>159 148</b>

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

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

## Consolidated statement of changes in shareholders' equity

in CHF 1 000	Notes	Share capital	Capital reserves	Treasury shares	Revaluation reserves	Retained earnings	Shareholders' equity attributable to shareholders of Swiss Prime Site AG	Non-controlling interests	Total shareholders' equity
<b>Total as at 31.12.2015 (as reported according to IFRS)</b>		<b>1 065 668</b>	<b>1 023 578</b>	<b>–</b>	<b>102 027</b>	<b>2 764 450</b>	<b>4 955 723</b>	<b>243</b>	<b>4 955 966</b>
Reconciliation from IFRS to Swiss GAAP FER	2.2	–	209	–209	–102 027	–242 523	–344 550	–	–344 550
<b>Total as at 01.01.2016 (Swiss GAAP FER)</b>		<b>1 065 668</b>	<b>1 023 787</b>	<b>–209</b>	<b>–</b>	<b>2 521 927</b>	<b>4 611 173</b>	<b>243</b>	<b>4 611 416</b>
Profit		–	–	–	–	312 093	312 093	–963	311 130
Compensation of goodwill from acquisitions of group companies		–	–	–	–	–68 725	–68 725	–	–68 725
Distribution from capital contribution reserves on 19.04.2016	23	–	–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	23	27 959	119 752	–	–	–	147 711	–	147 711
Issue of 0.25% convertible bond, equity component	23	–	4 236	–	–	–	4 236	–	4 236
Share-based compensation	23	–	20	2 951	–	–	2 971	–	2 971
Purchase of treasury shares	23	–	–	–2 851	–	–	–2 851	–	–2 851
<b>Total as at 31.12.2016</b>		<b>1 093 627</b>	<b>888 187</b>	<b>–109</b>	<b>–</b>	<b>2 765 295</b>	<b>4 747 000</b>	<b>–720</b>	<b>4 746 280</b>
Profit		–	–	–	–	305 330	305 330	153	305 483
Compensation of goodwill from acquisitions of group companies		–	–	–	–	–11 544	–11 544	–	–11 544
Goodwill charged to income on sale of group companies		–	–	–	–	1 131	1 131	–	1 131
Distribution from capital contribution reserves on 20.04.2017	23	–	–264 471	–	–	–	–264 471	–	–264 471
Share-based compensation	23	–	485	2 889	–	–	3 374	–	3 374
Purchase of treasury shares	23	–	–	–2 783	–	–	–2 783	–	–2 783
<b>Total as at 31.12.2017</b>		<b>1 093 627</b>	<b>624 201</b>	<b>–3</b>	<b>–</b>	<b>3 060 212</b>	<b>4 778 037</b>	<b>–567</b>	<b>4 777 470</b>

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

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

# Notes to the consolidated financial statements

## 1 Business activities

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

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 have been prepared in accordance with Swiss GAAP FER (Generally Accepted Accounting Principles FER) since 1 January 2017 and correspond to article 17 of the Directive on Financial Reporting of the Swiss stock exchange (SIX Swiss Exchange). The consolidated financial statements comprise the holding company as well as its subsidiaries (hereinafter jointly referred to as «group companies»).

The consolidated financial statements are generally based on the historical cost principle. Deviations from this principle are referred to in notes 2.7 to 2.39. These apply to investment properties (undeveloped properties, existing properties, properties under construction and development sites (except those designated for sale), which are assessed at fair value. In addition, securities and derivatives are recognised at stock-exchange prices or at fair values as at the balance sheet date. The significant accounting principles are explained in the following section.

These consolidated financial statements were prepared in Swiss francs (CHF). All amounts, except for the figures per share, are rounded to CHF 1 000. All group companies maintain their accounts in Swiss francs as well. Transactions denominated in foreign currencies are immaterial.

### 2.2 Restatement Swiss GAAP FER

Swiss Prime Site reported its results according to Swiss GAAP FER accounting standards for the first time in the financial year 2017 (IFRS to 31 December 2016). The previous year's figures were adjusted according to the new standards. The conversion was carried out in line with the accounting principles applied to date according to IFRS. Past transparency in terms of disclosure has been maintained.

The accounting principles applied to the production and presentation of the 2017 consolidated financial statements according to Swiss GAAP FER deviate from the 2016 consolidated financial statements prepared according to IFRS principles for the following items:

#### 2.2.1 Properties

Under Swiss GAAP FER, Swiss Prime Site's real estate portfolio comprises exclusively properties that are held for investment purposes according to the core business. These also include real estate previously classified as owner-occupied properties under IFRS, which have been reclassified on the balance sheet under Swiss GAAP FER (totalling CHF 894.582 million as at 1 January 2016, see also note 16 «Investment properties»). The valuation is carried out at fair value in accordance with Swiss GAAP FER 18 «Tangible fixed assets». The valuation technique applied to date for determining the fair value of real estate according to IFRS remains unchanged. Now, all value changes for properties are fully recorded in the income statement of the relevant period, whereas the value changes for real estate previously classified as owner-occupied properties were generally recorded in comprehensive income under IFRS. In addition, depreciation on the real estate previously classified as owner-occupied properties recognised under the IFRS revaluation model is also eliminated. Separate presentation of properties utilised internally by Swiss Prime Site is therefore eliminated under Swiss GAAP FER.

### 2.2.2 Goodwill, brand names and customer base from acquisitions

Goodwill resulting from acquisitions is offset directly against shareholders' equity as at the time of acquisition according to the accounting policy choice, in accordance with Swiss GAAP FER 30 «Consolidated financial statements». According to IFRS, goodwill was recognised in the balance sheet and not amortised and therefore subject to an impairment test on an annual basis. Brand names and customer base are not recognised in the balance sheet at the time of acquisition according to Swiss GAAP FER and are therefore part of goodwill, whereas these items were recognised separately within the scope of purchase price allocation according to IFRS. The «shadow account» requisite according to Swiss GAAP FER for the effects of theoretical recognition and amortisation of goodwill can be found in note 18 «Goodwill». Amortisation of the customer base was carried out on a linear basis over the economic useful life. Brand names (except SENIOcare, discontinuation of brand) were not amortised and were thus subject to an impairment test on an annual basis.

### 2.2.3 Pension plans

Under IFRS, defined benefit plans were accounted for according to the projected unit credit method pursuant to IAS 19 «Employee benefits», whereas now the standards according to Swiss GAAP FER 16 «Pension benefit obligations» are applicable. According to Swiss GAAP FER, there is no position in the balance sheet reported in the consolidated financial statements, while under IFRS a net defined benefit obligation was reported. In addition, reported personnel costs from pension plans changed under Swiss GAAP FER versus IFRS.

### 2.2.4 Deferred income taxes

The aforementioned valuation and balance sheet adjustments result in corresponding effects on deferred taxes in the balance sheet as well as in the income statement.

Changes in accounting principles according to Swiss GAAP FER were carried out retrospectively as at 1 January 2016 (restatement). The following tables show the effects of the conversion from IFRS to Swiss GAAP FER on profit and shareholders' equity:

in CHF 1 000	01.01.– 31.12.2016	
<b>Profit according to IFRS</b>		<b>311 205</b>
Reconciliation to Swiss GAAP FER:		
Amortisation on brand names and customer base from acquisitions		5 074
Adjustment personnel costs (pension plans)		–28 467
Valuation of properties		23 004
Deferred taxes		314
<b>Total adjustments to profit</b>		<b>–75</b>
<b>Total profit according to Swiss GAAP FER</b>		<b>311 130</b>
in CHF 1 000	01.01.2016	31.12.2016
<b>Shareholders' equity according to IFRS</b>	<b>4 955 966</b>	<b>5 176 592</b>
Reconciliation to Swiss GAAP FER:		
Compensation of goodwill from acquisitions	–369 520	–451 146
Compensation of brand names and customer base from acquisitions	–71 884	–68 234
Pension obligations and assets	105 107	95 795
Deferred taxes	–8 253	–6 727
<b>Total adjustments to shareholders' equity</b>	<b>–344 550</b>	<b>–430 312</b>
<b>Total shareholders' equity according to Swiss GAAP FER</b>	<b>4 611 416</b>	<b>4 746 280</b>

### 2.2.5 Adjustment of segment reporting

Swiss Prime Site newly defined the group's segment structure in the reporting year and consequently adjusted its segment reporting. The Real Estate segment now includes exclusively the core Real Estate business (purchase, sale, lease and development of properties) as well as central group functions. The real estate-related real estate services, assisted living, retail and asset management businesses are incorporated into the newly defined Services segment. The previous year's figures were adjusted accordingly.

### 2.3 Comparative figures of the previous period

The presentation of the comparative periods and figures is carried out in accordance with the Swiss GAAP FER framework. The figures for the comparative period are shown in the text in brackets [ ].

### 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 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 33 [34] companies (including the Holding Company). An overview of the group companies is provided in note 28 «Group companies and associates».

The consolidation is based on the audited annual financial statements of the group companies as at 31 December 2017, which have been prepared applying uniform accounting principles. All significant transactions and balances between the individual group companies as well as intercompany profits have been 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. Recognition in the balance sheet is carried out at cost at the time of acquisition. 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 is assumed – or when significant influence is gained – and excluded 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 resulting net assets acquired is set off against shareholders' equity (retained earnings) as goodwill from acquisitions. Acquisition costs are recognised in the income statement. The effects of theoretical recognition and amortisation of goodwill are disclosed in the notes to the consolidated financial statements. Given divestment of investments in group companies, the difference between the sales proceeds and pro rata book value including historical goodwill is reported as profit or loss in the income statement.

### 2.6 Segment reporting

Segment reporting is carried out according to Swiss GAAP FER 31 sec. 8 «Segment reporting» in conjunction with the Company's internal financial reporting to the Executive Board and Board of Directors (i.e. management approach). The group's business activities are divided into two segments that are subject to reporting requirements: The Real Estate segment includes exclusively the core Real Estate business (purchase, sale, lease and development of properties) as well as central group functions. Real estate-related services – real estate services, assisted living, retail and asset management businesses – are incorporated into the Services segment.

### 2.7 Cash

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

### 2.8 Securities

Securities 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 as well as income from securities are recognised as financial result in the income statement.

### 2.9 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 real estate segment as well as real estate services, assisted living and asset management business fields are subject to individual valuation with strict credit-rating guidelines. The value of the receivables of the retail business is adjusted using statistical figures

regarding default risk.

#### **2.10 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. Forming/releasing these impairments is recognised in other operating expenses.

#### **2.11 Inventories**

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

#### **2.12 Trading properties**

Properties under construction that are intended for future sale (for example condominiums) are recognised in the balance sheet at the lower of investment cost or net realisable value, according to Swiss GAAP FER 17 «Inventories». The realisation of sales is recorded in operating income as «Income from 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.

#### **2.13 Real estate developments**

Real estate developments (long-term contracts) comprise construction projects that are sold to third parties either prior to or during the construction phase, which are developed or completed on behalf of the buyer. Notarisation of the purchase agreement is carried out following the conclusion of the project. Transfer of ownership for the respective property generally takes place after construction is completed. Recognition in the balance sheet of real estate developments is carried out according to the percentage-of-completion method (POCM) in accordance with Swiss GAAP FER 22 «Long-term contracts». In this context, the percentage of completion is determined by means of building assessments and project planning (i.e. milestone approach). The cumulative costs and realised sales proceeds according to the percentage-of-completion method are reported in the income statement on an ongoing basis.

The balance sheet position «real estate developments» comprises accruals/deferrals for work carried out but not yet invoiced, prepayments by customers and suppliers for work not yet carried out, as well as accruals/deferrals for outstanding invoices from suppliers. Reporting in the balance sheet is carried out on a net basis as «real estate developments» on the assets or liabilities side. Insofar as the result of a long-term contract cannot be reliably estimated, the amount of income just equal to the amount of incurred contract costs is recognised that would probably be realisable, with concurrent reporting of the contract costs incurred as expense in the corresponding period. This corresponds to a valuation at actual costs. If there is a probability that total contract costs could exceed total contract income, whereby the expected losses are immediately recorded as expense and provision, respectively.

#### **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 fall in this category only with respect to classification, but not for valuation purposes and are therefore recognised at fair value according to Swiss GAAP FER 18 «Tangible fixed assets».

#### **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 loans with a residual term to maturity of more than one year and are valued at amortised cost less any requisite impairments. Impairments are recognised in the income statement. 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 2.8 «Securities»).

#### **2.17 Existing properties and undeveloped properties (investment properties)**

The valuation at the time of initial classification is carried out at cost, taking into account directly accountable transaction costs. Thereafter, the valuation is carried out at fair value in accordance with Swiss GAAP FER 18 sec. 14. 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. Swiss Prime Site's real estate portfolio comprises exclusively properties that are held for investment purposes according to the core business.

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, respectively. For further information regarding the calculation of the fair value see note 16 «Investment properties».

### 2.18 Properties under construction and development sites (investment properties)

Properties under construction and development sites with future utilisation as existing properties are recognised at fair value already during construction – the same as other existing properties – provided that the fair value can be reliably determined. The existence of a legally valid building permit is therefore 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.

Directly attributable borrowing costs for properties under construction are recognised as capitalised interest expenses. The relevant calculation is carried out based on actual costs starting from construction start-up date until initial operation at the average interest rate of all interest-bearing financial liabilities.

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

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

### 2.19 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.

### 2.20 Intangible assets

Intangible assets are recognised at cost less amortisation and any impairments and include software for which a license was obtained from third parties or which was developed by third parties or within the group. The depreciation period for software amounts to five years (straight line).

### 2.21 Depreciation and amortisation

Useful life of assets

Asset categories	Years
Equipment	20
Furniture and tenants' improvements	8
Hardware and software	5

### 2.22 Impairment of tangible and intangible assets including goodwill

The value of tangible and intangible assets (including goodwill) 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.

Since goodwill is offset against shareholders' equity already at the time of acquisition, any impairment on goodwill does not result in a negative affect on net income, but rather to disclosure in the notes. In the case of divestment of a group company, the goodwill that was offset against shareholders' equity at a previous point in time is also taken into account when determining the profit or loss af-



fecting net income.

### 2.23 Leasing

Swiss Prime Site as lessor

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

Swiss Prime Site as lessee

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

Payments within the scope of operating leases are recognised in the income statement on a straight-line basis 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 assets in the balance sheet.

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

### 2.24 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.

### 2.25 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.

### 2.26 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 Swiss GAAP FER 27 «Derivative financial instruments» 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 the financial result. Further information is provided in note 31 «Financial instruments and financial risk management».

### 2.27 Liabilities

Liabilities are recorded at nominal values.

### 2.28 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. Expenses relating to a provision are recognised in the income statement.

### **2.29 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 financial result. 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.

### **2.30 Shareholders' equity**

Shareholders' equity is subdivided into share capital, capital reserves, treasury shares, 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. Dividend payments are debited to retained earnings. Goodwill resulting from acquisitions is set off against shareholders' equity (retained earnings) as at the time of acquisition. All other changes in capital are recorded in capital reserves.

### **2.31 Treasury shares**

Treasury shares are valued at acquisition cost and reported in shareholders' equity as a debit item. No subsequent valuations are carried out following the initial valuation. Proceeds from the sale of treasury shares are set off directly against capital reserves.

### **2.32 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.

### **2.33 Pension plans**

The group companies maintain different pension fund schemes, which are legally independent and financed from employer and employee contributions. Determination of overfunding or underfunding is carried out based on the prepared financial statements of the pension fund scheme, according to Swiss GAAP FER 26. The group's pension plan expense comprises the employer contributions accrued for the relevant period as well as any economic effects from overfunding or underfunding and change in employer contribution reserves. An economic obligation is recognised as a liability, insofar as the prerequisites for forming a provision are fulfilled. Recognition in the balance sheet of economic benefits is carried out insofar as these can be used for the group's future pension plan contributions. Freely disposable employer contribution reserves are recognised as cost in the balance sheet.

### **2.34 Share-based compensation**

The variable compensation of the members of the Executive Board is designated at 37.5% as performance-based entitlements to shares (performance share units or PSUs). The PSUs are subject to a three-year vesting period, conditionally upon fulfilment of the defined conditions. The payout on the vesting date is effected in the form of Swiss Prime Site AG shares. The performance share units are valued at the current value at the time of allocation according to the principles of Swiss GAAP FER 31 sec. 3 «Share-based payments» and recognised as personnel costs and shareholders' equity (capital reserves) over the three-year vesting period. No subsequent valuations are carried out except given any changes in the relevant payout indicators.

The fees paid to the Board of Directors and the variable compensation paid to the executives employed by Swiss Prime Site Management AG as well as executive management members of the group companies are effected at a certain percentage in the form of Swiss Prime Site AG shares. The fair value of these shares on the date they are granted is recognised as personnel costs.

### **2.35 Operating income and realisation of income**

Operating income includes all rental income from properties, income from sale of trading properties, income from real estate developments, income from real estate services, income from retail, income from assisted living and income from asset management as well as other operating income. Vacancy costs are deducted directly from the target rental income. Operating income is recorded upon maturity or upon provision of services.

Profits from the divestment of properties and investments are reported on a net basis, 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 upon transfer of benefits and risks 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 of ownership).

Income from real estate developments (long-term contracts) is not oriented toward transfer of benefits and risks, but rather recognised according to the percentage-of-completion method (see note 2.13 «Real estate developments»).

### **2.36 Interest**

Interest on loans as well as land lease interest for qualified properties under construction and development sites, in addition to trading properties are attributed to cost. With this method, financial expenses or real estate costs are relieved but, at the same time, the re-valuation gain is reduced accordingly.

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 accordingly directly debited or credited, respectively, to the financial result.

### **2.37 Transactions with related parties**

The Board of Directors, Executive Board, group companies, pension fund foundations of the group, associated companies and their subsidiaries as well as Swiss Prime Investment Foundation, in addition to 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 27 «Transactions with related parties».

### **2.38 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.

### **2.39 Contingent liabilities**

The probability and amount of contingent liabilities are assessed on the balance sheet date, and the particular contingent liability is evaluated and disclosed in the notes.

## 3 Changes in scope of consolidation

### 3.1 Acquisition of Bellevue-Bau AG

The group acquired 100% of the shares of Bellevue-Bau AG, Winterthur, as at 30 November 2017. The company's assets include two parcels of land spanning an area of 7 534 square metres. Three properties are situated on the parcels of land – bordering the «Roter Turm» building – which were constructed in 2000 and 2004, respectively, which are very centrally located and situated next to the Winterthur railway station. The property comprises usable floor space of 22 700 square metres and is fully leased, generating rental income of CHF 5.400 million per year. The acquisition price amounted to CHF 63.899 million and includes properties valued at CHF 135.890 million, other assets of CHF 13.540 million, mortgages of CHF 77.000 million, other liabilities of CHF 15.885 million and goodwill of CHF 7.354 million. Swiss Prime Site had already been owner of the «Roter Turm» property prior to the acquisition, which is almost fully leased and part of the now 100% acquired site. The acquisition offers the opportunity to realise significant synergies. Goodwill was set off directly against shareholders' equity.

