



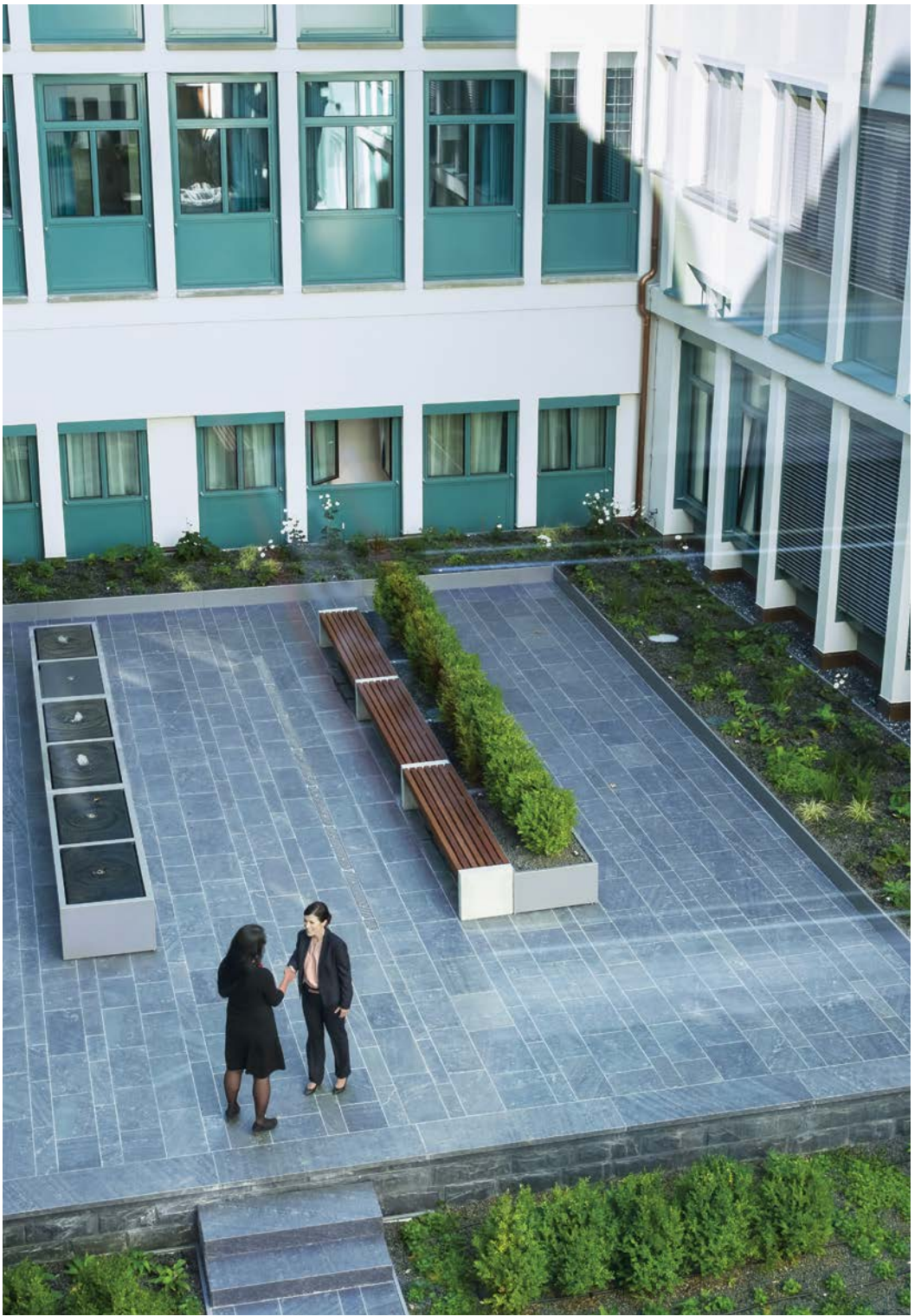
SWISS PRIME SITE

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# SHORT REPORT

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2017



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## Dear Shareholders,

Swiss Prime Site's vision is to design functional, flexible and attractive spaces. With our know-how and active project planning – which are based on the utmost customer orientation – we aim to contribute to developing concepts and products that constitute more than just office or retail space. Our aspiration is to plan spaces that complement one another, that interact with one another and, in turn, to create living spaces where people like to linger, work efficiently and find a constructive basis. We managed to successfully execute our projects in 2017 too.