### 3.2 Acquisition of Résidence Gottaz Senior S.A.

The group acquired 100% of the shares of Résidence Gottaz Senior S.A., Morges, as at 30 June 2017. The transaction comprises four high-quality properties including a park spanning a space of more than 12 000 square metres, as well as the accompanying La Gottaz residential and geriatric care centre with 45 beds. The acquisition paves the way for Swiss Prime Site to expand its real estate portfolio as well as its presence in the assisted living sector (Services segment) in French-speaking Switzerland. The acquisition price amounted to CHF 14.600 million and includes properties valued at CHF 23.820 million, other assets of CHF 2.511 million, liabilities of CHF 15.921 million and goodwill of CHF 4.190 million. Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. The acquisition ideally supplements the existing high-quality real estate portfolio and, at the same time, helps to ensure the long-term operations of the residential and geriatric care centre for Tertianum. Goodwill was set off directly against shareholders' equity. Business operations had been managed by Tertianum under a contractual relationship until the time of acquisition and transferred to a Tertianum group company (Résidence le Pacific SA) as at 1 July 2017. Résidence Gottaz Senior S.A., Morges, was merged with Swiss Prime Site Immobilien AG, Olten, as at 1 October 2017.

### 3.3 Founding of Swiss Prime Site Solutions AG

Swiss Prime Site Solutions AG, Zurich, was founded as at 24 February 2017. The company is an asset manager focusing on the real estate sector. The business develops tailor-made services and investment products for third-party clients.

### 3.4 Divestment of Clos Bercher SA

The group divested 100% of the shares of Clos Bercher SA, Bercher, as at 10 November 2017. The sales price for the company active in the assisted living sector amounted to CHF 0.800 million.

### 3.5 Group internal mergers

Perlavita AG, Zurich, and Vitadomo AG, Zurich, were merged into Tertianum AG, Zurich, as at 1 January 2017. SPS Beteiligungen Gamma AG, Olten, was also merged into SPS Beteiligungen Alpha AG, Olten, as at 1 January 2017.

### 3.6 Acquisition of BOAS Senior Care and Résidence les Sources BOAS SA

#### 3.6.1 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 price includes assets amounting to CHF 31.607 million, liabilities of CHF 19.530 million and goodwill of CHF 58.730 million. The acquisition paves the way for Tertianum Group to achieve comprehensive geographic coverage of Switzerland in the assisted living sector (Services segment) and further extend its market leadership. 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 was set off directly against shareholders' equity.

#### 3.6.2 Résidence les Sources BOAS SA

As at 1 July 2016, 100% of the shares in Résidence les Sources BOAS SA, Saxon, were acquired for CHF 5.632 million in cash. This acquisition concludes the integration of BOAS Senior Care in the assisted living business field. The company was rebranded in Résidence les Sources Saxon SA on 3 October 2016. The acquisition price includes assets amounting to CHF 2.951 million, liabilities of CHF 4.438 million and goodwill of CHF 7.119 million. Goodwill comprises assets that cannot be separately identifiable or reliably determined, stemming primarily from future estimated earnings. Goodwill was set off directly against shareholders' equity.

### 3.7 Acquisition of immoveris, Berne

As at 27 May 2016, 100% of the 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 2.221 million at the date of acquisition. Immoveris properties ag was merged into Wincasa AG as at 1 July 2016.

## 4 Segment reporting

Swiss Prime Site is a group that primarily operates a real estate business (core business) comprising buying and selling, managing and developing investment properties. Swiss Prime Site also operates in real estate-related business fields. Swiss Prime Site newly defined the group's segment structure in the reporting year and consequently adjusted its segment reporting. Relevant information can be found in note 2.2.5 «Adjustment of segment reporting». The previous year's figures were adjusted accordingly.

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

- Real Estate comprises the purchase, sale, lease and development of properties as well as central group functions
- Services consists of the real estate-related real estate services, assisted living and retail as well as asset management business

### Segment income statement 01.01.–31.12.2017

in CHF 1 000	Real Estate segment	Services segment	Total segments	Eliminations	01.01.–31.12.2017 Total group
Rental income from properties	424 395	100 661	525 056	-55 198	469 858
thereof from third parties	369 197	100 661	469 858	-	469 858
thereof from other segments	55 198	-	55 198	-55 198	-
Income from real estate developments	51 748	-	51 748	-	51 748
Income from real estate services	-	142 209	142 209	-22 176	120 033
Income from retail	-	136 179	136 179	-21	136 158
Income from assisted living	-	360 066	360 066	-133	359 933
Income from asset management	-	9 878	9 878	-	9 878
Other operating income	2 255	5 648	7 903	-715	7 188
<b>Operating income</b>	<b>478 398</b>	<b>754 641</b>	<b>1 233 039</b>	<b>-78 243</b>	<b>1 154 796</b>
Revaluation of investment properties, net	65 886	-7	65 879	-	65 879
Result from investments in associates	2 039	-	2 039	-	2 039
Result from investment property sales, net	266	-4	262	-	262
Result from sale of participations, net	-	-362	-362	-	-362
Real estate costs	-63 093	-146 876	-209 969	77 451	-132 518
Cost of real estate developments	-24 266	-	-24 266	-	-24 266
Cost of goods sold	-	-101 708	-101 708	-	-101 708
Personnel costs	-20 179	-395 626	-415 805	17	-415 788
Depreciation on tangible assets	-874	-12 907	-13 781	-	-13 781
Amortisation on intangible assets	-168	-2 527	-2 695	-	-2 695
Other operating expenses	-15 985	-46 018	-62 003	775	-61 228
<b>Operating expenses</b>	<b>-124 565</b>	<b>-705 662</b>	<b>-830 227</b>	<b>78 243</b>	<b>-751 984</b>
<b>Operating result (EBIT)</b>	<b>422 024</b>	<b>48 606</b>	<b>470 630</b>	<b>-</b>	<b>470 630</b>
Financial expenses					-77 843
Financial income					2 021
<b>Profit before income taxes</b>					<b>394 808</b>

Segment income statement 01.01.–31.12.2016

in CHF 1 000	Real Estate segment	Services segment	Total segments	Eliminations	01.01.– 31.12.2016 Total group
Rental income from properties	415 958	91 093	507 051	–54 080	452 971
thereof from third parties	361 878	91 093	452 971	–	452 971
thereof from other segments	54 080	–	54 080	–54 080	–
Income from real estate services	–	132 989	132 989	–17 412	115 577
Income from retail	–	133 607	133 607	–42	133 565
Income from assisted living	–	328 201	328 201	–3	328 198
Income from asset management	–	13 199	13 199	–	13 199
Other operating income	1 471	5 087	6 558	–599	5 959
<b>Operating income</b>	<b>417 429</b>	<b>704 176</b>	<b>1 121 605</b>	<b>–72 136</b>	<b>1 049 469</b>
<b>Revaluation of investment properties, net</b>	<b>69 556</b>	<b>–229</b>	<b>69 327</b>	<b>–</b>	<b>69 327</b>
<b>Result from investments in associates</b>	<b>8 631</b>	<b>–</b>	<b>8 631</b>	<b>–</b>	<b>8 631</b>
<b>Result from investment property sales, net</b>	<b>24 947</b>	<b>–</b>	<b>24 947</b>	<b>–</b>	<b>24 947</b>
Real estate costs	–63 043	–139 259	–202 302	71 550	–130 752
Cost of goods sold	–	–100 746	–100 746	–	–100 746
Personnel costs	–17 288	–358 707	–375 995	47	–375 948
Depreciation on tangible assets	–975	–18 331	–19 306	–1	–19 307
Amortisation on intangible assets	–171	–4 483	–4 654	–	–4 654
Other operating expenses	–18 336	–43 756	–62 092	540	–61 552
<b>Operating expenses</b>	<b>–99 813</b>	<b>–665 282</b>	<b>–765 095</b>	<b>72 136</b>	<b>–692 959</b>
<b>Operating result (EBIT)</b>	<b>420 750</b>	<b>38 665</b>	<b>459 415</b>	<b>–</b>	<b>459 415</b>
Financial expenses					–85 958
Financial income					4 863
<b>Profit before income taxes</b>					<b>378 320</b>

In the eliminations column, the revenues realised between the segments are eliminated.

## 5 Operating income

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Target rental income from investment properties	427 377	430 700
Rental income from additionally leased properties	51 787	61 498
Rent loss from vacancies	– 26 193	– 22 340
<b>Rental income from properties</b>	<b>452 971</b>	<b>469 858</b>
<b>Income from real estate developments</b>	<b>–</b>	<b>51 748</b>
<b>Income from real estate services</b>	<b>115 577</b>	<b>120 033</b>
Income from retail, gross	149 658	150 173
Rebates	– 16 093	– 14 015
<b>Income from retail</b>	<b>133 565</b>	<b>136 158</b>
<b>Income from assisted living</b>	<b>328 198</b>	<b>359 933</b>
<b>Income from asset management</b>	<b>13 199</b>	<b>9 878</b>
<b>Other operating income</b>	<b>5 959</b>	<b>7 188</b>
<b>Total operating income</b>	<b>1 049 469</b>	<b>1 154 796</b>

Swiss Prime Site's primary business activity is leasing investment properties. Net rental income from properties as well as land lease income totalled CHF 469.858 million [CHF 452.971 million], including CHF 15.541 million [CHF 18.072 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 2017 [1 January 2016].

Total utilised floor space as at 31 December 2017 amounted to 1 575 102 m<sup>2</sup> [1 501 243 m<sup>2</sup>]. The total was subdivided into 1 561 699 m<sup>2</sup> [1 487 633 m<sup>2</sup>] of commercial floor space and 13 403 m<sup>2</sup> [13 610 m<sup>2</sup>] of residential floor space.

Rent losses from vacancies amounted to CHF 22.340 million [CHF 26.193 million], corresponding to a vacancy rate of 5.2% [6.1%]. Rent losses from vacancies were deducted from target rental income. Detailed information can be found under «Property details» starting from page 101.

Income from real estate developments corresponds to revenues recorded in the period from long-term contracts that are valued according to the percentage of completion method. The income results from the divestment concluded in the reporting year of two buildings to be constructed in Geneva. Completion and turnkey transfer to the purchasing entity will be carried out in the years 2020 and 2021, respectively. Further information can be found in note 14 «Real estate developments».

Real estate services are provided primarily for various institutional investors, in addition to services for the group's real estate holdings.

Tertianum Group provides comprehensive geriatric care services and also offers services in the assisted living sector. The share of rent from the accommodation prices of the Tertianum Residences guests was reported in target rental income from investment properties and in rental income from additionally leased properties.

Swiss Prime Site Solutions AG provides asset management services for third parties. The largest client is Swiss Prime Investment Foundation, with headquarters in Olten.



### Details on future 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 2017:

End of contract	31.12.2016 Future rental income in CHF 1 000	Share in %	31.12.2017 Future rental income in CHF 1 000	Share in %
Under 1 year <sup>1</sup>	43 890	10.2	54 026	12.2
Over 1 year	49 288	11.5	45 911	10.4
Over 2 years	39 253	9.2	28 195	6.4
Over 3 years	49 203	11.5	59 071	13.3
Over 4 years	59 436	13.9	44 307	10.0
Over 5 years	22 845	5.3	22 730	5.1
Over 6 years	22 273	5.2	18 701	4.2
Over 7 years	17 383	4.1	20 338	4.6
Over 8 years	12 472	2.9	22 551	5.1
Over 9 years	10 702	2.5	8 452	1.9
Over 10 years	102 191	23.7	118 439	26.8
<b>Total</b>	<b>428 936</b>	<b>100.0</b>	<b>442 721</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 is based on the rental agreements of the group's properties as at 31 December 2017 [31 December 2016].

### Largest external tenants

As at the balance sheet date, the five largest external tenants accounted for 20.1% [20.1%] 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 %	31.12.2016	31.12.2017
Coop	6.2	6.2
Migros	4.8	5.3
Swisscom	3.4	3.3
Inditex S.A.	2.8	2.7
Zurich Insurance Group	n/a	2.6
Swiss Post	2.9	n/a

According to Swiss GAAP FER 13, rental agreements represent leasing transactions. The rental agreements are generally indexed; in the case of retail property, additional turnover-based rents are sometimes agreed. Rental agreements are normally concluded for a term of five to ten years, often with a five-year extension option.

### Swiss Prime Site as grantor of land leases

Land leases should be subject to review insofar as they are operating or finance leases using general criteria according to Swiss GAAP FER 13 «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	4 to 68 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.– 31.12.2016	01.01.– 31.12.2017
Land lease income up to 1 year	847	846
Land lease income from 1 year up to 5 years	3 389	3 321
Land lease income after 5 years	7 394	6 545
<b>Total future land lease income</b>	<b>11 630</b>	<b>10 712</b>

## 6 Real estate costs

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Property expenses	–54 558	–49 880
Third-party rents	–61 730	–68 388
Expenses for third-party services	–5 275	–5 297
Expenses for real estate services	–3 320	–3 331
Land lease expenses	–5 869	–5 622
<b>Total real estate costs</b>	<b>–130 752</b>	<b>–132 518</b>

Property expenses included maintenance and repair costs of CHF 14.968 million [CHF 20.636 million], ancillary costs borne by the owner of CHF 12.479 million [CHF 12.328 million] and property-related insurance costs and fees of CHF 7.516 million [CHF 7.554 million] as well as costs for cleaning, energy and water of CHF 14.917 million [CHF 14.040 million].

Expenses for third-party rents primarily resulted from additionally leased properties for services in the assisted living sector.

Of the third-party services, CHF 0.666 million [CHF 0.437 million] was incurred as costs for the revaluation of properties by Wüest Partner AG and CHF 4.631 million [CHF 4.838 million] was related to leasing expenses and other administrative costs for third parties.

## 7 Personnel costs

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Wages and salaries	–315 321	–344 686
Social security expenses	–26 009	–31 735
Pension plan expenses	–23 159	–26 475
Other personnel expenses	–11 459	–12 892
<b>Total personnel costs</b>	<b>–375 948</b>	<b>–415 788</b>
<b>Number of employees as at 31.12.</b>	<b>5 621</b>	<b>5 910</b>
<b>Number of full-time equivalents as at 31.12.</b>	<b>4 558</b>	<b>4 868</b>

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

## 8 Other operating expenses

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Expenses for tangible assets and IT	–17 894	–20 777
Non-life insurance, fees	–2 401	–2 489
Capital taxes	–2 694	–2 824
Administrative expenses	–17 430	–16 365
Audit and consultancy costs	–7 653	–5 886
Advertising	–11 781	–11 476
Collection- and bad-debt-related losses	–1 699	–1 411
<b>Total other operating expenses</b>	<b>–61 552</b>	<b>–61 228</b>

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 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 4.899 million [CHF 6.493 million] and audit fees of CHF 0.987 million [CHF 1.160 million].

## 9 Financial result

### Financial expenses

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Interest expenses	–87 713	–77 857
Other financial expenses	1 755	14
<b>Total financial expenses</b>	<b>–85 958</b>	<b>–77 843</b>

## Financial income

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Interest income	515	702
Dividend income on securities and financial investments	285	240
Fair value changes of financial instruments	3 241	1 079
Other financial income	822	–
<b>Total financial income</b>	<b>4 863</b>	<b>2 021</b>

## 10 Income taxes

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Current income taxes of the reporting period	–31 057	–20 370
Adjustments for current income taxes of other accounting periods	–2 309	–1 209
<b>Total current income taxes</b>	<b>–33 366</b>	<b>–21 579</b>
Deferred taxes resulting from revaluation and depreciation	–58 986	–59 246
Deferred taxes resulting from real estate developments (long-term contracts)	–	–6 640
Deferred taxes resulting from the sale of investment properties	9 197	1 168
Deferred taxes resulting from tax rate changes and reductions from duration of ownership deductions	15 759	–139
Deferred taxes resulting from losses carried forward	206	–2 889
<b>Total deferred taxes</b>	<b>–33 824</b>	<b>–67 746</b>
<b>Total income taxes</b>	<b>–67 190</b>	<b>–89 325</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. Current income taxes relating to other accounting periods were reported separately.

Deferred taxes are subject to the risk of tax rate changes as well as changes in the cantonal tax regulations. In the previous year, the tax rate reduction was particularly 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 accruals and deferrals.

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

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Profit before income taxes	378 320	394 808
Income taxes at average tax rate of 23%	–87 014	–90 806
Taxes at other rates (including property gains taxes)	22 890	2 802
Adjustment for current income taxes for other accounting periods	–2 309	–1 209
Effect of unrecognised losses carried forward	–757	–112
<b>Total income taxes</b>	<b>–67 190</b>	<b>–89 325</b>

### Deferred taxes

Where the revaluations according to Swiss GAAP FER versus the fiscal values were due to recaptured 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 17.7% [4.9% and 17.9%] were applied.

Upward revaluations exceeding the recaptured 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.

Total deferred tax expense of CHF 67.746 million [CHF 33.824 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. Another factor here was the revenue recognition of real estate developments (long-term contracts). The relevant reclassification from deferred to current taxes will be carried out at the time of completion of the projects. Further information can be found in note 14 «Real estate developments». 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 income tax assets

in CHF 1 000	31.12.2016	31.12.2017
Taxable losses carried forward of group companies	79 488	65 360
<b>Possible tax effect on taxable losses carried forward at expected tax rate</b>	<b>13 100</b>	<b>10 627</b>
Losses carried forward which can in all probability be offset with future profits	-73 311	-58 696
Total recognised deferred tax assets at expected tax rate	-11 679	-9 094
<b>Total deferred tax assets not recognised at expected tax rate</b>	<b>1 421</b>	<b>1 533</b>
Recognised deferred tax assets on losses carried forward	11 679	9 094
Other deferred income tax assets	223	75
<b>Total deferred income tax assets</b>	<b>11 902</b>	<b>9 169</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	31.12.2016	31.12.2017
After 1 year	-	-
After 2 years	-	34
After 3 years	35	-
After 4 years	3	67
After 5 years	75	1 638
After 6 years	1 944	4 120
After 7 or more years	4 120	805
<b>Total expiring taxable losses carried forward</b>	<b>6 177</b>	<b>6 664</b>

## 11 Cash

in CHF 1 000	31.12.2016	31.12.2017
Cash on hand	2 694	2 780
Sight deposits	157 632	156 368
<b>Total cash</b>	<b>160 326</b>	<b>159 148</b>

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

## 12 Accounts receivable

in CHF 1 000	31.12.2016	31.12.2017
Accounts receivable, gross	98 377	85 755
Impairments	-4 431	-3 828
<b>Total accounts receivable</b>	<b>93 946</b>	<b>81 927</b>

Most of the accounts receivable related to claims for rent and ancillary costs as well as customer receivables from the Services segment.

### Development of impairment

in CHF 1 000	31.12.2016	31.12.2017
Impairment at beginning of period	3 382	4 431
Increase of impairment based on individual valuation	2 372	2 765
Release of impairment based on individual valuation	-1 323	-3 368
<b>Total impairment at end of period</b>	<b>4 431</b>	<b>3 828</b>

Impairment changes were recognised in other operating expenses.

### Maturities of receivables

in CHF 1 000	31.12.2016 Gross receivables	Impairments	31.12.2017 Gross receivables	Impairments
Not yet due	54 910		60 024	
Due between 0 and 30 days	10 452		12 253	
Due between 31 and 90 days	3 738		5 453	
Due between 91 and 120 days	1 844		1 751	
Due for more than 120 days	27 433		6 274	
<b>Total gross receivables and impairments</b>	<b>98 377</b>	<b>-4 431</b>	<b>85 755</b>	<b>-3 828</b>

The receivables in the previous year overdue for more than 120 days comprised mainly rent payments deposited in a savings account resulting from a rental agreement dispute. These receivables were settled in the reporting year.