Swiss Prime Site closed out the financial year 2017 with favourable results. Operating income of CHF 1 154.8 million as well as profit excluding revaluations and deferred taxes of CHF 307.4 million reached respective new record highs. We succeeded in completing some projects and initiating many new ones that precisely follow suit

with our guiding principles. In the wake of the debut of the desired «Motel One» in the convention city of Basel already in 2016, «Motel One» subsequently also executed its market launch in Zurich in 2017. Swiss Prime Site thus developed the largest hotel in German-speaking Switzerland comprising 394 rooms from an office building that was

no longer contemporary. A development site for research, business, entertainment, wellness and local recreation will emerge in the coming years from the former Stücki shopping centre in Basel. Swiss Prime Site has also commenced an impressive conversion project with the «Schönburg» site in Berne. A new living space will be constructed for the city of Berne in a few years from the former Swiss Post headquarters. We are executing another one of our ground-breaking projects in Zurich City at present. The objective is aimed at offering maximum flexibility to future generations of enterprises and their employees. With «YOND», a product will emerge that has never before existed on the Swiss market.

Our driving force comprises having a vision and deriving a strategy therefrom, striving to provide society with the requisite spaces that are skilfully networked as well as consequently creating living spaces. We will

address the markets with this same approach in the coming year and beyond as well.

I would like to thank our valued customers and partners for their trust in the past financial year. I wish to also express my thanks to the employees of the entire Swiss Prime Site Group, the Executive Board and my colleagues on the Board of Directors.



Hans Peter Wehrli  
Chairman of the Board of Directors

# Our strengths at a glance



## Sustainable business model

Swiss Prime Site invests in high-quality land, properties and locations, which, together with conversions and developments of entire sites, form the Company's core business. Vertically integrated real estate-related group companies complement the core business and provide interesting added value.



## Stable financing

The Company boasts a stable financing situation through debt and shareholders' equity. The equity ratio amounts to a good 43.1%. The composition of debt equitably consists of the use of various instruments such as bonds, mortgages and loans. The loan-to-value ratio of 45.6% is hovering in the strategic target range.



## First-class quality of location

The current portfolio of 188 high-quality properties comprises value-retaining Swiss properties situated in first-class locations with a fair value of CHF 10.6 billion. In this context, the Company focuses strongly on office and retail properties. The vacancy rate amounts to 5.2% and is thus one of the lowest in Switzerland.



## High profitability and growth

The existing real estate portfolio realises an attractive net yield of 3.7%. Swiss Prime Site achieves a return on equity (ROE) of 6.4%. The project pipeline for the coming years comprises more than 20 projects totalling an investment volume of CHF 2.1 billion.



## Stock's high level of liquidity

Swiss Prime Site is the largest stock exchange-listed real estate company in Switzerland, with market capitalisation of approximately CHF 6.4 billion. The roughly 71.5 million registered shares are subject to 100% free float and exhibit a high level of liquidity on the SIX Swiss Exchange.



## Equitable dividend policy

The Board of Directors pursues a constant and investor-friendly dividend policy. Around 80% of the profits generated excluding revaluations and deferred taxes are currently repatriated to the shareholders. The dividend yield amounts to 4.2% at present.