## 13 Inventories

in CHF 1 000	31.12.2016	31.12.2017
Merchandise	26 187	28 945
Other inventories	2 642	2 566
Impairments	–366	–498
<b>Total inventories</b>	<b>28 463</b>	<b>31 013</b>

Inventories included merchandise from the retail business as well as assisted living sector, which were recognised in the balance sheet at average cost or – if lower – net realisable value.

## 14 Real estate developments

in CHF 1 000	31.12.2016	31.12.2017
Income from current projects since start of construction	–	51 748
Advance payments received	–	–65 000
<b>Real estate developments, net</b>	<b>–</b>	<b>–13 252</b>
of which real estate developments, assets	–	–
of which real estate developments, liabilities	–	–13 252
Income from real estate developments of the period	–	51 748

The accruals stem from the partial sale of the «Espace Tourbillon» development project. Of the total five buildings under construction, two have been sold. The turnkey transfer of the two buildings will be carried out in the years 2020 and 2021, respectively, following completion. Further information on project status is provided in note 16 «Investment properties».

## 15 Assets held for sale

in CHF 1 000	31.12.2016	31.12.2017
Berne, Weltpoststrasse 1–3, Weltpostpark	–	7 563
Dietikon, Zentralstrasse 12	–	6 900
Wattwil, Ebnaterstrasse 45	–	761
Locarno, Parking Centro	13 000	–
<b>Total assets held for sale</b>	<b>13 000</b>	<b>15 224</b>

The property located in Locarno was sold in the reporting year.

## 16 Investment properties

### Change in investment properties

in CHF 1 000	Undeveloped properties	Properties	Properties under construction/development sites	Total investment properties	Properties held for sale	Total
<b>Total as at 31.12.2015 (as reported according to IFRS)</b>	<b>66 290</b>	<b>8 379 045</b>	<b>346 690</b>	<b>8 792 025</b>	<b>–</b>	<b>8 792 025</b>
Reconciliation from IFRS to Swiss GAAP FER <sup>1</sup>	–	894 582	–	894 582	–	894 582
<b>Total as at 01.01.2016 (Swiss GAAP FER)</b>	<b>66 290</b>	<b>9 273 627</b>	<b>346 690</b>	<b>9 686 607</b>	<b>–</b>	<b>9 686 607</b>
Purchases	–	257 305	–	257 305	–	257 305
Follow-up investments	18 795	66 014	52 949	137 758	–	137 758
Capitalised borrowing costs	40	285	704	1 029	–	1 029
Reclassifications	–50 301	114 630	–77 329	–13 000	13 000	–
Disposal by sale	–	–59 926	–	–59 926	–	–59 926
Positive fair value adjustment	1 303	177 494	2 732	181 529	–	181 529
Negative fair value adjustment	–229	–93 558	–18 415	–112 202	–	–112 202
<b>Fair value adjustment</b>	<b>1 074</b>	<b>83 936</b>	<b>–15 683</b>	<b>69 327</b>	<b>–</b>	<b>69 327</b>
<b>Total as at 31.12.2016</b>	<b>35 898</b>	<b>9 735 871</b>	<b>307 331</b>	<b>10 079 100</b>	<b>13 000</b>	<b>10 092 100</b>
Purchases	–	–	124 684	124 684	–	124 684
Follow-up investments	14 386	108 194	79 154	201 734	–	201 734
Capitalised borrowing costs	–	99	2 228	2 327	–	2 327
Additions from acquisitions	–	159 710	–	159 710	–	159 710
Reclassifications	–21 313	161 139	–155 050	–15 224	15 224	–
Disposal by sale	–	–384	–	–384	–13 000	–13 384
Positive fair value adjustment	902	159 504	59 209	219 615	–	219 615
Negative fair value adjustment	–4 426	–144 604	–4 706	–153 736	–	–153 736
<b>Fair value adjustment</b>	<b>–3 524</b>	<b>14 900</b>	<b>54 503</b>	<b>65 879</b>	<b>–</b>	<b>65 879</b>
<b>Total as at 31.12.2017</b>	<b>25 447</b>	<b>10 179 529</b>	<b>412 850</b>	<b>10 617 826</b>	<b>15 224</b>	<b>10 633 050</b>
Actual costs as at 31.12.2016	25 420	7 048 315	356 255	7 429 990	10 822	7 440 812
Actual costs as at 31.12.2017	16 732	7 502 701	382 110	7 901 543	16 518	7 918 061
Difference between fair value and actual costs as at 31.12.2016	10 478	2 687 556	–48 924	2 649 110	2 178	2 651 288
Difference between fair value and actual costs as at 31.12.2017	8 715	2 676 828	30 740	2 716 283	–1 294	2 714 989

<sup>1</sup> Include real estate previously classified as owner-occupied properties under IFRS, which have been reclassified on the balance sheet under Swiss GAAP FER (see note 2.2 «Restatement Swiss GAAP FER»)

The book value of the investment properties recognised through finance lease amounts to CHF 16.000 million [CHF 16.000 million].



Further details on investment properties

in CHF 1 000	Undeveloped properties	Properties	Properties under con- struction/ develop- ment sites	Total investment properties	Properties held for sale	Total
<b>Fire insurance values<sup>1</sup></b>						
On 01.01.2016	7 547	6 319 510	555 112	6 882 169	–	6 882 169
On 01.01.2017	1 975	6 637 432	311 068	6 950 475	19 423	6 969 898
<b>On 31.12.2017</b>	<b>2 067</b>	<b>6 781 310</b>	<b>237 513</b>	<b>7 020 890</b>	<b>12 694</b>	<b>7 033 584</b>
<b>Net rental income<sup>2</sup></b>						
01.01.– 31.12.2016	327	398 825	581	399 733	1 451	401 184
<b>01.01.– 31.12.2017</b>	<b>133</b>	<b>407 116</b>	<b>683</b>	<b>407 932</b>	<b>428</b>	<b>408 360</b>
<b>Vacancy rate in %</b>						
01.01.– 31.12.2016	2.6	6.1	8.3	6.1	–	6.1
<b>01.01.– 31.12.2017</b>	<b>–</b>	<b>5.2</b>	<b>0.1</b>	<b>5.2</b>	<b>12.6</b>	<b>5.2</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

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.

Determining the value of Swiss Prime Site's real estate portfolio is carried out with a model-based valuation based on input parameters that are not directly observable on the market, whereby adapted, observable input parameters may be applied here as well (for example, 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 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, taking into account investments or repair costs. 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.

Fair value was determined on the basis of applying the highest-and-best-use concept 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 capital expenditures that improve or enhance the value of a property are accordingly taken into account in the fair value measurement.

## Valuation techniques

### 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 undeveloped 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 six [seven] properties, the highest and best use did not correspond to the effective use.

For one property, the valuation was based on potential conversion to condominiums. For the other five 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 under construction and development sites

Properties under construction and development sites with future utilisation as investment properties are recognised at project fair value according to Swiss GAAP FER 18. In this context, 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 or as development risk. Information regarding projected construction work, schedules, building costs and future rentals is obtained from Swiss Prime Site insofar as it is specifically available (building permits, plans, cost calculations/investment applications, etc.) or appears to be plausible. Any profit is taken into account on a pro rata basis, insofar as its realisation can be determined with sufficient certainty.

### Applicable unobservable input factors as at 31.12.2017

	in	Undeveloped properties	Commercial properties (continuation of use) <sup>1</sup>	Commercial properties (highest and best use) <sup>2</sup>	Properties under construction/development sites
Fair value as at balance sheet date	CHF m	33.010	9 293.040	894.150	412.850
<b>Unobservable input factors</b>					
Average discount rate	%	3.97	3.37	3.19	3.64
Maximum discount rate	%	5.10	4.95	5.20	4.60
Minimum discount rate	%	3.35	2.10	2.70	3.15
Residential	CHF per m <sup>2</sup> p.a.	–	100 to 692	120 to 121	215 to 339
Offices	CHF per m <sup>2</sup> p.a.	–	90 to 920	120 to 900	140 to 510
Retail/gastro	CHF per m <sup>2</sup> p.a.	–	77 to 7 500	70 to 1 300	200 to 600
Commercial	CHF per m <sup>2</sup> p.a.	–	30 to 565	100 to 280	200 to 320
Storage	CHF per m <sup>2</sup> p.a.	–	40 to 600	83 to 180	80 to 170
Parking inside	CHF per piece and month	–	50 to 650	100 to 620	55 to 250
Parking outside	CHF per piece and month	–	25 to 320	40 to 120	50 to 150

<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

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

**Applicable unobservable input factors as at 31.12.2016**

	in	Undeveloped properties	Commercial properties (continuation of use) <sup>1</sup>	Commercial properties (highest and best use) <sup>2</sup>	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

<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 were modelled as such, and their estimates were carried out by Wüest Partner AG by means of construction and renovation cost benchmarks.

### Discounting

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

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

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

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

In the following analysis, the existing properties (excluding building land, projects and development sites) were taken into account at the current fair value as at the balance sheet date of CHF 10 187.200 million (fair value of overall portfolio CHF 10 633.050 million).

In relation to potential changes in the market environment, sensitivity is significant particularly regarding discount rates. 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
3.05%	8.3%	846 700	11 033 900
3.15%	5.4%	550 800	10 738 000
3.25%	2.6%	268 900	10 456 100
<b>3.35% (valuation as at 31.12.2017)</b>	–	–	<b>10 187 200</b>
3.45%	–2.5%	–256 500	9 930 700
3.55%	–4.9%	–501 500	9 685 700
3.65%	–7.2%	–735 500	9 451 700
3.75%	–9.4%	–959 300	9 227 900
3.85%	–11.5%	–1 173 400	9 013 800
3.95%	–13.5%	–1 378 400	8 808 800

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 volatile 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%	566 700	10 753 900
4.0%	3.7%	377 900	10 565 100
2.0%	1.9%	188 900	10 376 100
<b>0.0% (valuation as at 31.12.2017)</b>	–	–	<b>10 187 200</b>
–2.0%	–1.9%	–188 900	9 998 300
–4.0%	–3.7%	–377 800	9 809 400
–6.0%	–5.6%	–566 700	9 620 500
–8.0%	–7.4%	–755 700	9 431 500
–10.0%	–9.3%	–944 600	9 242 600

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

### Basel, Hochbergerstrasse 60 «Stücki Park» (formerly Businesspark)

Project description	Stücki, located to the north of Basel City, will become a superordinate development site. The objective is aimed at creating a new focal point in the up-and-coming district. The current mall situated on one side of Badenstrasse will be upgraded with a fascinating array of day-to-day facilities, food & beverage outlets, experience and entertainment, wellness and fitness. The existing «Businesspark» with the longitudinal structure on the other side of Badenstrasse will be supplemented by four lateral buildings, and the supply of office and laboratory floor space expanded by 27 000 square metres. The new diversity of the facilities and user groups will be commonly presented in the future under the «Stücki Park» brand and interwoven into an overall concept. A future-oriented centre of attraction with radiance appealing to the entire Basel region will emerge as a destination for innovation, experience, health and shopping. The four new office and laboratory buildings will be constructed on an end-to-end base foundation with parking places situated beneath. The upper primary access level enables connectivity of all the buildings on the same plane. The courtyards to be constructed between the buildings serve the common development complex as well as provide green recreational spaces and relaxation areas for tenants and visitors. A new pedestrian bridge above Badenstrasse paves the way for access on foot to the current mall and should lead to enhanced synergy utilisation.
Project status	Construction of the four new buildings will be carried out in two phases (2020/2023). Following conclusion of the ongoing site reclamation operations, construction activities for the first phase with two buildings will begin in spring 2018. The building permit will be issued by the first quarter of 2018.
Occupancy rate <sup>1</sup>	Initial discussions with prospective tenants have already taken place within the scope of the construction project planning process. Official marketing activities should commence in the first quarter of 2018, following publication of the media release and activation of the landing page <a href="http://www.stueckipark.ch">www.stueckipark.ch</a> in November 2017.
Completion	The ready-for-occupancy dates of the individual buildings have been set in two phases to be carried out by mid-2020 and mid-2023, respectively.

### Berne, Viktoriastrasse 21, 21a, 21b «Schönburg»

Project description	The office property originally comprising 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. According to the effective layout plan, other types of utilisation are also possible, particularly residential use. Swiss Prime Site acquired the Schönburg property in 2014. Following Swiss Post's departure, the company decided to preserve the structure including the subterranean level and create a high-quality residential and hotel complex based on extensive variant studies. The property will house a modern business hotel with more than 180 rooms at the north wing, in addition to 142 high-quality apartments spanning 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 will be restructured to the core shell, and additional emergency staircases and a new façade will be installed. The entire building technology and interior will be replaced.
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. The demolition and residual waste clean-up processes as well as dismantling of the façades are already concluded. A Building Information Modelling (BIM) project development plan regulates the collaboration among the most important parties participating in the planning and building process. The digital model paves the way for, among other things, reviewing the planning, managing the construction progress with appropriate logistics, centralising the data maintenance for future management and providing Swiss Prime Site with the relevant as-built data base.
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. An ongoing image campaign is underway. Various enquiries have already been submitted via the project website <a href="http://www.schoenburg-bern.ch">www.schoenburg-bern.ch</a> .
Completion	The apartments will be ready for occupancy in autumn 2019. The hotel, retail floor space and fitness studio will commence operations a few months later due to tenants' improvements.

<sup>1</sup> occupancy rate and sales status as at 31.12.2017

**Lancy, Esplanade de Pont-Rouge 5, 7, 9 «Pont-Rouge»**

Project description	Swiss Prime Site acquired the Esplanade 4 parcel of land located in the «Esplanade de Pont-Rouge» urban development zone and situated in close proximity to the Lancy railway station in Geneva from SBB AG (Swiss Federal Railways). The acquired parcel comprises space of around 3 500 square metres. The Pont-Rouge railway station is the first major construction phase of Geneva's prominent «Praille-Acacias-Vernets» (PAV) development zone, where a new urban district is emerging on an area of 260 hectares. Roughly 50 000 people are expected to live and work in the neighbourhood in 20 years. The official inauguration ceremony for the new «Lancy-Pont-Rouge» railway station in December 2017 has already laid the cornerstone for PAV's re-design. Starting from 2019, the Léman Express will stop here, offering a direct train connection five times per hour to Geneva's main railway station as well as to France. Passengers will reach Geneva's city centre in just six minutes' travel time. The «Esplanade de Pont-Rouge» project should pave the way for the emergence of an urban centre with mixed utilisation on the former industrial site. Hence, the acquisition complies very well with Swiss Prime Site's investment strategy.
Project status	The underlying design plan is legally validated and a general building permit is expected to be issued in 2018. Following completion in 2023, the superstructure envisaged on the parcel of land will comprise leasable space of roughly 30 000 square metres.
Completion	A modern services building complex with 15 upper floors as well as innovative and flexible floor space will emerge on the acquired parcel of land in the years 2020–2023.

**Meyrin, Chemin de Riantbosson «Riantbosson Centre»**

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 company EACR by Swiss Prime Site. The company was merged in the interim with Swiss Prime Site Immobilien AG. As Swiss Prime Site also assumed the lead in the development process with the acquisition of a 100% stake in EACR, a project that could be subject to approval was subsequently submitted, for which Swiss Prime Site obtained the legally valid 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. Swiss Prime Site 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 valid building permit was issued in May 2016, and the construction site commenced activities in July 2016. Construction is proceeding according to plan, so start-up of operations is expected in April 2018.
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 <a href="http://www.riantbossoncentre.ch">www.riantbossoncentre.ch</a> and brochures.
Completion	Mid-April 2018

**Meyrin, Route de Pré-Bois 14 «Geneva Business Terminal»**

Project description	The land lease 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 acquired 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 local small- and medium-sized enterprises (SMEs) at shorter lease terms. Tenants occupy fully equipped offices including furniture, which they return to the lessor following the end of the lease. The project also includes plans for a shared workspace in which users can rent a workplace, conference room or locker on an hourly basis as required. All tenants are allowed common use of the lounge located on the ground floor and sports locker room in the basement. 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.
Project status	The building permit and application for modification are legally validated. The company Induni SA has been assigned the task as total contractor. Construction activity commenced in November 2016. The requisite easements with the neighbours have been authenticated through notarisation.
Occupancy rate <sup>1</sup>	Small- and medium-sized enterprises (SMEs) are currently exhibiting strong interest, expressing a desire to relocate from their existing premises and seeking modern as well as flexible rental floor space with short lease terms. The decision-making process with SMEs is rather brief. Marketing activities are proceeding according to plan. Three floors have already been reserved in advance.
Completion	Beginning of 2018

<sup>1</sup> occupancy rate and sales status as at 31.12.2017

### Paradiso, Riva Paradiso 3, 20 «Tertianum Residence Du Lac»

Project description	Swiss Prime Site acquired the former «Du Lac» hotel property – situated in a splendid location directly on Lake Lugano with a view of the cove of Lugano – with the aim of constructing a Tertianum Residence on the site. The preservation and modification processes were subject to review in a series of feasibility studies, which were ultimately rejected, however. Tertianum will operate an upscale residence on the site comprising 60 apartments and 40 geriatric care rooms. Due to the situation with two parcels of land separated by the main road, two buildings will be constructed that are connected via a subterranean passageway. The «Seehaus», featuring privileged views of the lake, will be configured with a publicly accessible restaurant with terrace for residents and passers-by. Geriatric care rooms and additional apartments are envisaged for the «Berghaus». Tertianum is leasing the roughly 7 700 square-metre above-ground effective floor space as well as the 55 parking places for a 20-year fixed term with option for renewal.
Project status	The building application was submitted at end-June 2017, but not yet published by the municipality due to requested specifications. Within the scope of the new design plan, part of the property must be assigned to the local community. This section will be used for a public road situated at the rear of the property as well as for designing the shore along the lake. Due to the challenging construction foundation and situation with the lake groundwater, the cost projection has exceeded the target figure. Hence, a cooperative total contractor contest («TU light») with three partners was conducted with the aim of optimising the technically sophisticated project. The diligently developed preliminary project served as the basis thereof. The provisional results reveal significant cost-savings. The contract is assigned.
Occupancy rate <sup>1</sup>	Fully leased (Tertianum AG as general tenant).
Completion	The construction start-up date is not anticipated before summer 2018 due to a delay in the building permit approval process on the part of the municipality. The completion date is probably in spring 2021.

### Plan-les-Ouates, Chemin des Aulx «Espace Tourbillon»

Project description	Swiss Prime Site is sole owner of one of the last major plots of building land in the industrial zone of Plan-les-Ouates (ZIPL0), comprising land area of roughly 28 400 square metres. The development project is characterised by seven 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 industrial and commercial 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 95 000 square metres.
Project status	The building permit was legally validated on 8 June 2017, and the total contractor Implenia commenced initial construction activity in summer 2017.
Occupancy rate <sup>1</sup>	Two buildings were sold to the Hans-Wilsdorf-Foundation in October 2017. Swiss Prime Site will transfer the more than 36 000 square metres of usable floor space on the upper and subterranean floors to the buyer in turnkey condition by 2020/2021. Marketing activities are in full swing, and several rental contracts are close to being concluded.
Completion	2021

### Richterswil, Gartenstrasse 7–15 «Tertianum residential and care centre Etzelblick»

Project description	Swiss Prime Site has succeeded in acquiring three adjacent plots of land from various property owners in Richterswil's core zone. One property was owned by the Richterswil community and had been designated for construction of a senior centre. Another portion of the substantial construction site totalling 6 700 square metres includes the existing «Etzelblick» residential and geriatric care facility operated by Tertianum Group, which would require modernisation in the coming years and can now be replaced and/or expanded as part of the new construction project. A Tertianum Group residential and senior care centre comprising around 60 geriatric care beds as well as assisted living senior residences will emerge in a centralised location in Richterswil, situated just a few steps away from the railway station, shopping opportunities and shore of Lake Zurich. Additional apartments are planned as a supplementary project. Swiss Prime Site has signed a services agreement with the Richterswil community for the acquisition of the municipality's plot of land, thus guaranteeing together with Tertianum Group coverage of the additional demand for geriatric care facilities in Richterswil. The project constitutes a public-private partnership with significant exemplary character for the future.
Project status	Project planning is carried out according to the design-to-cost model. Submission of the building application is foreseen for the first half of 2018. Subsequently, the construction period will extend into the second half-year 2020. The residential facility and geriatric care centre as well as senior residences should be ready for occupancy at the end of 2020.
Occupancy rate <sup>1</sup>	Group company Tertianum will be the primary tenant. Conclusion of a long-term rental agreement is pending.
Completion	Completion is planned at the end of 2020.

<sup>1</sup> occupancy rate and sales status as at 31.12.2017



**Schlieren, Zürcherstrasse 39 «NZZ site»**

Project description	The former NZZ printing facility was acquired in December 2015, and the property will 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. In addition to conversion of the existing property, expansion opportunities for the overall site are under review as well. The results of a relevant study reveal numerous opportunities. In this context, dialogue with the responsible authorities is underway.
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 are being leased to a variety of technology start-up firms. The future event hall has also commenced operations and successfully established a position with events such as the Top 100 Swiss Start Up Event. The interim utilisation phase was concluded as at end-2017. The building application was submitted in July 2017, and the permit is expected in the first quarter of 2018. Submission is underway. The construction start date is envisaged for the second quarter of 2018.
Occupancy rate <sup>1</sup>	Approximately 40%
Completion	Fourth quarter 2019

**Zurich, Albisriederstrasse/Rütiwiesweg 2 «YOND»**

Project description	The «YOND» development project creates an atmosphere for small-, medium- and large-scale service providers and business owners that sets new standards within a versatile-use building structure based on impression, flexibility and simplicity. The project is conceptualised toward meeting tenants' needs from the ground up, offering just the right space they actually need through two-storey spatial structures in which a user-specific mezzanine level can be incorporated. Workspaces are newly defined as spatial experiences, paving the way for companies to individually design workplaces and working atmospheres. The special flexibility also facilitates reorganisation of work processes as well as infrastructure. Indeed, the enormous flexibility is inspiring, leading to fresh ideas and underpinning these firms even in their transformation processes. The focal point of the services offered is directed at structurally and technically optimised, flexible-use floor space that is immediately available and adaptable at attractive prices. The encounter between service providers and manufacturing companies and handicraft trade is unique in Zurich City in its particular form. The project provides the logical response to the increasing entanglement and reciprocal extension of the industrial and service sectors.
Project status	The overall planning and construction process is proceeding according to the lean principle. In many respects, this so-called lean construction technique stands diametrically in contrast to the traditional procedure as well as resulting incentives and interests of the parties involved. In fact, the objective of lean construction is to provide users – and hence investors – with the greatest scope of utilisation and at the same time maximally reduce waste, which emerges all along a property's entire life cycle, in the planning, constructing and operating phases. Applying methods and principles of lean construction over the entire development process of a property is new in Switzerland. Therefore, the «YOND» development project constitutes a pilot project for Swiss Prime Site with regard to realisation process, which could serve as an exemplary model for future projects. The legally valid permit for the project was issued in mid-2017. The construction site has commenced operations smoothly. Moreover, the project is subject to innovation and optimisation even during the construction phase, by means of methods such as target value design and last planner system.
Occupancy rate <sup>1</sup>	In view of the project's high level of innovative content, absolute confidentiality has been imposed until the building permit legally goes into effect. Accordingly, communication and active marketing will not commence until starting from the third quarter of 2017. Discussions with interested parties from the Swiss Prime Site network regarding roughly 40% of the rentable floor space are already underway, however.
Completion	First quarter 2019

<sup>1</sup> occupancy rate and sales status as at 31.12.2017

## 17 Tangible assets and intangible assets

in CHF 1 000	Equipment	Furniture/ tenants' improve- ments	Total tangible assets	Software	Total intangible assets
Cost as at 01.01.2017	13 963	109 011	122 974	21 685	21 685
Additions	572	14 017	14 589	7 730	7 730
Additions from acquisitions	–	241	241	–	–
Disposals	–	–1 235	–1 235	–	–
Cost as at 31.12.2017	14 535	122 034	136 569	29 415	29 415
Cumulative depreciation and impairment as at 01.01.2017	2 567	57 601	60 168	14 118	14 118
Depreciation	990	12 791	13 781	2 695	2 695
Disposals	–	–1 235	–1 235	–	–
Cumulative depreciation and impairment as at 31.12.2017	3 557	69 157	72 714	16 813	16 813
Total as at 31.12.2017	10 978	52 877	63 855	12 602	12 602

in CHF 1 000	Equipment	Furniture/ tenants' improve- ments	Total tangible assets	Software	Total intangible assets
Cost as at 01.01.2016	12 268	113 749	126 017	18 104	18 104
Additions	1 078	16 938	18 016	3 581	3 581
Additions from acquisitions	617	5 294	5 911	–	–
Disposals	–	–26 970	–26 970	–	–
Cost as at 31.12.2016	13 963	109 011	122 974	21 685	21 685
Cumulative depreciation and impairment as at 01.01.2016	1 391	60 036	61 427	9 464	9 464
Depreciation	1 176	18 131	19 307	4 654	4 654
Disposals	–	–20 566	–20 566	–	–
Cumulative depreciation and impairment as at 31.12.2016	2 567	57 601	60 168	14 118	14 118
Total as at 31.12.2016	11 396	51 410	62 806	7 567	7 567

## 18 Goodwill

Goodwill resulting from acquisitions is set off against shareholders' equity as at the time of acquisition. Theoretical recognition of goodwill would have the following effects on the consolidated financial statements, taking into account a useful life of five years:

### Theoretical statement of changes in goodwill

in CHF 1 000	31.12.2016	31.12.2017
<b>Cost as at 01.01.</b>	<b>372 577</b>	<b>441 302</b>
Additions	68 725	11 544
Disposals from divestments	–	–1 131
<b>Cost as at 31.12.</b>	<b>441 302</b>	<b>451 715</b>
<b>Cumulative amortisation as at 01.01.</b>	<b>174 541</b>	<b>250 466</b>
Additions	75 925	69 784
Disposals from divestments	–	–452
<b>Cumulative amortisation as at 31.12.</b>	<b>250 466</b>	<b>319 798</b>
<b>Theoretical net book value as at 31.12.</b>	<b>190 836</b>	<b>131 917</b>

### Theoretical effect on shareholders' equity

in CHF 1 000	31.12.2016	31.12.2017
Shareholders' equity according to balance sheet	4 746 280	4 777 470
Theoretical recognition of net book value of goodwill in the balance sheet	190 836	131 917
<b>Theoretical shareholders' equity including net book value of goodwill</b>	<b>4 937 116</b>	<b>4 909 387</b>

### Theoretical effect on profit

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Profit according to income statement	311 130	305 483
Theoretical amortisation of goodwill	–75 925	–69 784
Adjustment result from sale of participations, net	–	452
<b>Theoretical profit including amortisation of goodwill</b>	<b>235 205</b>	<b>236 151</b>

## 19 Accrued expenses and deferred income

in CHF 1 000	31.12.2016	31.12.2017
Renovation and project costs	43 608	53 861
Cost of goods sold	14 540	14 731
Other operating expenses	39 984	47 428
Current income and capital taxes	22 269	19 639
<b>Total accrued expenses and deferred income</b>	<b>120 401</b>	<b>135 659</b>

## 20 Financial liabilities

in CHF 1 000	31.12.2016	31.12.2017
Mortgage-backed loans	677 200	505 800
Bonds	–	114 947
Other loans	936	838
<b>Total current financial liabilities</b>	<b>678 136</b>	<b>621 585</b>
Mortgage-backed loans	2 353 951	2 643 200
Convertible bonds	243 241	244 287
Bonds	1 191 474	1 326 541
Non-current loans	13 307	12 533
Other non-current financial liabilities	3 536	2 399
<b>Total non-current financial liabilities</b>	<b>3 805 509</b>	<b>4 228 960</b>
<b>Total financial liabilities</b>	<b>4 483 645</b>	<b>4 850 545</b>

Swiss Prime Site AG issued a bond as at 11 May 2017, amounting to CHF 250.000 million with a term to maturity of nine years and interest rate of 0.825%.

Non-current financial liabilities of CHF 4 228.960 million [CHF 3 805.509 million] were recognised in the balance sheet at amortised cost, which generally corresponded to the nominal value. There were no unusual debt covenants for loans secured by real estate or for bonds. The contractual limits are continually monitored and were complied with by the Company.

Financial liabilities include current lease obligations of CHF 0.517 million [CHF 0.503 million] and non-current lease obligations of CHF 9.111 million [CHF 9.628 million].

To secure the financial liabilities, various credit line agreements were concluded under market conditions (at arm's length). Within the scope of the general credit lines, the respective 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 liquidity plan.

As at the balance sheet date, the loan-to-value ratio of the real estate portfolio amounted to 45.6% [44.4%].

### Bonds

		CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021
Issuing volume, nominal	CHF m	115.000	200.000	230.000	300.000
<b>Book value as at 31.12.2017</b>	<b>CHF m</b>	<b>114.947</b>	<b>199.524</b>	<b>229.626</b>	<b>298.930</b>
Book value as at 31.12.2016	CHF m	114.847	199.278	229.493	298.605
Interest rate	%	1.125	1.0	2.0	1.75
Term to maturity	years	5	5	7	7
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)
<b>Fair value as at 31.12.2017</b>	<b>CHF m</b>	<b>115.656</b>	<b>204.900</b>	<b>241.615</b>	<b>316.050</b>
Fair value as at 31.12.2016	CHF m	117.070	204.700	244.950	317.550

## Bonds

		CHF 100 m 2024	CHF 250 m 2025	CHF 250 m 2026
Issuing volume, nominal	CHF m	100.000	250.000	250.000
<b>Book value as at 31.12.2017</b>	<b>CHF m</b>	<b>99.422</b>	<b>249.922</b>	<b>249.117</b>
Book value as at 31.12.2016	CHF m	99.338	249.913	0.000
Interest rate	%	2.0	0.5	0.825
Term to maturity	years	10	9	9
Maturity	date	10.12.2024	03.11.2025	11.05.2026
Securities number		25 704 217 (SPS142)	33 764 553 (SPS 161)	36 067 729 (SPS17)
<b>Fair value as at 31.12.2017</b>	<b>CHF m</b>	<b>109.500</b>	<b>249.250</b>	<b>252.000</b>
Fair value as at 31.12.2016	CHF m	110.000	247.125	0.000

Bonds are redeemed at their nominal value.

## Convertible bond

		CHF 250 m 2023
Issuing volume, nominal	CHF m	250.000
Nominal value as at 31.12.2017	CHF m	250.000
<b>Book value as at 31.12.2017</b>	<b>CHF m</b>	<b>244.287</b>
Book value as at 31.12.2016	CHF m	243.241
Conversion price	CHF	105.38
Interest rate	%	0.25
Term to maturity	years	7
Maturity	date	16.06.2023
Securities number		32 811 156 (SPS16)
<b>Fair value as at 31.12.2017</b>	<b>CHF m</b>	<b>251.625</b>
Fair value as at 31.12.2016	CHF m	248.250

No conversions took place in the reporting period. Conversions took place in the previous year with a volume amounting to nominal CHF 149.650 million, resulting in an increase in share capital of CHF 27.959 million or 1 827 383 registered shares and an addition to capital reserves of CHF 119.752 million. The residual amount of the CHF 190.35 million convertible bond of CHF 40.700 million was redeemed on 21 June 2016.

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 31 «Financial instruments and financial risk management».

### Conversion price and number of possible shares given 100% conversion

	31.12.2016 Conversion price in CHF	Number of possible shares	31.12.2017 Conversion price in CHF	Number of possible shares
Convertible bond				
0.25%-convertible bond 16.06.2016–16.06.2023, CHF 250.000 million	105.38	2 372 366	105.38	2 372 366
<b>Total number of possible shares</b>		<b>2 372 366</b>		<b>2 372 366</b>

## 21 Deferred tax liabilities

in CHF 1 000	31.12.2016	31.12.2017
<b>Deferred tax liabilities as at 01.01.</b>	<b>1 030 717</b>	<b>1 065 637</b>
Increase due to acquisitions of group companies	–	14 837
Increase due to real estate developments (long-term contracts)	–	6 640
Increase through revaluation and depreciation	58 986	59 246
Change through property disposals	–9 197	–1 168
Tax rate changes and reductions from duration of ownership deductions	–15 759	139
Other changes	890	–
<b>Deferred tax liabilities as at 31.12.</b>	<b>1 065 637</b>	<b>1 145 331</b>

Deferred tax liabilities resulted from differences in valuation between statutory reporting of financial results and reporting according to Swiss GAAP FER standards. The calculation of deferred taxes on real estate assets was based on the assumption of a holding period of minimum 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 4% higher.

Information about the status and changes in revaluations can be found in note 16 «Investment properties». Note 10 «Income taxes» explains the calculation of deferred taxes.

## 22 Pension plans

### Employer contribution reserves

There were no employer contribution reserves held in the reporting or previous year.

### Economic benefits/obligations and pension benefit expenses

in CHF 1 000	Surplus/ deficit	Economical part of the group		Change to prior year or recognised in the current result of the period, respectively	Contribu- tions concerning the reporting period	Pension benefit expenses within personnel costs	
		31.12.2016	31.12.2017			01.01.– 31.12.2016	01.01.– 31.12.2017
Pension institutions without surplus/ deficit	–	–	–	–	–23 305	–20 940	–23 305
Pension institutions with surplus	1 566	–	–	–	–3 050	–2 119	–3 050
Pension institutions with deficit	–846	–	–	–	–120	–100	–120
<b>Total</b>	<b>720</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–26 475</b>	<b>–23 159</b>	<b>–26 475</b>

No extraordinary recapitalisation contributions were stipulated or provided in the reporting year.

## 23 Shareholders' equity

### Share capital

	Number of registered shares issued	Nominal value in CHF	in CHF 1 000
Share capital as at 01.01.2016	69 651 534	15.30	1 065 668
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>
<b>Share capital as at 31.12.2017</b>	<b>71 478 917</b>	<b>15.30</b>	<b>1 093 627</b>

The 39 [1336] treasury shares held at 31 December 2017 were not entitled to dividends. At the balance sheet date, the dividend-entitled share capital of CHF 1 093.627 million [CHF 1 093.607 million] therefore comprised 71 478 878 [71 477 581] registered shares.

### Authorised capital

	Number of registered shares	Nominal value in CHF	in CHF 1 000
Authorised capital as at 01.01.2016	29 871	15.30	457
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</b>	<b>4 172 617</b>	<b>15.30</b>	<b>63 841</b>
<b>Authorised capital as at 31.12.2017<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> due to the issue of a convertible bond, 2 372 366 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 2017, corresponding to 1 800 251 shares

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

### Conditional capital

	Number of registered shares	Nominal value in CHF	in CHF 1 000
Conditional capital as at 01.01.2016	4 142 910	15.30	63 387
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</b>	<b>4 172 617</b>	<b>15.30</b>	<b>63 841</b>
<b>Conditional capital as at 31.12.2017<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 40.738 million respectively 2 662 617 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 effective Articles of Association, overall share capital (authorised and conditional capital) may be increased by a maximum of CHF 63.841 million.

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

No conversions took place in the reporting year. In 2016, convertible bonds with a volume amounting to nominal CHF 149.650 million were converted to shareholders' equity. Further relevant information can be found in notes 20 «Financial liabilities» and 24 «Key figures per share».

## Capital reserves

	in CHF 1 000
<b>Capital reserves as at 01.01.2016</b>	<b>1 023 787</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
Income from delivery of treasury shares relating to share-based compensation	20
<b>Capital reserves as at 31.12.2016</b>	<b>888 187</b>
Distribution from capital contribution reserves on 20.04.2017	-264 471
Share-based compensation	447
Income from delivery of treasury shares relating to share-based compensation	38
<b>Capital reserves as at 31.12.2017</b>	<b>624 201</b>

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

As at the balance sheet date, Swiss Prime Site AG's reserves consisted of a non-distributable amount (legal reserves) of CHF 147.378 million [CHF 147.378 million].

## Treasury shares

	in CHF 1 000
<b>Treasury shares as at 01.01.2016</b>	<b>-209</b>
Share-based compensation, 35 444 shares, CHF 83.83 average transaction price	2 971
Purchase of treasury shares, 34 000 shares, CHF 83.84 average transaction price	-2 851
Income from delivery of treasury shares relating to share-based compensation	-20
<b>Treasury shares as at 31.12.2016</b>	<b>-109</b>
Share-based compensation, 33 495 shares, CHF 87.37 average transaction price	2 927
Purchase of treasury shares, 32 198 shares, CHF 86.45 average transaction price	-2 783
Income from delivery of treasury shares relating to share-based compensation	-38
<b>Treasury shares as at 31.12.2017</b>	<b>-3</b>

Treasury shares are valued at acquisition cost and reported in shareholders' equity as a debit item. Income from delivery of treasury shares relating to share-based compensation is set off directly against capital reserves. As at the balance sheet date, the group companies and the group's employee pension fund foundations held 39 shares [1 336 shares] and 169 200 shares [169 200 shares] of Swiss Prime Site AG, respectively.

## Retained earnings

	in CHF 1 000
<b>Retained earnings as at 01.01.2016</b>	<b>2 521 927</b>
Profit	312 093
Compensation of goodwill from acquisitions of group companies	-68 725
<b>Retained earnings as at 31.12.2016</b>	<b>2 765 295</b>
Profit	305 330
Compensation of goodwill from acquisitions of group companies	-11 544
Goodwill charged to income on sale of group companies	1 131
<b>Retained earnings as at 31.12.2017</b>	<b>3 060 212</b>



## Non-controlling interests

	in CHF 1 000
<b>Non-controlling interests as at 01.01.2016</b>	<b>243</b>
Profit, attributable to non-controlling interests	-963
<b>Non-controlling interests as at 31.12.2016</b>	<b>-720</b>
Profit, attributable to non-controlling interests	153
<b>Non-controlling interests as at 31.12.2017</b>	<b>-567</b>
<b>Shareholders' equity as at 31.12.2017</b>	<b>4 777 470</b>
Shareholders' equity as at 31.12.2016	4 746 280

## Distributions

The Annual General Meeting of 11 April 2017 [12 April 2016] 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 71 478 716 [70 164 320] shares. The distribution from capital contribution reserves amounting to CHF 264.471 million [CHF 259.608 million] was carried out on 20 April 2017 [19 April 2016].