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## Results

1154.8

CHF million  
operating income  
+10.0% year-on-year

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## People

5910

Employees  
+5.1% year-on-year

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## Potential

2.1

CHF billion  
project pipeline  
+5.0% year-on-year

305.5

CHF million profit  
-1.8% year-on-year

4426

Women  
+4.2% year-on-year

1.6

Million m<sup>2</sup>  
rental floor space  
+4.9% year-on-year

3.80

CHF dividend<sup>1</sup>  
+2.7% year-on-year

478

Apprentices  
+11.7% year-on-year

5.2

Percent vacancy rate  
-14.8% year-on-year

<sup>1</sup> according to proposal to Annual General Meeting of 27 March 2018



# Sustainability is future viability

René Zahnd, CEO of Swiss Prime Site, believes that a strong core business, vertically integrated business fields and sustainability-oriented management are the keys to success.

René Zahnd, real estate prices are increasingly climbing and, in turn, the value of Swiss Prime Site is rising as well. When will we see the summit?

The trend on the markets was actually positive once again. This was also manifested in the revaluation gains amounting to CHF 65.9 million that we were able to realise in 2017. However, noteworthy is that the market trend is easing.

Are you satisfied with the financial year 2017?

Yes, but there's always potential for improvement. The 2017 reporting period was a successful financial year. We achieved our financial targets, expanded the real estate portfolio significantly again and with first-class properties, as well as reduced the vacancy rate to the low level of 5.2%. In addition, we forged ahead with important projects.



### **Can you be more specific?**

We succeeded in boosting operating profit (EBIT) by 2.4% to CHF 470.6 million. At the same time, the core Real Estate business generated a roughly 90% contribution. The real estate portfolio currently shows a fair value of CHF 10.6 billion and grew by 5.4% in 2017. Regarding vacancy rate, we are now coming to a point that we refer to as base vacancy rate, where we still see potential.

### **What were the milestones in 2017?**

I'm most pleased with the very favourable development of our project pipeline, with total value of CHF 2.1 billion. For example, we were able to start up construction of the key «Espace Tourbillon» project in Geneva. At the same time, we also succeeded in selling a significant share of the project to the Hans Wilsdorf Foundation. We commenced construction of the innovative «YOND» building complex in Zurich too, which is very closely oriented to the flexibility-related needs of our customers. And we were able to initiate a turnaround with «Stücki Park» in Basel, where we will expand the property with laboratory, research and office floor space, scale back the share of retail space and render the site more permeable for all types of use.

### **There's widespread belief that Switzerland is fully built. Where do you still see growth potential for Swiss Prime Site?**

No place is ever completely constructed. Structures that were built 20 years ago or earlier can, in some cases, be subject to critical scrutiny or should be redeveloped. Generation Y, which is increasingly influencing and shaping the economy, has totally different perceptions of utilising spaces and offices than past generations. But demographic changes provide potential as well. People

today seek a different lifestyle than in the past. In addition to these external factors, we also have inherent favourable opportunities for achieving growth. Our project pipeline is full and we have substantial land reserves at our disposal.

### **Based on the current balance sheet, can you ideally navigate a path toward growth?**

We have a solid equity ratio of 43.1% and are also able to raise money on the bond market should that be necessary for funding growth projects. Moreover, we are pursuing active capital and portfolio management with the partial divestment of development projects.

.....  
«We have been able to reduce the vacancy rate to a low level of 5.2%.»  
.....

### **How do you view sentiment on the Swiss office property market?**

A good overall concept and a location with ideal proximity to infrastructure are decisive factors. Another important aspect includes flexibility on the part of tenants regarding interior design standards and rental agreements. Just the supply of office floor space to be constructed in the Zurich region in the coming months will already lead to additional pressure on the market. Demand is still robust in prime locations, and office properties in city centres are popular again.

### **What measures are you taking to avert vacancies in your real estate portfolio?**

The better the location and quality of the property, the less pronounced the probability

of a vacancy. We invest very extensively in our portfolio and place value on a high degree of flexibility of use. We ultimately also reap benefits from the fact that we are in very close proximity to our customers through our property manager Wincasa and therefore quickly know when there's a need for action.