## 24 Key figures per share

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

### Basis for calculation of diluted earnings per share

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Profit attributable to shareholders of Swiss Prime Site AG	312 093	305 330
Interests on convertible bonds, amortisation of proportional costs and tax effects	86	1 671
<b>Relevant profit for calculation of diluted earnings per share</b>	<b>312 179</b>	<b>307 001</b>

### Weighted average number of shares

	01.01.– 31.12.2016	01.01.– 31.12.2017
Shares issued as at 01.01.	69 651 534	71 478 917
Weighted number of shares issued on conversions	1 131 794	–
Average number of treasury shares (360 days)	-2 098	-980
<b>Total weighted average number of shares 01.01.–31.12. (360 days)</b>	<b>70 781 230</b>	<b>71 477 937</b>
Weighted number of shares issued on conversions	-1 131 794	–
Effective number of converted shares	1 827 383	–
Highest possible number of shares that can be issued on conversions	2 372 366	2 372 366
<b>Basis for calculation of diluted earnings per share</b>	<b>73 849 185</b>	<b>73 850 303</b>

### Earnings and net asset value (NAV) per share

in CHF	01.01.– 31.12.2016	01.01.– 31.12.2017
Earnings per share (EPS)	4.41	4.27
Diluted earnings per share	4.23	4.16
Shareholders' equity per share (NAV) before deferred taxes <sup>1</sup>	81.32	82.87
Shareholders' equity per share (NAV) after deferred taxes <sup>1</sup>	66.41	66.85

<sup>1</sup> non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV. Services segment (real estate-related business fields) included at book values only

## 25 Future obligations and contingent liabilities

in CHF 1 000	31.12.2016	31.12.2017
2017	131 333	–
2018	99 983	169 754
2019	55 932	134 616
2020	–	59 455
2021	–	14 738
<b>Total future obligations based on total contractor agreements</b>	<b>287 248</b>	<b>378 563</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	31.12.2016 Outstanding payments in CHF 1 000	31.12.2017 Outstanding payments in CHF 1 000
Basel, Freie Strasse 68/Motel One	2017	350	–
Basel, Hochbergerstrasse 60a/Stückli Business Park 60A-E	2018	–	1 535
Berne, Viktoriastrasse 21, 21a, 21b/Schönburg	2019	100 833	101 878
Berne, Weltpoststrasse 1–3/Weltpostpark	2020	–	59 927
Meyrin, Chemin de Riantbosson, Avenue de Mategnin	2018	23 327	7 581
Meyrin, Route de Pré-Bois 14	2018	7 696	1 340
Plans-les-Ouates, Chemin des Aulx/Espace Tourbillon	2019	133 800	209 747
Zurich, Brandschenkestrasse 25/Motel One	2017	13 792	–
Zurich, Etzelstrasse 14	2017	7 450	555
<b>Total future obligations based on total contractor agreements</b>		<b>287 248</b>	<b>378 563</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 properties in the assisted living sector were in effect:

in CHF 1 000	31.12.2016	31.12.2017
Lease expenses up to 1 year	71 926	78 380
Lease expenses from 1 year up to 5 years	297 658	306 552
Lease expenses over 5 years	871 487	844 693
<b>Total future lease expenses</b>	<b>1 241 071</b>	<b>1 229 625</b>

In the reporting period, CHF 74.011 million [CHF 67.599 million] in real estate costs including land lease expense as well as CHF 0.862 million [CHF 0.773 million] in lease expenses for the rental of office equipment were recognised in other operating expenses.

### Contingent liabilities

There were no contingent liabilities at the balance sheet date or at the end of the previous year, neither securities nor guarantees.

## 26 Pledged assets

in CHF 1 000	31.12.2016	31.12.2017
Fair value of affected investment properties	8 585 721	9 079 235
Nominal value of pledged mortgage notes	4 566 686	4 293 373
Current claim (nominal)	3 031 000	3 149 000

## 27 Transactions with related parties

The Board of Directors, Executive Board, group companies, pension fund foundations of the group, associated companies and their subsidiaries as well as Swiss Prime Investment Foundation, in addition to 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).

Compensation paid to the Board of Directors are effected at 50% in the form of Swiss Prime Site AG shares. The number of Swiss Prime Site AG shares granted to the members of the Board of Directors was determined using the closing price as at the end of the previous year of CHF 83.35 [CHF 78.50], less 10% discount to CHF 75.02 [CHF 70.65]. The shares are subject to blocking for a period of four years. In the reporting year, 8 860 shares [9 889 shares] at a market value of CHF 0.767 million [0.804 million] were transferred to the members of the Board of Directors.

The variable compensation of the members of the Executive Board is designated at 37.5% as performance-based entitlements to shares (performance share units or PSUs) within the scope of a long-term incentive plan (LTI). At the grant date, the individual LTI amount is converted to PSUs based on the volume-weighted average share price of the last 60 trading days prior to the grant date. The PSUs are subject to a three-year vesting period, conditionally upon fulfilment of the performance indicators and continued employment relationship during the vesting period. Earnings per share (EPS) excluding revaluations and deferred taxes constitute the performance indicators. The EPS target for the three-year vesting period is predetermined based on Swiss Prime Site's medium-term financial planning. At the vesting date, the number of allocated PSUs is multiplied by the payout factor in order to define the number of Swiss Prime Site shares that are definitively paid out. The payout factor depends on the achievement of the EPS target and hovers in a range between 0% and 100%.

In the reporting year, 15 201 performance share units were allocated to the Executive Board. The amount was recorded in the consolidated financial statements at the relevant actual price of CHF 88.15 (market share price on the grant date) and allocated over the three-year vesting period. The resulting expense booked in the consolidated income statement amounted to CHF 0.447 million.

### Compensation to the Board of Directors and Executive Board

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Fixed compensation in cash, gross	4 199	3 965
Variable compensation in cash, gross	1 082	1 552
Share-based compensation	1 409	1 214
Other compensation components	59	57
Pension fund contributions	591	550
Other social security contributions	474	501
<b>Total compensation to the Board of Directors and Executive Board</b>	<b>7 814</b>	<b>7 839</b>
Expense allowance	157	155

### Options

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

### Additional fees and compensation

No additional fees and compensation were paid.

### Loans to members of governing bodies

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

### Other related parties

There were existing current accounts payable relative to various pension funds and the SPS and Jelmoli welfare foundation of CHF 3.949 million [CHF 0.430 million]. The accounts receivable relative to the foundation Fondation Espace amounted to CHF 2.592 million [CHF 1.490 million], and the accounts receivable relative to Swiss Prime Investment Foundation amounted to CHF 1.648 million [CHF 0.000 million]. CHF 0.792 million [CHF 0.915 million] was allocated for the provision of real estate services as well as other services for related pension fund foundations. Expenses relative to related foundations amounted to CHF 0.196 million [CHF 0.000 million].

Income from asset management with Swiss Prime Investment Foundation amounted to CHF 9.878 million [CHF 13.199 million]. Income from other real estate services amounted to CHF 1.758 million [CHF 1.417 million] in the reporting year. Swiss Prime Investment Foundation booked rent costs for properties utilised from Swiss Prime Site Group amounting to CHF 4.776 million [CHF 2.823 million].

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

## 28 Group companies and associates

Swiss Prime Site AG holds the following investments:

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

	Field of activity	31.12.2016 Capital in CHF 1 000	Shareholding in %	31.12.2017 Capital in CHF 1 000	Shareholding in %
Bellevue-Bau AG, Winterthur <sup>1</sup>	Real Estate	–	–	6 000	100.0
Clos Bercher SA, Bercher <sup>2</sup>	Assisted living	100	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz	Assisted living	100	100.0	100	100.0
Hôtel Résidence Bristol SA, Montreux	Assisted living	100	100.0	100	100.0
immoveris ag, Berne	Real estate services	200	100.0	200	100.0
Jelmoli AG, Zurich	Retail	6 600	100.0	6 600	100.0
La Fontaine SA, Court	Assisted living	100	100.0	100	100.0
La Résidence des Marronniers SA, Martigny	Assisted living	100	100.0	100	100.0
Leben im Alter AG, Zurich <sup>3</sup>	Assisted living	–	–	100	100.0
Le Manoir AG, Gampelen	Assisted living	100	100.0	100	100.0
Leora S.à r.l., Villeneuve	Assisted living	140	100.0	140	100.0
Les Tourelles S.à r.l., Martigny	Assisted living	20	100.0	20	100.0
Perlavita AG, Zurich <sup>4</sup>	Assisted living	100	100.0	n/a	n/a
Perlavita Rosenau AG, Kirchberg	Assisted living	300	100.0	300	100.0
Quality Inside SA, Crissier	Assisted living	150	100.0	150	100.0
Résidence Bel-Horizon Sàrl, Ecublens	Assisted living	20	100.0	20	100.0
Résidence de la Jardinerie SA, Delémont	Assisted living	100	100.0	100	100.0
Résidence du Bourg SA, Aigle	Assisted living	50	100.0	50	100.0
Résidence Joli Automne SA, Ecublens	Assisted living	100	100.0	100	100.0
Résidence le Pacific SA, Etoy	Assisted living	150	100.0	150	100.0
Résidence l'Eaudine SA, Montreux	Assisted living	100	100.0	100	100.0
Résidence les Sources Saxon SA, Saxon	Assisted living	100	100.0	100	100.0
SENIOfcare AG, Zurich	Assisted living	2 400	100.0	2 400	100.0
SPS Beteiligungen Alpha AG, Olten <sup>5</sup>	Investments	450 000	100.0	450 000	100.0
SPS Beteiligungen Gamma AG, Olten <sup>5</sup>	Investments	300 000	100.0	n/a	n/a
Swiss Prime Site Fund Advisory AG II, Olten	Collective investments	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten <sup>6</sup>	Real estate	50 000	100.0	50 000	100.0
Swiss Prime Site Management AG, Olten <sup>7</sup>	Services	100	100.0	100	100.0
Swiss Prime Site Solutions AG, Zurich <sup>8</sup>	Asset management	–	–	1 500	100.0
Tertianum AG, Zurich <sup>4</sup>	Assisted living	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich	Investments	50 000	100.0	50 000	100.0
Tertianum Management AG, Zurich	Services	500	100.0	500	100.0
Tertianum Romandie Management SA, Crissier	Services	100	100.0	100	100.0
Vitadomo AG, Zurich <sup>4</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	Assisted living	1 000	51.0	1 000	51.0

<sup>1</sup> acquisition as at 30.11.2017

<sup>2</sup> sale as at 10.11.2017

<sup>3</sup> founded as at 19.12.2017

<sup>4</sup> merger of Perlavita AG and Vitadomo AG in Tertianum AG as at 01.01.2017

<sup>5</sup> merger of SPS Beteiligungen Gamma AG in SPS Beteiligungen Alpha AG as at 01.01.2017

<sup>6</sup> rebranded from SPS Immobilien AG to Swiss Prime Site Immobilien AG as at 18.01.2017

<sup>7</sup> rebranded from Swiss Prime Site Group AG to Swiss Prime Site Management AG as at 27.01.2017

<sup>8</sup> founded as at 24.02.2017

Investments in associates valued according to the equity method

Field of activity	31.12.2016 Capital in CHF 1 000	Shareholding in %	31.12.2017 Capital in CHF 1 000	Shareholding in %
Parkgest Holding SA, Geneva	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	5 160	27.1	5 160	27.1

## 29 Major shareholders

Major shareholders (shareholding interest >3%)	31.12.2016 Shareholding interest in %	31.12.2017 Shareholding interest in %
BlackRock Inc., New York	>5.0	>5.0
State Street Corporation, Boston	3.7	3.9
Credit Suisse Funds AG, Zurich	3.2	3.2

## 30 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
- 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.

## 31 Financial instruments and financial risk management

The following table shows the valuation techniques used to determine the fair values 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	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 around 45%, although the Board of Directors can approve a shortfall of this ratio
- A return on equity (ROE) of 6% to 8% is targeted in the long term
- Borrowing with a residual term to maturity of less than one year should account for a maximum of 50% of financial liabilities
- The objective is a balanced maturity profile of the financial liabilities

### Selected group key figures

in %	31.12.2016	31.12.2017
Loan-to-value ratio of the real estate portfolio (LTV) <sup>1</sup>	44.4	45.6
Non-current financial liabilities relative to real estate portfolio <sup>1</sup>	37.7	39.7
Current financial liabilities relative to overall financial liabilities	15.1	12.8
Current assets relative to current liabilities	36.1	35.4
Equity ratio	45.0	43.1
Borrowed capital ratio	55.0	56.9
Return on equity (ROE)	6.6	6.4
Return on invested capital (ROIC)	3.8	3.5

<sup>1</sup> without derivatives

To minimise refinancing risk on the part of lenders and to avoid cluster risks, diversification of lenders as well as the financial instruments receive particular attention when borrowing capital.

Interest commitment is determined, among other things, by taking into account cash flow from operating activities, the intended purchases and sales of properties, as well as the potential trends exhibited by the financial markets, inflation and interest rates.

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

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

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

in CHF 1 000	31.12.2017 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
Current financial liabilities	621 585	624 832	2 075	419 227	1 119	202 411	-	-	-	-	-	-
Accounts payable	17 938	17 938	-	17 938	-	-	-	-	-	-	-	-
Other current liabilities	154 889	154 889	-	154 889	-	-	-	-	-	-	-	-
Non-current financial liabilities (without derivatives)	4 226 561	4 543 788	33 478	-	33 478	-	64 208	660 999	105 675	1 653 030	71 216	1 921 704
<b>Total non-derivative financial liabilities</b>	<b>5 020 973</b>	<b>5 341 447</b>	<b>35 553</b>	<b>592 054</b>	<b>34 597</b>	<b>202 411</b>	<b>64 208</b>	<b>660 999</b>	<b>105 675</b>	<b>1 653 030</b>	<b>71 216</b>	<b>1 921 704</b>
Derivatives with negative fair value	2 399	2 597	-	402	-	409	-	810	-	976	-	-
<b>Total derivative financial liabilities</b>	<b>2 399</b>	<b>2 597</b>	<b>-</b>	<b>402</b>	<b>-</b>	<b>409</b>	<b>-</b>	<b>810</b>	<b>-</b>	<b>976</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities</b>	<b>5 023 372</b>	<b>5 344 044</b>	<b>35 553</b>	<b>592 456</b>	<b>34 597</b>	<b>202 820</b>	<b>64 208</b>	<b>661 809</b>	<b>105 675</b>	<b>1 654 006</b>	<b>71 216</b>	<b>1 921 704</b>

in CHF 1 000	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
Current financial liabilities	678 136	685 291	5 114	347 665	2 041	330 471	-	-	-	-	-	-
Accounts payable	15 088	15 088	-	15 088	-	-	-	-	-	-	-	-
Other current liabilities	126 975	126 975	-	126 975	-	-	-	-	-	-	-	-
Non-current financial liabilities (without derivatives)	3 801 973	4 116 886	32 708	-	32 465	-	63 378	280 422	124 893	2 130 017	51 335	1 401 668
<b>Total non-derivative financial liabilities</b>	<b>4 622 172</b>	<b>4 944 240</b>	<b>37 822</b>	<b>489 728</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>4 625 708</b>	<b>4 947 549</b>	<b>37 822</b>	<b>490 250</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>

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.7 [4.5] years due to the contractual maturities.



### Currency risks

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

### Credit risks

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

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

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

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

### Maximum default risks

in CHF 1 000	31.12.2016	31.12.2017
Sight deposits	157 632	156 368
Securities	479	483
Accounts receivable	93 946	81 927
Other current receivables	8 261	9 685
Non-current financial investments	2 750	3 374
<b>Maximum credit risk</b>	<b>263 068</b>	<b>251 837</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	31.12.2016	31.12.2017
<b>Fixed interest-bearing financial instruments</b>		
Financial assets	1 260	1 012
Financial liabilities	4 490 243	4 857 371
<b>Surplus of fixed interest-bearing financial liabilities</b>	<b>4 488 983</b>	<b>4 856 359</b>
<b>Variable interest-bearing financial instruments</b>		
Financial assets	159 122	158 730
<b>Surplus of variable interest-bearing financial assets</b>	<b>159 122</b>	<b>158 730</b>

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

The group's cash is invested on a short-term basis. For more information regarding interest-bearing borrowed capital, refer to note 20 «Financial liabilities».

## Current and non-current financial liabilities categorised by interest rate

in CHF 1 000	31.12.2016 Total nominal value	31.12.2017 Total nominal value
Financial liabilities up to 1.00%	875 800	1 308 800
Financial liabilities up to 1.50%	666 000	1 006 000
Financial liabilities up to 2.00%	876 600	874 800
Financial liabilities up to 2.50%	1 194 400	1 164 400
Financial liabilities up to 3.00%	673 092	481 564
Financial liabilities up to 3.50%	–	–
Financial liabilities up to 4.00%	192 282	20 076
Financial liabilities up to 4.50%	10 813	589
Financial liabilities up to 5.00%	1 256	1 142
<b>Total financial liabilities</b>	<b>4 490 243</b>	<b>4 857 371</b>

The weighted average interest rate for all interest-bearing financial liabilities amounted to 1.5% [1.8%]. 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. A change in interest rates would therefore not affect the financial result.

### 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	2016	2017
Change of interest result with increase of interest rate by 0.50%	287	200
Change of interest result with decrease of interest rate by 0.50%	–287	–200

### 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 Swiss GAAP FER 27 «Derivative financial instruments» is used. Swaps are balanced on a net basis.

### Other price risks

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 corresponded to the stock exchange price as at the balance sheet date.

## 32 Events after the balance sheet date

The consolidated financial statements were approved for publication by the Board of Directors on 23 February 2018 and are subject to the approval of the Annual General Meeting of Swiss Prime Site AG of 27 March 2018.

There were no other events occurring between 31 December 2017 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 2017, 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 2017, the consolidated income statement, 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 principles.

In our opinion the consolidated financial statements (pages 24 to 74, 102-108) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER 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 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 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



**Valuation of investment properties**



**Completeness and accuracy of deferred tax liabilities**

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 investment properties

### Key Audit Matter

Investment properties form a substantial part of the balance sheet and showed an overall fair value of TCHF 10'617'826 as at 31 December 2017.

The Group's total investment properties are 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 investment properties, 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 investment properties' fair value to changes in discount rates.

For further information on the valuation of the investment properties refer to the following:

- Note 2 "Summary of significant accounting principles" to the consolidated financial statements
- Note 16 "Investment properties" to the consolidated financial statements
- Valuation Expert's Report, Wüest Partner AG, Zurich



## Completeness and accuracy of deferred tax liabilities

### Key Audit Matter

As at 31 December 2017, deferred tax liabilities amounted to TCHF 1,145,331.

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 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” to the consolidated financial statements
- Note 10 “Income taxes” to the consolidated financial statements
- Note 21 “Deferred tax liabilities” to the consolidated financial statements

### 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.



### **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 Swiss GAAP FER, 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 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 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

Anna Pohle  
Licensed Audit Expert

Zurich, 23 February 2018





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

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## Income statement

in CHF 1 000	Notes	01.01.– 31.12.2016	01.01.– 31.12.2017
Dividend income	2.1	23 200	24 600
Other financial income	2.2	64 511	59 493
Other operating income		7	2
<b>Total operating income</b>		<b>87 718</b>	<b>84 095</b>
Financial expenses	2.3	–81 341	–77 067
Personnel costs		–1 749	–1 799
Other operating expenses	2.4	–4 560	–5 132
<b>Total operating expenses</b>		<b>–87 650</b>	<b>–83 998</b>
<b>Result before taxes</b>		<b>68</b>	<b>97</b>
Direct taxes		–	–8
<b>Profit</b>	<b>4</b>	<b>68</b>	<b>89</b>

## Balance sheet

in CHF 1 000	Notes	31.12.2016	31.12.2017
<b>Assets</b>			
Cash		1 842	758
Securities with market price		216	225
Other current receivables	2.5	23 316	24 778
Accrued income and prepaid expenses		1 648	1 573
<b>Total current assets</b>		<b>27 022</b>	<b>27 334</b>
Financial investments	2.6	2 955 691	3 060 714
Investments in subsidiaries	2.7	4 029 071	4 029 071
Accrued income and prepaid expenses		5 039	4 526
<b>Total non-current assets</b>		<b>6 989 801</b>	<b>7 094 311</b>
<b>Total assets</b>		<b>7 016 823</b>	<b>7 121 645</b>
<b>Liabilities and shareholders' equity</b>			
Current interest-bearing liabilities	2.8	677 200	620 800
Other current liabilities	2.9	6 217	7 980
Accrued expenses and deferred income		434	710
<b>Total current liabilities</b>		<b>683 851</b>	<b>629 490</b>
Non-current interest-bearing liabilities	2.10	3 722 800	4 147 200
Other non-current liabilities		3 338	2 398
<b>Total non-current liabilities</b>		<b>3 726 138</b>	<b>4 149 598</b>
<b>Total liabilities</b>		<b>4 409 989</b>	<b>4 779 088</b>
Share capital		1 093 627	1 093 627
Statutory reserves			
Statutory reserves from capital contributions		869 673	605 202
Legal retained earnings			
Reserves for treasury shares		–	–
Other legal retained earnings		147 378	147 378
Voluntary retained earnings			
Balance sheet profit	4	335 239	335 328
Other voluntary retained earnings		161 025	161 025
Treasury shares	2.11	–108	–3
<b>Total shareholders' equity</b>		<b>2 606 834</b>	<b>2 342 557</b>
<b>Total liabilities and shareholders' equity</b>		<b>7 016 823</b>	<b>7 121 645</b>

## **1 Accounting principles and valuation**

### **1.1 In 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). The significant valuation principles applied, but not mandatory 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 shares allocated 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 the consolidated financial statements according to recognised accounting standards (Swiss GAAP FER), 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 dividend of SPS Beteiligungen Alpha AG of CHF 24.600 million [CHF 23.200 million] for the financial year 2017. The dividends were recorded as receivables. This procedure was permissible since the companies closed their accounts on the same balance sheet date, and the resolution of the dividend payment was concluded.

## 2.2 Other financial income

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Interests on loans from group companies	61 393	58 219
Valuation of financial instruments	3 059	940
Other financial income	59	334
<b>Total</b>	<b>64 511</b>	<b>59 493</b>

## 2.3 Financial expenses

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Interests on loans	–64 948	–57 087
Interest expenses on bonds and convertible bonds	–14 550	–18 336
Amortisation of cost of bonds and convertible bonds	–1 431	–1 406
Other financial expenses	–412	–238
<b>Total</b>	<b>–81 341</b>	<b>–77 067</b>

## 2.4 Other operating expenses

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
Administration costs	–2 750	–3 501
Capital taxes	–223	–211
Other operating expenses	–1 587	–1 420
<b>Total</b>	<b>–4 560</b>	<b>–5 132</b>

## 2.5 Other current receivables

in CHF 1 000	31.12.2016	31.12.2017
Other current receivables from third parties	94	178
Other current receivables from group companies	23 222	24 600
<b>Total</b>	<b>23 316</b>	<b>24 778</b>

## 2.6 Financial investments

in CHF 1 000	31.12.2016	31.12.2017
Loans to group companies	2 955 691	3 060 714
<b>Total</b>	<b>2 955 691</b>	<b>3 060 714</b>

## 2.7 Investments

### Direct investments

	31.12.2016 Capital in CHF 1 000	Shareholding interest in %	31.12.2017 Capital in CHF 1 000	Shareholding interest in %
SPS Beteiligungen Alpha AG, Olten <sup>1</sup>	450 000	100.0	450 000	100.0

<sup>1</sup> merge of SPS Beteiligungen Gamma AG in SPS Beteiligungen Alpha AG as at 01.01.2017

## Indirect investments

	31.12.2016 Capital in CHF 1 000	Shareholding interest in %	31.12.2017 Capital in CHF 1 000	Shareholding interest in %
Bellevue-Bau AG, Winterthur <sup>1</sup>	–	–	6 000	100.0
Clos Bercher SA, Bercher <sup>2</sup>	100	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz	100	100.0	100	100.0
Hôtel Résidence Bristol SA, Montreux	100	100.0	100	100.0
immoveris ag, Berne	200	100.0	200	100.0
Jelmoli AG, Zurich	6 600	100.0	6 600	100.0
La Fontaine SA, Court	100	100.0	100	100.0
La Résidence des Marronniers SA, Martigny	100	100.0	100	100.0
Leben im Alter AG, Zurich <sup>3</sup>	–	–	100	100.0
Le Manoir AG, Gampelen	100	100.0	100	100.0
Leora S.à r.l., Villeneuve	140	100.0	140	100.0
Les Tourelles S.à r.l., Martigny	20	100.0	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 <sup>4</sup>	100	100.0	n/a	n/a
Perlavita Rosenau AG, Kirchberg	300	100.0	300	100.0
Quality Inside SA, Crissier	150	100.0	150	100.0
Résidence Bel-Horizon Sàrl, Ecublens	20	100.0	20	100.0
Résidence de la Jardinerie SA, Delémont	100	100.0	100	100.0
Résidence du Bourg SA, Aigle	50	100.0	50	100.0
Résidence Joli Automne SA, Ecublens	100	100.0	100	100.0
Résidence le Pacific SA, Etoy	150	100.0	150	100.0
Résidence l'Eaudine SA, Montreux	100	100.0	100	100.0
Résidence les Sources Saxon SA, Saxon	100	100.0	100	100.0
SENIOfcare AG, Zurich	2 400	100.0	2 400	100.0
SPS Beteiligungen Gamma AG, Olten <sup>5</sup>	300 000	100.0	n/a	n/a
Swiss Prime Site Fund Advisory AG II, Olten	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten <sup>6</sup>	50 000	100.0	50 000	100.0
Swiss Prime Site Management AG, Olten <sup>7</sup>	100	100.0	100	100.0
Swiss Prime Site Solutions AG, Zurich <sup>8</sup>	–	–	1 500	100.0
Tertianum AG, Zurich <sup>4</sup>	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich	50 000	100.0	50 000	100.0
Tertianum Management AG, Zurich	500	100.0	500	100.0
Tertianum Romandie Management SA, Crissier	100	100.0	100	100.0
Vitadomo AG, Zurich <sup>4</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	1 000	51.0	1 000	51.0

<sup>1</sup> acquisition as at 30.11.2017

<sup>2</sup> sale as at 10.11.2017

<sup>3</sup> founded as at 19.12.2017

<sup>4</sup> merge of Perlavita AG and Vitadomo AG in Tertianum AG as at 01.01.2017

<sup>5</sup> merge of SPS Beteiligungen Gamma AG in SPS Beteiligungen Alpha AG as at 01.01.2017

<sup>6</sup> rebranded from SPS Immobilien AG to Swiss Prime Site Immobilien AG as at 18.01.2017

<sup>7</sup> rebranded from Swiss Prime Site Group AG in Swiss Prime Site Management AG as at 27.01.2017

<sup>8</sup> founded as at 24.02.2017

## 2.8 Current interest-bearing liabilities

in CHF 1 000	31.12.2016	31.12.2017
Bonds	–	115 000
Other current interest-bearing liabilities	677 200	505 800
<b>Total</b>	<b>677 200</b>	<b>620 800</b>

## 2.9 Other current liabilities

in CHF 1 000	31.12.2016	31.12.2017
Other current liabilities to group companies	–	455
Other current liabilities to shareholders	153	172
Other current liabilities to third parties	6 064	7 353
<b>Total</b>	<b>6 217</b>	<b>7 980</b>

## 2.10 Non-current interest-bearing liabilities

in CHF 1 000	31.12.2016	31.12.2017
Convertible bonds	250 000	250 000
Bonds	1 195 000	1 330 000
Other non-current interest-bearing liabilities	2 277 800	2 567 200
<b>Total</b>	<b>3 722 800</b>	<b>4 147 200</b>

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

in CHF 1 000	31.12.2016	31.12.2017
Up to five years	2 330 800	2 235 200
Over five years	1 392 000	1 912 000
<b>Total</b>	<b>3 722 800</b>	<b>4 147 200</b>

Further information regarding bonds and convertible bonds is included in notes 3.2 «Convertible bond» and 3.3 «Bonds».

## 2.11 Treasury shares

Swiss Prime Site AG held 39 [1 336] treasury shares on the balance sheet date. Purchases and sales were carried out at the respective daily market rates.

Change in number of treasury shares	Volume-weighted average share price in CHF	2016 Number of treasury shares	Volume-weighted average share price in CHF	2017 Number of treasury shares
Holdings of treasury shares on 01.01.	–	2 741	–	1 336
Purchases at the volume-weighted average share price	81.05	9 000	86.58	8 698
Share-based compensation	81.23	–9 889	86.62	–8 860
Sales at the volume-weighted average share price <sup>1</sup>	84.61	–516	87.70	–1 135
Holdings of treasury shares on 31.12.	–	1 336	–	39

<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 bond

		CHF 250 m 2023
Issuing volume, nominal	CHF m	250.000
<b>Book value as at 31.12.2017</b>	<b>CHF m</b>	<b>250.000</b>
Book value as at 31.12.2016	CHF m	250.000
Conversion price	CHF	105.38
Interest rate	%	0.25
Term to maturity	years	7
Maturity	date	16.06.2023
Securities number		32 811 156 (SPS16)

#### 3.3 Bonds

		CHF 115 m 2018	CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021
Issuing volume, nominal	CHF m	115.000	200.000	230.000	300.000
<b>Book value as at 31.12.2017</b>	<b>CHF m</b>	<b>115.000</b>	<b>200.000</b>	<b>230.000</b>	<b>300.000</b>
Book value as at 31.12.2016	CHF m	115.000	200.000	230.000	300.000
Interest rate	%	1.125	1.0	2.0	1.75
Term to maturity	years	5	5	7	7
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)

		CHF 100 m 2024	CHF 250 m 2025	CHF 250 m 2026
Issuing volume, nominal	CHF m	100.000	250.000	250.000
<b>Book value as at 31.12.2017</b>	<b>CHF m</b>	<b>100.000</b>	<b>250.000</b>	<b>250.000</b>
Book value as at 31.12.2016	CHF m	100.000	250.000	0.000
Interest rate	%	2.0	0.5	0.825
Term to maturity	years	10	9	9
Maturity	date	10.12.2024	03.11.2025	11.05.2026
Securities number		25 704 217 (SPS142)	33 764 553 (SPS 161)	36 067 729 (SPS17)



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

Number of shares	31.12.2016	31.12.2017
<b>Board of Directors</b>		
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	36 133	38 465
Mario F. Seris, Vice-Chairman of the BoD	9 738	11 004
Dr. Elisabeth Bourqui, member of the BoD	849	2 048
Christopher M. Chambers, member of the BoD	46 801	48 000
Markus Graf, member of the BoD <sup>1</sup>	27 860	n/a
Dr. Bernhard Hammer, member of the BoD <sup>2</sup>	11 019	n/a
Dr. Rudolf Huber, member of the BoD	24 100	25 366
Klaus R. Wecken, member of the BoD	715 000	380 000
<b>Executive Board</b>		
René Zahnd, member of the Executive Board (CEO)	–	3 327
Markus Meier, member of the Executive Board (CFO)	4 327	6 073
Peter Lehmann, member of the Executive Board and CEO of Swiss Prime Site Immobilien AG	10 500	10 000
Oliver Hofmann, member of the Executive Board and CEO of Wincasa AG	300	75
Franco Savastano, member of the Executive Board and CEO of Jelmoli - The House of Brands	–	–
Dr. Luca Stäger, member of the Executive Board and CEO of Tertianum Gruppe AG	1 484	2 157
<b>Total share ownership</b>	<b>888 111</b>	<b>526 515</b>

<sup>1</sup> until 08.12.2017

<sup>2</sup> until 11.04.2017

### 3.5 Major shareholders

Major shareholders (shareholding interest >3%)	31.12.2016 Shareholding interest in %	31.12.2017 Shareholding interest in %
BlackRock Inc., New York	>5.0	>5.0
State Street Corporation, Boston	3.7	3.9
Credit Suisse Funds AG, Zurich	3.2	3.2

### 3.6 Significant events after the balance sheet date

There were no significant events 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 2017 of CHF 335.328 million as follows:

in CHF 1 000	31.12.2016	31.12.2017
Retained earnings brought forward	335 171	335 239
Profit	68	89
<b>Total balance sheet profit</b>	<b>335 239</b>	<b>335 328</b>
Dividend payment	–	–
<b>Balance brought forward to new account</b>	<b>335 239</b>	<b>335 328</b>

The Board of Directors proposes to the Annual General Meeting of 27 March 2018 a withholding tax-exempt distribution of CHF 3.80 per share from capital contribution reserves. Based on the total 71 478 917 shares issued as at 23 February 2018, this distribution is equivalent to a reduction in the capital contribution reserves of CHF 271.620 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 2017, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting principles.

In our opinion the financial statements (pages 82 to 90) for the year ended 31 December 2017 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

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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

Anna Pohle  
Licensed Audit Expert

Zurich, 23 February 2018

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

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# **EPRA KEY FIGURES**

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## EPRA key figures (European Public Real Estate Association)

### EPRA earnings and EPRA earnings per share

in CHF 1 000	01.01.– 31.12.2016	01.01.– 31.12.2017
<b>Earnings per consolidated income statement</b>	<b>311 130</b>	<b>305 483</b>
Excluding:		
Revaluations of investment properties	-69 327	-65 879
Result from real estate developments	-	-27 482
Result from investment property sales	-24 947	-262
Tax on profits on disposals	5 178	49
Negative goodwill/goodwill impairment	n/a	n/a
Changes in fair value of financial instruments	-3 765	-1 229
Transaction costs on acquisitions of group companies and associated companies	1 867	342
Deferred taxes in respect of EPRA adjustments	11 444	21 130
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>231 580</b>	<b>232 152</b>
Average number of outstanding shares	70 781 230	71 477 937
<b>EPRA earnings per share in CHF</b>	<b>3.27</b>	<b>3.25</b>

### EPRA net asset value (NAV)

in CHF 1 000	31.12.2016	31.12.2017
<b>NAV as per consolidated balance sheet</b>	<b>4 747 000</b>	<b>4 778 037</b>
Dilution effects from exercise of options, convertibles and other equity instruments	243 241	244 287
Diluted NAV, after the exercise of options, convertibles and other equity instruments	4 990 241	5 022 324
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	3 536	2 399
Deferred taxes	1 053 735	1 136 162
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>6 047 512</b>	<b>6 160 885</b>
Number of outstanding shares (diluted)	73 849 947	73 851 244
<b>EPRA NAV per share in CHF</b>	<b>81.89</b>	<b>83.42</b>

<sup>1</sup> if FER 18 cost option is used

Preparation of the consolidated financial statements has been carried out in accordance with Swiss GAAP FER since the beginning of 2017. The previous year's figures were adjusted accordingly (restatement).

## EPRA triple net asset value (NNNAV)

in CHF 1000	31.12.2016	31.12.2017
EPRA NAV	6 047 512	6 160 885
Excluding:		
Fair value of derivative financial instruments	-3 536	-2 399
Revaluation of financial debts	-158 497	-139 280
Deferred taxes	-1 042 640	-1 126 412
<b>EPRA NNNAV</b>	<b>4 842 839</b>	<b>4 892 794</b>
Number of outstanding shares (diluted)	73 849 947	73 851 244
<b>EPRA NNNAV per share in CHF</b>	<b>65.58</b>	<b>66.25</b>

## EPRA net yield on rental income (NIY)

in CHF 1000	31.12.2016	31.12.2017
Investment properties - wholly owned	10 092 100	10 633 050
Investment properties - share of joint ventures/funds	n/a	n/a
Less properties under construction and development sites, building land and trading properties	-343 229	-445 860
<b>Value of completed property portfolio</b>	<b>9 748 871</b>	<b>10 187 190</b>
Allowance for estimated purchasers' costs	n/a	n/a
<b>Gross up value of completed property portfolio</b>	<b>A 9 748 871</b>	<b>10 187 190</b>
Annualised rental income	428 055	442 378
Property outgoings	-61 059	-59 847
<b>Annualised net rental income</b>	<b>B 366 996</b>	<b>382 531</b>
Add: notional rent expiration of rent-free periods or other lease incentives	7 940	7 965
<b>Topped-up net annualised rental income</b>	<b>C 374 936</b>	<b>390 496</b>
<b>EPRA NIY</b>	<b>B/A 3.8%</b>	<b>3.8%</b>
<b>EPRA topped-up NIY</b>	<b>C/A 3.8%</b>	<b>3.8%</b>

## EPRA vacancy rate

in CHF 1000	31.12.2016	31.12.2017
Estimated rental value of vacant space	24 285	22 513
Estimated rental value of the whole portfolio	454 617	466 626
<b>EPRA vacancy rate</b>	<b>5.3%</b>	<b>4.8%</b>

Preparation of the consolidated financial statements has been carried out in accordance with Swiss GAAP FER since the beginning of 2017. The previous year's figures were adjusted accordingly (restatement).