**You're aiming to step up self-development activities. Why?**

Self-development projects increase independence from the transaction market. We therefore generate additional growth in rental income and can boost profitability because we are involved in the entire value-creation chain. Also noteworthy is the fact that we acquire further know-how as a result and are able to determine the degree of sustainability of properties directly.

**The term «real estate-related business fields»: What do these provide for you?**

The vertical integration of our group companies in our business model enables us to cover the value-creation chain practically seamlessly. From the acquisition of a property to analysis, development, project planning, financing, management, and utilisation until potential sale, we are able to provide support in every aspect, which presents us with a clear competitive advantage.

**With Jelmoli – The House of Brands you have your own retailer in the Group. In addition, roughly one-third of the floor space in your property is leased to other retailers. How are you dealing with the crisis in the retail trade?**

The stationary retail trade today most definitely poses a challenge. Nevertheless, our group company Jelmoli is trending on a favourable course, achieving sales growth in the past year. Much of the floor space in the

portfolio is situated in exclusive locations, which continue to trend favourably.

**Has digitalisation also had effects on Wincasa's property management business?**

The greatest changes will occur here. Viewing properties will no longer have to be carried out on site. Instead of us leading 100 interested parties on a tour through a property, they could view the building through a virtual tour via their home computer and submit an application online – directly through the credit rating screening system to Wincasa. In the intelligent buildings of the future, many tasks will be performed fully automatically or requested by the residents via app regardless of location.

.....

**«We're growing all along the value-creation chain.»**

.....

**Is Wincasa's business model at risk as a result?**

No. Wincasa is the leading company in the realm of digitalisation in its segment. We are investing a substantial amount in order to continue operating on the front lines here. Consequently, the job profile for property managers will adapt accordingly. We will use digitalisation in the future precisely where it really plays a significant role – for customers.

**One of your growth paths is the assisted living business field. How satisfied are you here and what do future plans look like?**

We were able to open four new locations in 2017, expanding the network to 76 business

operations. The pace of growth initiated is challenging albeit achievable. The demographic trend provides benefits to us through Tertium. People are living longer and longer lives and remaining relatively healthy, which is also reflected in our business model. We are now increasingly building geriatric care centres instead of senior residences because the age of admittance of our guests has risen. We aim to expand the number of Tertium locations to roughly 90 to 100 in the coming three years.

**You're one of the CEOs of a large Swiss company that is strongly committed to sustainability. Why?**

The strategic focus on sustainability is associated with a company's future viability. Without sustainability-oriented management at all levels, no company can be successful from a long-term perspective. At the same time, sustainability is a comprehensive concept. There's no use in constructing properties from the ground up as inexpensively as possible when, in terms of concept, they do not meet customers' needs, the technology is out-of-date, or the location is sub-standard. All these factors and even many more combined determine whether a company is successful on the market. This year, we reveal the way we approach sustainability as well as how we integrate the concept in our mindset and actions in a comprehensive separate report.

**What are the challenges for Swiss Prime Site and how are you preparing to face these?**

The overall retail business field within our existing portfolio certainly continues to pose challenges. Up to now, however, we have dealt with the situation well and managed to renew significant rental agreements at the

same or better conditions. Moreover, finding good acquisition properties is not very easy at present. The competition – even from other sectors – is tough. In this regard, our existing portfolio of buildings is ideal, with which we are able to forge ahead with self-development and redevelopment projects and foresee consolidation potential. In addition, we boast an attractive project pipeline with substantial reserves. In this way, we are mastering the future challenges.

**What are your goals for the financial year 2018?**

The course has been set for a prevailing positive performance. The targets set for the financial year 2018 include growing 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 Services segment. And finally, further growth of the real estate portfolio and a well-filled development project pipeline valued at roughly CHF 2.1 billion will pave the way for a stable and attractive distribution to the shareholders.

**Are you therefore looking to the future with optimism?**

Indeed, I am optimistic. But we must and will remain focused in all our business fields in order to continue on the road to success, which we have achieved very well to date.

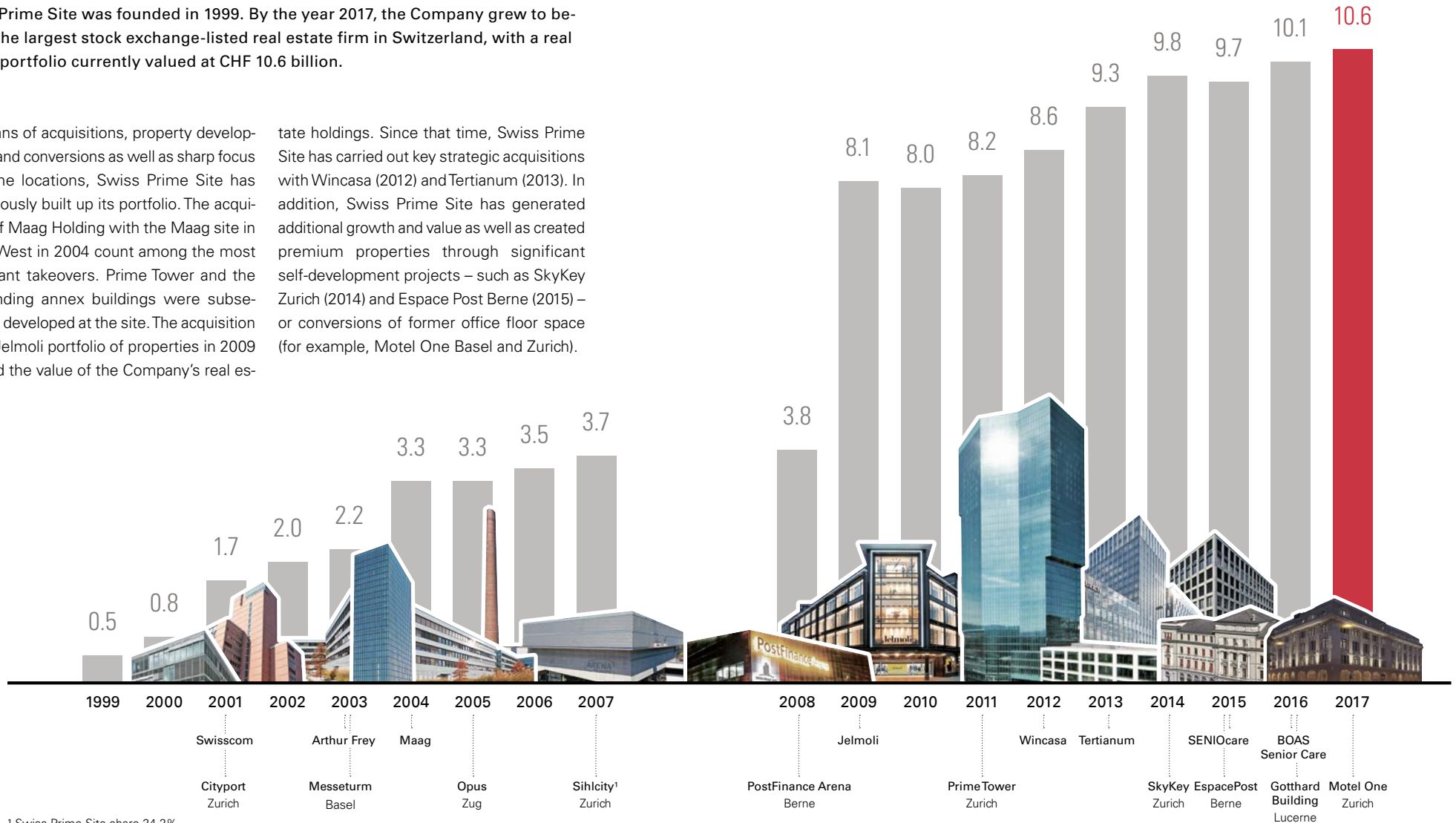
# Success story

Swiss Prime Site was founded in 1999. By the year 2017, the Company grew to become the largest stock exchange-listed real estate firm in Switzerland, with a real estate portfolio currently valued at CHF 10.6 billion.