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**FIVE-YEAR  
SUMMARY OF  
KEY FIGURES**

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## Five-year summary of key figures

		IFRS			Swiss GAAP FER	
		in	31.12.2013	31.12.2014	31.12.2015	31.12.2016
Fair value of real estate portfolio <sup>1</sup>	CHF m	9 339.5	9 785.0	9 686.6	10 092.1	10 633.1
Rental income from properties	CHF m	420.1	443.1	445.9	453.0	469.9
Vacancy rate	%	6.4	6.6	6.7	6.1	5.2
Net property yield	%	4.2	4.1	3.9	3.7	3.7
Income from sale of trading properties	CHF m	–	–	105.1	–	–
Income from real estate developments	CHF m	–	–	–	–	51.7
Income from real estate services <sup>2</sup>	CHF m	98.6	100.1	109.0	115.6	120.0
Income from retail	CHF m	156.2	151.9	136.8	133.6	136.2
Income from assisted living <sup>3</sup>	CHF m	85.7	153.3	184.2	328.2	359.9
Income from asset management	CHF m	–	–	7.9	13.2	9.9
Total operating income	CHF m	764.7	852.7	995.2	1 049.5	1 154.8
Operating result before depreciation and amortisation (EBITDA)	CHF m	565.9	497.9	582.6	483.4	487.1
Operating result (EBIT)	CHF m	539.2	462.8	553.4	459.4	470.6
Profit	CHF m	343.9	286.7	355.1	311.1	305.5
Shareholders' equity	CHF m	4 107.3	4 201.8	4 956.0	4 746.3	4 777.5
Equity ratio	%	39.1	39.6	46.4	45.0	43.1
Borrowed capital	CHF m	6 404.8	6 400.3	5 734.6	5 811.7	6 317.6
Borrowed capital ratio	%	60.9	60.4	53.6	55.0	56.9
Total shareholders' equity and borrowed capital	CHF m	10 512.2	10 602.1	10 690.6	10 558.0	11 095.1
Interest-bearing financial liabilities	CHF m	5 066.7	4 963.7	4 261.6	4 480.1	4 848.1
Interest-bearing financial liabilities in % of balance sheet total	%	48.2	46.8	39.9	42.4	43.7
Loan-to-value ratio of property portfolio (LTV)	%	54.1	50.7	44.0	44.4	45.6
Weighted average interest rate on financial liabilities	%	2.2	2.2	2.1	1.8	1.5
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.0	4.7	4.4	4.5	4.7
Return on equity (ROE)	%	9.1	7.0	7.6	6.6	6.4
Return on invested capital (ROIC)	%	4.6	3.7	4.3	3.8	3.5
Cash flow from operating activities	CHF m	–74.0	729.7	388.4	277.7	458.1
Cash flow from investing activities	CHF m	–349.7	–280.4	100.4	–365.5	–394.6
Cash flow from financing activities	CHF m	425.6	–395.8	–511.1	13.2	–64.7
<b>Key financial figures excluding revaluations and deferred taxes</b>						
Operating result (EBIT)	CHF m	352.5	349.6	428.9	390.1	404.8
Profit	CHF m	222.8	236.0	280.8	275.6	307.4
Return on equity (ROE)	%	6.1	5.9	6.1	5.9	6.4
Return on invested capital (ROIC)	%	3.4	3.2	3.6	3.5	3.6

<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> acquisition of BOAS Senior Care as at 29.02.2016

Preparation of the consolidated financial statements has been carried out in accordance with Swiss GAAP FER since the beginning of 2017. The previous year's figures were adjusted accordingly (restatement). The years 2013 to 2015 are presented according to IFRS.

## Five-year summary of key figures

Key figures per share	in	IFRS			Swiss GAAP FER	
		31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Share price at end of period	CHF	69.05	73.00	78.50	83.35	90.00
Share price, highest	CHF	78.45	76.00	87.80	90.65	91.00
Share price, lowest	CHF	66.35	68.95	70.65	74.95	82.25
Earnings per share (EPS)	CHF	5.70	4.72	5.30	4.41	4.27
Earnings per share (EPS) excluding revaluations and deferred taxes	CHF	3.69	3.90	4.20	3.91	4.30
NAV before deferred taxes <sup>1</sup>	CHF	82.65	84.77	85.83	81.32	82.87
NAV after deferred taxes <sup>1</sup>	CHF	67.91	69.06	71.15	66.41	66.85
Distribution from capital contribution reserves <sup>2</sup>	CHF	3.60	3.70	3.70	3.70	3.80
Cash yield on closing price of the previous year <sup>2</sup>	%	5.2	5.1	4.7	4.4	4.2
Share performance (TR) p.a. in the last 12 months	%	-5.1	10.9	13.7	10.9	12.6
Share performance (TR) p.a. in the last 3 years	%	5.0	6.5	6.2	12.0	11.6
Share performance (TR) p.a. in the last 5 years	%	12.4	10.3	7.8	8.8	8.4
Market capitalisation	CHF m	4 177.7	4 439.9	5 467.6	5 957.8	6 433.1
<b>Employees</b>						
Number of employees	people	3 105	3 097	4 446	5 621	5 910
Full-time equivalents	FTE	2 321	2 370	3 311	4 558	4 868
<b>Share statistics</b>						
Shares issued	number	60 503 081	60 820 602	69 651 534	71 478 917	71 478 917
Average treasury shares held	number	-5 847	-6 458	-6 506	-2 098	-980
Average outstanding shares	number	60 368 821	60 512 651	67 127 792	70 781 230	71 477 937
Treasury shares held	number	-18 916	-2 682	-2 780	-1 336	-39
Outstanding shares	number	60 484 165	60 817 920	69 648 754	71 477 581	71 478 878

<sup>1</sup> non-controlling interests recognised in shareholders' equity were not included in the calculation of the NAV. Services segment (real estate-related business fields) included at book values only

<sup>2</sup> 31.12.2017, according to proposal to Annual General Meeting

Preparation of the consolidated financial statements has been carried out in accordance with Swiss GAAP FER since the beginning of 2017. The previous year's figures were adjusted accordingly (restatement). The years 2013 to 2015 are presented according to IFRS.



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# PROPERTY DETAILS

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## Investment properties

Property details as at 31.12.2017

Overview of type of use

City/address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m <sup>2</sup>	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 %
Aarau, Bahnhofstrasse 23	16200	740	-	sole ownership	1946	1986	685	2069	60.8	12.3	-	-	26.9	-
Amriswil, Weinfelderstrasse 74	7015	473	3.5	sole ownership	2004		3672	3084	42.0	0.7	41.7	-	4.8	10.8
Baar, Grabenstrasse 17, 19	32070	1208	-	sole ownership	2015		2084	3685	-	95.8	-	-	4.2	-
Baar, Zugerstrasse 57, 63	65390	2414	-	sole ownership	2009		6029	8999	-	89.8	-	-	6.7	3.5
Baden, Bahnhofstrasse 2	10300	405	-	sole ownership	1927	1975	212	979	93.4	-	-	-	6.6	-
Baden, Weite Gasse 34, 36	9281	439	-	sole ownership	1953	1975	366	1565	37.7	40.4	-	-	10.8	11.1
Basel, Aeschenvorstadt 2-4	47860	2060	-	sole ownership	1960	2005	1362	6219	17.3	63.6	-	-	18.6	0.5
Basel, Barfüsserplatz 3	39640	1709	-	sole ownership	1874	1993	751	3864	46.8	33.2	-	-	19.9	0.1
Basel, Centralbahnplatz 9/10	22240	834	-	sole ownership	1870/ 2005	2005	403	1445	8.5	37.9	21.0	-	11.8	20.8
Basel, Elisabethenstrasse 15	29560	1341	5.8	sole ownership	1933	1993	953	4265	20.8	72.5	-	-	6.7	-
Basel, Freie Strasse 26/ Falknerstrasse 3	38860	1339	6.0	sole ownership	1854	1980	471	2870	43.6	50.3	-	-	6.1	-
Basel, Freie Strasse 36	47810	1689	-	sole ownership	1894	2003	517	2429	59.3	13.6	-	-	11.5	15.6
Basel, Freie Strasse 68	69650	2737	-	sole ownership	1930	2015/ 2016	1461	8200	19.5	1.2	4.8	58.1	15.9	0.5
Basel, Henric Petri-Strasse 9/ Elisabethenstrasse 19	31210	1493	2.6	sole ownership	1949	1985	2387	6723	4.2	74.8	-	-	21.0	-
Basel, Hochbergerstrasse 40/ parking	4900	593	42.5	sole ownership land lease	1976		4209	-	-	-	-	-	-	-
Basel, Hochbergerstrasse 60/ building 805	4040	302	-	sole ownership	1958	2006	5420	4782	-	23.4	-	-	10.5	66.1
Basel, Hochbergerstrasse 60/ building 860	2382	161	35.8	sole ownership	1990		980	897	-	82.2	-	-	14.1	3.7
Basel, Hochbergerstrasse 60/ Stückli Park	120580	6139	13.3	sole ownership	2008		8343	37438	-	85.8	0.6	-	4.8	8.8
Basel, Hochbergerstrasse 62	9262	424	-	sole ownership	2005		2680	-	-	-	-	-	-	-
Basel, Hochbergerstrasse 70/ Stückli Park (Shopping)	172750	13487	19.8	sole ownership	2009		46416	54338	60.3	8.0	18.0	-	12.1	1.6
Basel, Messeplatz 12/Meseturm	218060	7979	-	sole ownership partial land lease	2003		2137	24103	0.7	54.2	41.7	-	3.2	0.2
Basel, Peter Merian-Strasse 80	53240	2600	1.1	freehold property	1999		19214	9109	-	85.3	-	-	14.7	-
Basel, Rebgasse 20	39670	2605	0.1	sole ownership	1973	1998	3713	9061	46.5	11.3	13.9	-	26.6	1.7
Belp, Aemmenmattstrasse 43	13780	1615	52.3	sole ownership	1991		5863	9353	-	74.8	5.3	-	17.8	2.1
Berlingen, Seestrasse 83, 88, 101, 154	36180	1970	-	sole ownership	1948- 1998		10321	8650	-	-	-	100.0	-	-
Berlingen, Seestrasse 110	1411	154	31.7	sole ownership	1992		1293	1882	-	100.0	-	-	-	-
Berne, Bahnhofplatz 9	16600	704	-	sole ownership	1930	1985	275	1616	67.5	-	-	-	32.5	-
Berne, Genfergasse 14	114250	4262	-	sole ownership	1905	1998	4602	15801	4.1	85.0	-	-	0.7	10.2
Berne, Laupenstrasse 6	12370	594	-	sole ownership	1911	1998	503	2067	41.4	49.8	-	-	0.3	8.5
Berne, Mingerstrasse 12-18/ PostFinance Arena	116700	6591	-	sole ownership land lease	1969/ 2009	2009	29098	46348	0.2	17.8	-	-	0.1	81.9
Berne, Schwarztorstrasse 48	50270	2797	-	sole ownership	1981	2011	1959	8148	-	75.7	-	-	23.0	1.3
Berne, Wankdorffallee 4/ EspacePost	173600	8150	-	sole ownership land lease	2014		5244	33647	-	94.2	-	-	4.9	0.9
Berne, Weltpoststrasse 5	73480	5505	13.0	sole ownership land lease	1975/ 1985	2013	19374	25482	-	67.9	4.6	-	20.1	7.4
Biel, Solothurnstrasse 122	8503	509	0.2	sole ownership land lease	1961	1993	3885	3319	74.9	2.7	-	-	15.3	7.1
Brugg, Hauptstrasse 2	15690	1049	8.6	sole ownership	1958	2000	3364	4224	60.3	4.1	3.5	-	30.6	1.5
Buchs, St. Gallerstrasse 5	6060	423	7.5	sole ownership	1995		2192	1784	13.2	60.1	-	-	18.3	8.4
Burgdorf, Emmentalstrasse 14	7277	551	69.2	sole ownership	1972	1998	1845	2061	46.2	43.5	-	-	8.6	1.7
Burgdorf, Industrie Buchmatt	13540	779	-	sole ownership partial land lease	1973		15141	11967	2.9	5.4	-	-	89.3	2.4

## Investment properties

Property details as at 31.12.2017

Overview of type of use

City/address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m <sup>2</sup>	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>Carouge,</b> Avenue Cardinal-Merillod 36–44	150 230	9 094	2.8	sole ownership	1956	2002	14 372	35 069	23.7	56.9	3.5	–	14.8	1.1
<b>Cham,</b> Dorfplatz 2	5 094	258	0.4	sole ownership	1992		523	1 067	11.4	61.5	–	–	27.1	–
<b>Conthey,</b> Route Cantonale 2	6 856	377	–	sole ownership	1989		3 057	2 481	71.6	4.6	–	–	19.8	4.0
<b>Conthey,</b> Route Cantonale 4	16 420	1 229	11.5	sole ownership land lease	2009		7 444	4 979	86.1	–	3.0	–	6.1	4.8
<b>Conthey,</b> Route Cantonale 11	27 500	1 774	2.3	sole ownership land lease	2002		10 537	7 323	79.9	1.3	0.7	–	14.3	3.8
<b>Dietikon,</b> Bahnhofplatz 11/ Neumattstrasse 24	10 490	506	0.3	sole ownership	1989		1 004	1 783	19.5	56.1	–	–	24.4	–
<b>Dietikon,</b> Kirchstrasse 20	12 820	599	0.4	sole ownership	1988		1 087	1 894	23.5	65.0	–	–	11.5	–
<b>Dietikon,</b> Zentralstrasse 12	6 900	490	12.6	sole ownership	1965		1 215	3 268	40.9	6.2	–	–	46.5	6.4
<b>Dübendorf,</b> Bahnhofstrasse 1	6 287	441	–	sole ownership land lease	1988		1 308	1 671	17.7	59.3	–	–	23.0	–
<b>Eyholz,</b> Kantonsstrasse 79	2 705	283	–	sole ownership land lease	1991		2 719	1 319	92.3	5.6	–	–	–	2.1
<b>Frauenfeld,</b> St. Gallerstrasse 30–30c	35 430	1 709	–	sole ownership	1991		8 842	9 528	–	–	–	100.0	–	–
<b>Frauenfeld,</b> Zürcherstrasse 305	9 102	574	35.3	sole ownership	1982	2006	3 866	4 285	54.2	20.6	–	–	21.0	4.2
<b>Frick,</b> Hauptstrasse 132/ Fricktal Centre A3	22 570	1 097	–	sole ownership	2007		13 365	4 983	64.6	–	3.2	–	15.6	16.6
<b>Geneva,</b> Centre Rhône-Fusterie	115 560	3 060	–	freehold property	1990		2 530	11 186	76.2	0.3	–	–	23.5	–
<b>Geneva,</b> Place du Molard 2–4	263 260	8 479	6.4	sole ownership	1690	2002	1 718	7 202	39.0	56.2	–	–	4.0	0.8
<b>Geneva,</b> Route de Malagnou 6/ Rue Michel-Chauvet 7	16 090	778	7.2	sole ownership	1960/ 1969	1989	1 321	1 617	–	47.7	11.6	–	3.8	36.9
<b>Geneva,</b> Route de Meyrin 49	65 570	4 000	7.2	sole ownership	1987		9 890	10 147	–	85.5	–	–	13.0	1.5
<b>Geneva,</b> Rue Céard 14/ Croix-d'Or 11	30 330	1 258	–	sole ownership	1974/ 1985	1981	285	1 677	66.0	–	–	–	34.0	–
<b>Geneva,</b> Rue de la Croix-d'Or 7/ Rue Neuve-du-Molard 4–6	64 350	2 267	13.1	sole ownership	1974/ 1985	1994	591	3 472	38.4	24.3	–	–	3.6	33.7
<b>Geneva,</b> Rue des Alpes 5	27 050	892	13.1	sole ownership	1860		515	2 897	10.0	49.2	–	–	0.6	40.2
<b>Geneva,</b> Rue du Rhône 48–50	564 310	18 009	5.5	sole ownership	1921	2002	5 166	33 315	44.6	33.6	7.2	–	9.0	5.6
<b>Gossau,</b> Wilerstrasse 82	19 820	1 082	–	sole ownership	2007		13 064	4 688	78.1	2.1	–	–	10.7	9.1
<b>Grand-Lancy,</b> Route des Jeunes 10/ CCL La Praille	265 720	15 956	0.4	sole ownership land lease	2002		20 597	36 095	52.0	0.9	28.5	–	16.5	2.1
<b>Grand-Lancy,</b> Route des Jeunes 12	50 530	3 166	1.6	sole ownership land lease	2003		5 344	12 759	3.3	38.0	43.0	–	13.6	2.1
<b>Heimberg,</b> Gurnigelstrasse 38	8 321	603	–	sole ownership land lease	2000		7 484	1 544	83.6	2.8	–	–	7.0	6.6
<b>Horgen,</b> Zugerstrasse 22, 24	11 720	619	–	sole ownership	1990		868	2 408	11.0	75.5	–	–	13.5	–
<b>La Chaux-de-Fonds,</b> Boulevard des Eplatures 44	6 637	432	–	sole ownership	1972		3 021	2 506	94.7	1.7	–	–	3.0	0.6
<b>Lachen,</b> Seidenstrasse 2	6 430	346	–	sole ownership	1993		708	1 532	13.9	67.6	–	–	18.5	–
<b>Lausanne,</b> Rue de Sébeillon 9/ Sébeillon Centre	12 830	966	0.9	sole ownership	1930	2001	2 923	10 116	8.4	54.1	–	–	24.7	12.8
<b>Lausanne,</b> Rue du Pont 5	142 110	6 429	0.8	sole ownership	1910	2004	3 884	20 805	50.5	23.3	9.2	–	10.1	6.9
<b>Locarno,</b> parking Centro	–	70	–	sold 31.01.2017										
<b>Lutry,</b> Route de l'Ancienne Ciberie 2	30 840	1 695	2.7	freehold property	2006		13 150	3 233	72.5	2.8	4.6	–	14.8	5.3
<b>Lucerne,</b> Kreuzbuchstrasse 33/35	22 190	1 882	–	sole ownership land lease	2010		14 402	10 533	–	–	–	100.0	–	–
<b>Lucerne,</b> Langensandstrasse 23/ Schönbühl	51 820	2 617	3.2	sole ownership	1969	2007	20 150	10 388	63.4	8.3	1.8	–	15.8	10.7
<b>Lucerne,</b> Pilatusstrasse 4/Flora	70 020	2 628	–	freehold property	1979	2008	4 376	9 891	69.4	12.2	–	–	9.6	8.8
<b>Lucerne,</b> Schwanenplatz 3	17 000	620	–	sole ownership	1958	2004	250	1 512	10.8	62.6	–	–	18.7	7.9