By means of acquisitions, property developments and conversions as well as sharp focus on prime locations, Swiss Prime Site has continuously built up its portfolio. The acquisition of Maag Holding with the Maag site in Zurich-West in 2004 count among the most significant takeovers. Prime Tower and the surrounding annex buildings were subsequently developed at the site. The acquisition of the Jelvoli portfolio of properties in 2009 doubled the value of the Company's real es-

tate holdings. Since that time, Swiss Prime Site has carried out key strategic acquisitions with Wincasa (2012) and Tertianum (2013). In addition, Swiss Prime Site has generated additional growth and value as well as created premium properties through significant self-development projects – such as SkyKey Zurich (2014) and Espace Post Berne (2015) – or conversions of former office floor space (for example, Motel One Basel and Zurich).

Fair value of the real estate portfolio in CHF billion



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

# Summary of key figures

	in	31.12.2016	31.12.2017	Change in %
Fair value of real estate portfolio	CHF m	10 092.1	10 633.1	5.4
Rental income from properties	CHF m	453.0	469.9	3.7
Vacancy rate	%	6.1	5.2	-14.8
Income from real estate development	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
Operating result (EBIT)	CHF m	459.4	470.6	2.4
Profit	CHF m	311.1	305.5	-1.8
Equity ratio	%	45.0	43.1	-4.2
Return on equity (ROE)	%	6.6	6.4	-3.0
Return on invested capital (ROIC)	%	3.8	3.5	-7.9
Earnings per share (EPS)	CHF	4.41	4.27	-3.2
NAV per share after deferred taxes <sup>3</sup>	CHF	66.41	66.85	0.7
NAV per share before deferred taxes <sup>3</sup>	CHF	81.32	82.87	1.9

## Figures excluding revaluations and deferred taxes

Operating result (EBIT)	CHF m	390.1	404.8	3.8
Profit	CHF m	275.6	307.4	11.5
Earnings per share (EPS)	CHF	3.91	4.30	10.0
Return on equity (ROE)	%	5.9	6.4	8.5

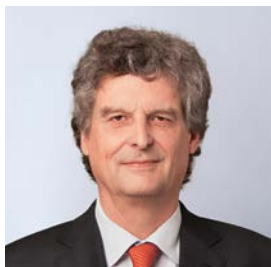
<sup>1</sup> acquisition of immoveris ag and immoveris properties ag as at 27.05.2016

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

<sup>3</sup> Services segment (real estate-related business fields) included at book values only

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).

# Board of Directors



**Prof. Dr. Hans Peter Wehrli**  
Chairman  
Member since 29.04.2002



**Mario F. Seris**  
Vice-Chairman  
Member since 27.04.2005



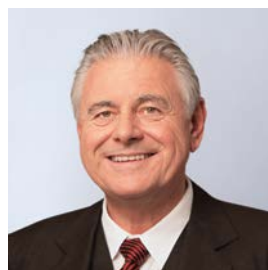
**Dr. Elisabeth Bourqui**  
Member since 12.04.2016



**Christopher M. Chambers**  
Member since 22.10.2009



**Dr. Rudolf Huber**  
Member since 29.04.2002



**Klaus R. Wecken**  
Member since 22.10.2009

Swiss Prime Site's Board of Directors comprises personalities from Switzerland's economy and society. The years of extensive experience of the individual board members in various fields paves the way for a balanced, long-term-oriented body. The Audit, Nomination and Compensation as well as Investment Committees function within the Board of Directors. The Board of Directors as collegium determines Swiss Prime Site's strategy and represents a controlling body relative to the Executive Board in terms of executing operating activities.