## Investment properties

Property details as at 31.12.2017

Overview of type of use

City/address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area 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 %
Lucerne, Schweizerhofquai 6/ Gotthardgebäude	78 130	2 092	–	sole ownership	1889	2002	2 479	7 261	6.8	87.9	–	–	5.3	–
Lucerne, Weggisgasse 20, 22	18 700	689	–	sole ownership	1982		228	1 285	76.8	–	–	–	23.2	–
Meilen, Seestrasse 545	6 881	509	–	sole ownership land lease	2008		1 645	2 458	–	–	–	100.0	–	–
Meyrin, Route de Meyrin 210	2 378	248	–	sole ownership partial land lease	1979	1999	3 860	1 116	65.7	4.3	–	–	15.7	14.3
Morges, Les Vergers-de-la-Gottaz 1	23 870	600	–	sole ownership bought 30.06.2017	1795/2003	1995	11 537	3 698	–	–	–	100.0	–	–
Neuchâtel, Avenue J.-J. Rousseau 7	7 194	516	12.0	sole ownership	1991	1992	1 020	3 176	–	70.5	–	–	22.1	7.4
Neuchâtel, Rue de l'Ecluse 19/ parking	670	39	–	sole ownership	1960	1997	715	–	–	–	–	–	–	–
Neuchâtel, Rue du Temple-Neuf 11	5 230	280	2.1	sole ownership	1953	1993	262	1 155	18.8	57.2	–	–	13.9	10.1
Neuchâtel, Rue du Temple-Neuf 14	42 980	2 206	3.9	sole ownership	1902/2014		1 928	6 896	47.7	15.7	–	–	11.0	25.6
Niederwangen b. Bern, Riedmoosstrasse 10	41 010	2 313	0.4	sole ownership	1985	2006	12 709	12 926	33.2	13.1	–	–	45.7	8.0
Oberbüren, Buchental 2	13 140	752	–	sole ownership	1980	2007	6 401	6 486	34.3	1.8	–	–	62.4	1.5
Oberbüren, Buchental 3	3 178	309	1.4	sole ownership	1964		4 651	2 342	20.7	32.6	–	–	31.5	15.2
Oberbüren, Buchental 3a	3 276	235	–	sole ownership	1964		3 613	2 464	–	–	–	–	100.0	–
Oberbüren, Buchental 4	26 870	1 475	–	sole ownership	1990		4 963	9 547	38.5	20.3	–	–	41.2	–
Oberbüren, Buchental 5	946	66	–	sole ownership	1920		3 456	1 649	–	12.1	–	–	–	87.9
Oberwil, Mühlemattstrasse 23	2 911	310	–	freehold property land lease	1986		6 200	1 652	75.9	4.2	–	–	16.3	3.6
Oftringen, Spitalweidstrasse 1/ shopping centre a1	72 150	5 054	17.6	sole ownership	2006		42 031	19 968	78.9	3.2	1.4	–	13.8	2.7
Olten, Bahnhofquai 18	28 880	1 578	0.7	sole ownership	1996		2 553	5 134	–	93.6	–	–	6.4	–
Olten, Bahnhofquai 20	41 050	2 020	–	sole ownership	1999		1 916	7 366	–	85.4	–	–	14.6	–
Olten, Frohburgstrasse 1	6 882	110	9.8	sole ownership	1899	2009	379	1 196	–	78.3	–	–	21.7	–
Olten, Frohburgstrasse 15	11 560	577	15.0	sole ownership	1961	1998	596	1 886	–	79.7	–	–	11.9	8.4
Olten, Solothurnerstrasse 201	6 895	333	–	sole ownership	2006		5 156	1 592	62.3	–	–	–	31.5	6.2
Olten, Solothurnerstrasse 231–235/ Usego	30 290	1 612	35.7	sole ownership	1907	2011	12 922	11 587	4.9	58.3	–	–	9.9	26.9
Opfikon, Müllackerstrasse 2, 4/ Bubenholz	46 400	1 625	–	sole ownership	2015		6 169	10 802	–	–	–	100.0	–	–
Ostermundigen, Mitteldorfstrasse 16	34 870	1 596	–	sole ownership	2009		7 503	10 925	–	–	–	100.0	–	–
Otelfingen, Industriestrasse 19/21	101 370	7 288	15.9	sole ownership	1965	2000	101 933	80 440	–	16.6	–	–	78.1	5.3
Otelfingen, Industriestrasse 31	20 570	1 468	16.5	sole ownership	1986	1993	12 135	11 831	–	36.1	0.4	–	56.0	7.5
Payerne, Route de Bussy 2	24 530	1 208	–	sole ownership	2006		12 400	6 017	84.0	4.4	–	–	7.1	4.5
Petit-Lancy, Route de Chancy 59	124 610	7 517	18.4	sole ownership	1990		13 052	22 806	1.9	67.1	6.3	–	21.3	3.4
Pfäffikon SZ, Huobstrasse 5	63 250	2 800	–	sole ownership	2004		7 005	11 660	–	–	–	100.0	–	–
Rapperswil-Jona, Rathausstrasse 8	19 510	1 036	0.6	sole ownership	1992	2008	1 648	3 143	23.6	50.6	–	–	25.6	0.2
Romanel, Chemin du Marais 8	19 720	1 219	–	sole ownership	1973	1995	7 264	6 791	88.3	0.2	–	–	10.4	1.1
Schwyz, Oberer Steisteg 18, 20	9 042	541	–	sole ownership	1988	2004	1 039	2 669	8.7	58.3	–	–	33.0	–
Solothurn, Amthausplatz 1	13 260	850	0.2	sole ownership	1955	1988	1 614	3 353	17.8	57.9	–	–	24.3	–



## Investment properties

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>	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 %
Spreitenbach, Industriestrasse/Tivoli	11 120	499	-	freehold property	1974	2010	25 780	980	87.2	-	-	-	12.8	-
Spreitenbach, Müslistrasse 44	4 350	222	-	sole ownership	2002		2 856	516	-	6.9	30.3	-	4.0	58.8
Spreitenbach, Pfadackerstrasse 6/Limmatpark	69 700	6 517	14.4	sole ownership	1972	2003	10 318	27 738	64.0	27.7	-	-	7.6	0.7
St. Gallen, Spisergasse 12	11 210	489	-	sole ownership	1900	1998	208	1 070	82.7	-	-	-	-	17.3
St. Gallen, Spisergasse 12	5 639	222	3.4	sole ownership	1423	1984	165	617	31.6	17.7	-	-	24.1	26.6
St. Gallen, Zürcherstrasse 462-464/Shopping Arena	300 020	16 293	0.7	sole ownership parking 73/100 co-ownership	2008		33 106	39 566	57.9	9.6	11.5	-	19.5	1.5
Stadel b. Niederglatt, Buechenstrasse 80 <sup>1</sup>	16 000	-	-	financial lease	2008		3 947	2 674	-	-	-	100.0	-	-
Sursee, Moosgasse 20	9 976	646	3.1	sole ownership	1998		4 171	2 409	77.3	-	6.8	-	15.9	-
Thalwil, Gotthardstrasse 40	5 923	278	-	sole ownership	1958	2004	541	986	9.1	57.8	13.2	-	19.9	-
Thônex, Rue de Genève 104-108	92 680	4 760	0.1	sole ownership	2008		9 224	11 680	56.0	0.4	3.5	-	8.2	31.9
Thun, Bälliz 67	17 750	820	-	sole ownership	1953	2001	875	3 173	32.4	51.2	2.0	-	10.7	3.7
Thun, Göttbachweg 2-2e, 4, 6, 8	47 680	2 223	-	sole ownership land lease	2003		14 520	11 556	-	-	-	100.0	-	-
Uster, Poststrasse 10	8 189	372	-	sole ownership	1972	2012	701	1 431	17.1	61.3	-	-	21.6	-
Uster, Poststrasse 14/20	12 300	715	0.6	sole ownership	1854	2000	2 449	3 194	63.3	11.7	3.8	-	19.5	1.7
Vernier, Chemin de l'Etang 72/Patio Plaza	96 040	5 225	18.3	sole ownership	2007		10 170	13 681	-	82.2	-	-	17.1	0.7
Vevey, Rue de la Clergère 1	12 770	702	-	sole ownership	1927	1994	717	3 055	15.7	73.1	-	-	11.2	-
Wabern, Nesslerenweg 30	19 000	1 009	-	sole ownership	1990		4 397	6 288	-	-	-	100.0	-	-
Wattwil, Ebnaterstrasse 45 <sup>1</sup>	761	-	-	freehold property 56/1000	1986		539	213	-	100.0	-	-	-	-
Wil, Obere Bahnhofstrasse 40	18 470	863	-	sole ownership	1958	2008	1 105	2 877	80.4	8.6	-	-	7.2	3.8
Winterthur, Theaterstrasse 15a-c, 17	195 400	3 435	51.9	sole ownership additional bought 01.12.2017	1999/2000/2004		15 069	37 227	-	48.2	0.5	-	15.3	36.0
Winterthur, Untertor 24	10 030	311	-	sole ownership	1960	2006	290	1 364	69.9	-	-	-	30.1	-
Worblaufen, Alte Tiefenaustrasse 6	79 810	4 720	-	49/100 co-ownership	1999		21 596	18 213	-	87.4	-	-	12.0	0.6
Zollikon, Bergstrasse 17, 19	11 590	645	15.1	sole ownership	1989	2004	1 768	2 126	26.1	44.1	-	-	29.8	-
Zollikon, Forchstrasse 452-456	16 810	734	-	sole ownership	1984/1998		2 626	2 251	-	68.4	-	-	31.6	-
Zuchwil, Dorfackerstrasse 45/Birchi Centre	28 200	2 337	33.6	sole ownership land lease	1997		9 563	13 271	76.0	1.6	-	-	13.3	9.1
Zug, Zählerweg 4, 6/Dammstrasse 19/Landis + Gyr-Strasse 3/Opus 1	135 080	5 412	0.1	sole ownership	2002		7 400	15 805	-	90.3	-	-	9.7	-
Zug, Zählerweg 8, 10/Dammstrasse 21, 23/Opus 2	170 930	7 345	-	sole ownership	2003		8 981	19 903	-	91.1	-	-	8.9	-
Zurich, Affolternstrasse 52/MFO building	13 690	586	-	sole ownership	1889	2012	1 367	2 776	-	53.1	25.8	-	21.1	-
Zurich, Affolternstrasse 54, 56/Cityport	181 650	8 407	1.5	sole ownership	2001		9 830	23 547	-	91.9	-	-	7.8	0.3
Zurich, Albisriederstrasse 203, 207, 243 <sup>2</sup>	40 700	2 245	15.2	sole ownership	1942-2003		13 631	12 281	-	64.3	21.5	-	7.5	6.7

<sup>1</sup> property included in Services segment<sup>2</sup> land split and reclassification from investment properties to properties under construction due to new construction

## Investment properties

Property details as at 31.12.2017

Overview of type of use

City/address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area 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 %
Zurich, Bahnhofstrasse 42	124 160	1 884	–	sole ownership	1968	1990	482	2 003	42.7	44.6	–	–	12.7	–
Zurich, Bahnhofstrasse 69	56 830	1 582	24.5	sole ownership	1898	2007	230	1 120	10.8	77.8	–	–	11.1	0.3
Zurich, Bahnhofstrasse 106	53 380	1 207	0.5	sole ownership	1958		200	1 210	11.7	53.6	–	–	31.7	3.0
Zurich, Brandschenkestrasse 25 <sup>3</sup>	177 630	2 173	–	sole ownership	1910	2015–2017	3 902	17 164	–	–	–	70.6	20.4	9.0
Zurich, Carl-Spitteler-Strasse 68/70	99 240	4 049	–	sole ownership	1993		11 732	19 343	–	–	–	100.0	–	–
Zurich, Etzelstrasse 14 <sup>4</sup>	30 650	198	–	sole ownership	2017		1 809	2 135	–	–	–	100.0	–	–
Zurich, Flurstrasse 55/Medienpark	146 980	4 027	19.5	sole ownership	1979	2013–2015	8 270	24 218	1.7	70.3	4.1	–	22.0	1.9
Zurich, Flurstrasse 89	7 693	468	–	sole ownership	1949	2003	2 330	3 331	–	12.0	–	–	11.3	76.7
Zurich, Fraumünsterstrasse 16	143 920	4 369	13.9	sole ownership	1901	1990	2 475	8 462	15.6	75.1	–	–	9.3	–
Zurich, Hagenholzstrasse 60/SkyKey	303 760	11 149	–	sole ownership	2014		9 573	41 251	0.3	85.7	9.8	–	4.2	–
Zurich, Hardstrasse 201/Prime Tower	604 430	20 285	0.1	sole ownership	2011		10 416	48 138	0.7	87.3	5.5	–	6.4	0.1
Zurich, Hardstrasse 219/Eventblock Maag	16 290	1 096	3.1	sole ownership	1929–1978		8 002	7 183	–	21.7	–	–	19.1	59.2
Zurich, Josefstrasse 53, 59	82 970	3 807	6.8	sole ownership	1962/1972	2001	2 931	12 012	8.1	75.6	1.4	–	14.9	–
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	23 830	932	–	sole ownership	1900/1995	1996	1 630	1 829	–	–	–	100.0	–	–
Zurich, Kappenbühlweg 9, 11/Holbrigstrasse 10/Regensdorferstrasse 18a	70 100	2 991	–	sole ownership	1991		9 557	14 790	–	–	–	100.0	–	–
Zurich, Maagplatz 1/Platform	179 080	7 043	–	sole ownership	2011		5 942	20 310	2.1	91.1	0.5	–	4.9	1.4
Zurich, Manessestrasse 85	55 850	2 650	24.0	sole ownership	1985	2012	3 284	8 270	4.5	66.7	–	–	24.9	3.9
Zurich, Nansenstrasse 5/7	49 530	2 523	0.9	sole ownership	1985		1 740	5 864	39.1	27.0	–	–	6.1	27.8
Zurich, Ohmstrasse 11, 11a	34 650	2 222	–	sole ownership	1927	2007	1 970	6 010	54.9	23.5	2.2	–	14.4	5.0
Zurich, Querstrasse 6	4 516	179	–	sole ownership	1927	1990	280	563	13.3	–	–	–	–	86.7
Zurich, Restelbergstrasse 108	10 190	351	–	sole ownership	1936	1997	1 469	672	–	–	–	100.0	–	–
Zurich, Schaffhauserstrasse 339	8 571	463	15.7	sole ownership	1957	1997	307	1 726	12.7	69.3	–	–	18.0	–
Zurich, Schulstrasse 34, 36	13 890	548	–	sole ownership	1915	1995	697	1 721	–	36.1	–	–	7.8	56.1
Zurich, Seidengasse 1/Jelmoli – The House of Brands	824 460	28 982	–	sole ownership	1898	2010	6 514	36 770	64.6	3.7	13.3	–	12.8	5.6
Zurich, Siewerdstrasse 8	20 030	1 148	–	sole ownership	1981		1 114	3 687	–	91.1	–	–	8.9	–
Zurich, Sihlcity	195 316	10 893	0.8	242/1000 co-ownership	2007		10 162	23 580	42.7	25.4	19.6	–	7.7	4.6
Zurich, Sihlstrasse 24/St. Annagasse 16	42 770	1 766	0.2	sole ownership	1885	2007	1 155	2 858	3.9	71.2	13.6	–	6.5	4.8
Zurich, Stadelhoferstrasse 18	29 830	1 091	–	sole ownership	1983	2004	1 046	1 906	19.6	48.9	11.9	–	19.0	0.6
Zurich, Stadelhoferstrasse 22	36 700	1 576	2.8	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	103 070	3 798	4.9	sole ownership	1957	1999	1 534	6 201	10.9	64.3	2.1	–	19.7	3.0
Zurich, Steinmühleplatz/Jelmoli parking	40 850	3 301	1.0	sole ownership with concession	1972	2009	1 970	84	86.6	13.4	–	–	–	–
Zurich, Talacker 21, 23	73 760	2 956	–	sole ownership	1965	2008	1 720	4 904	9.6	64.2	–	–	26.2	–
<b>Total I</b>	<b>10 187 190</b>	<b>445 919</b>	<b>5.0</b>				<b>105 7359</b>	<b>154 9774</b>	<b>21.6</b>	<b>40.1</b>	<b>4.9</b>	<b>9.3</b>	<b>16.4</b>	<b>7.7</b>

<sup>3</sup> reclassified from properties under construction to investment properties after total refurbishment

<sup>4</sup> reclassified from properties under construction to investment properties after new construction

## Building land

Property details as at 31.12.2017

Overview of type of use

City/address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m <sup>2</sup>	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 %
Berne, Weltpoststrasse 1-3/ Weltpostpark	7 563	-	-	sole ownership land lease			11 700	-	-	-	-	-	-	-
Dietikon, Bodacher	-	17	-	sole ownership			13 615	1 375	-	-	-	-	-	100.0
Dietikon, Bodacher/Im Maienweg	2 044	-	-	sole ownership			4 249	4 240	-	-	-	-	-	100.0
Dietikon, Bodacher/Ziegelägerten	1 990	10	-	sole ownership			3 825	4 324	-	-	-	-	-	100.0
Meyrin, Route de Pré-Bois	12 350	24	-	sole ownership			9 118	294	-	100.0	-	-	-	-
Niederwangen b. Bern, Riedmosstrasse 10	3 617	-	-	sole ownership			5 895	-	-	-	-	-	-	-
Oberbüren, Buchental/parking	746	29	-	sole ownership			1 825	-	-	-	-	-	-	-
Spreitenbach, Joosacker 7	-	53	-	sole ownership			16 405	15 096	-	-	-	-	-	100.0
Wangen b. Olten, Rickenbacherfeld	4 700	-	-	sole ownership			11 197	-	-	-	-	-	-	-
<b>Total II</b>	<b>33 010</b>	<b>133</b>	<b>-</b>				<b>77 829</b>	<b>25 329</b>	<b>-</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98.8</b>

## Properties under construction and development sites

Property details as at 31.12.2017								Overview of type of use						
City/address	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area 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 %
Basel, Hochbergerstrasse 60/ Stückli Park <sup>5</sup>	13 750	171	0.4	sole ownership			5 440	-	-	-	-	-	-	-
Berne, Viktoriastrasse 21, 21a, 21b	71 680	-	-	sole ownership	1970		14 036	-	-	-	-	-	-	-
Grand-Lancy, Esplanade de Pont-Rouge 5, 7, 9	108 420	-	-	sole ownership with 14/100 co-ownership bought 15.12.2017			5 170	-	-	-	-	-	-	-
Meyrin, Chemin de Riantbosson, Avenue de Mategnin	36 850	-	-	sole ownership			4 414	-	-	-	-	-	-	-
Meyrin, Route de Pré-Bois 14	18 950	-	-	sole ownership land lease	2003		2 156	-	-	-	-	-	-	-
Paradiso, Riva Paradiso 3 & 20	19 570	72	-	sole ownership partial land lease bought 01.03.2017			3 086	-	-	-	-	-	-	-
Plan-les-Ouates, Chemin des Aulx/Espace Tourbillon	56 260	20	-	sole ownership			17 768	-	-	-	-	-	-	-
Richterswil, Gartenstrasse 7-15	11 420	28	-	sole ownership bought 01.03.2017			5 154	-	-	-	-	-	-	-
Schlieren, Zürcherstrasse 39	36 470	392	-	sole ownership	1992/ 2003		26 684	-	-	-	-	-	-	-
Zurich, Albisriederstrasse/ Rütiwiesweg/YOND <sup>2</sup>	39 480	-	-	sole ownership			9 114	-	-	-	-	-	-	-
<b>Total III</b>	<b>412 850</b>	<b>683</b>	<b>0.1</b>				<b>93 022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overall total</b>	<b>10 633 050</b>	<b>446 735</b>					<b>1 228 210</b>	<b>1 575 102</b>	<b>21.3</b>	<b>39.3</b>	<b>4.9</b>	<b>9.2</b>	<b>16.1</b>	<b>9.2</b>
Rent losses from vacancies		-22 340												
<b>Consolidated subtotal segment, excluding leased properties</b>		<b>424 395</b>	<b>5.0</b>											
Intercompany eliminations		-55 198												
Rental income from third parties, Services segment		39 163												
<b>Consolidated subtotal, excluding leased properties</b>		<b>408 360</b>	<b>5.2</b>											
Rental income from leased properties, Services segment		61 498												
<b>Consolidated overall total, including leased properties</b>		<b>469 858</b>												

<sup>2</sup> land split and reclassification from investment properties to properties under construction due to new construction

<sup>5</sup> reclassified from building land to properties under construction due to new construction





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**Headquarters**

Swiss Prime Site AG  
Frohburgstrasse 1  
CH-4601 Olten

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**Zurich Office**

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

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**Geneva Office**

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