# Executive Board



**Franco Savastano**  
CEO Jelvoli

**René Zahnd**  
CEO Swiss Prime Site

**Oliver Hofmann**  
CEO Wincasa

**Markus Meier**  
CFO Swiss Prime Site

**Peter Lehmann**  
CEO Swiss Prime Site Immobilien

**Luca Stäger**  
CEO Tertianum

Swiss Prime Site's Executive Board comprises the Chief Executive Officers of the group companies Swiss Prime Site Immobilien, Wincasa, Jelvoli and Tertianum as well as the Group's CEO and CFO. This organisation ensures that all the central business fields as well as their interests and know-how are represented at the top operating level of the management body.

# Strategy

## Investments and focus

Swiss Prime Site Group's objective is aimed at achieving constant growth and a sustainable trend in profitability. To realise this goal, the Company has executed substantial investments in the core Real Estate business. First-class properties with attractive yields located in Switzerland are regarded as the focal point of this strategy. With a 42% share, Zurich currently accounts for the most important strategic region in the real estate portfolio valued at more than CHF 10.6 billion. The area surrounding the Lake Geneva region also plays a key role in realising growth. Swiss Prime Site focuses on commercial-use real estate and floor space, utilising its own know-how in sustainably developing, re-positioning or modernising properties and sites.

## Earnings diversification and synergies

Existing real estate-related business fields are being expanded in order to further strengthen diversification of the business model. Swiss Prime Site currently boasts attractive group companies with Wincasa, Tertanium, Jelmoli and Swiss Prime Site Solutions. These group companies provide

services for the Group as well as for third parties that are heavily in demand on the market, against the backdrop of the core Real Estate business. The goals are focused on significantly boosting the contributions to revenues and operating income in addition to enhancing the synergies within the Group and individual group companies.

## Innovation and sustainability

As Switzerland's largest listed real estate company, Swiss Prime Site aims to be a leader in the realm of innovations. Hence, the Company has created positions at the Group level and in the individual group companies that are exclusively engaged in developing innovative technologies, techniques and processes. The objective is directed at equipping the Group for facing future challenges and changing markets – particularly amid times of disruptive transitions. The key factors include sustainability, in addition to innovation and digitalisation. In all these aspects, conscious sustainability-oriented management ensures the future viability and success of the Company.

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## 2018 targets

<5 %

Vacancy rate

±45 %

Equity ratio

6 – 8 %

Return on equity



# Our markets

Swiss Prime Site Group operates in the Swiss real estate market with its core business. The most significant influencing factors for the Company include the rental, transactions and capital markets. Other important impulses emanate from the national retail trade as well as the demand for senior services.

## Rental market

The market for commercial properties on which Swiss Prime Site focuses is in motion. On the one hand, a substantial supply of floor space has been constructed in recent years, which could be absorbed very well from the growing demand. This trend was spurred on primarily by growth of the Swiss economy and the resulting partially correlating immigration of workforce. Swiss Prime Site exploited this market situation to develop and complete projects. On the other hand, digitalisation has affected all sectors and even all levels of the economy in the interim. The stationary retail sector, in particular, has come under pressure from the online retail trade. This dynamic change goes hand in hand with the growing needs of tenants and consumers. Start-ups, services providers and online enterprises are flexible and desire such real estate products. These market-influencing factors pose challenges, but also offer opportunities for Swiss Prime Site. Indeed, the Company's attractive and modern portfolio of existing properties as well as project pipeline – boasting substantial reserves and thus harbouring significant potential – is regarded as a great opportunity.

## Transactions market

The Swiss real estate market has achieved new record highs for years. This trend is based particularly on the aforementioned effects of the country's favourable economic performance as well as correlating immigration activity. Residential in addition to commercial properties have enjoyed robust demand in recent years. Furthermore, the demand for senior residential housing has increased due to demographic growth. The global financial markets also had an additional strong indirect impact on the transactions market. National and international monetary policy heavily influenced the interest rate landscape, in which capital could be obtained and invested at very attractive conditions. The positive trend in market prices continues to prevail. Pressure still looms on transaction yields in prime locations. Swiss Prime Site succeeded in achieving good growth amid this environment, which was mostly focused on development projects rather than capital-intensive transactions.

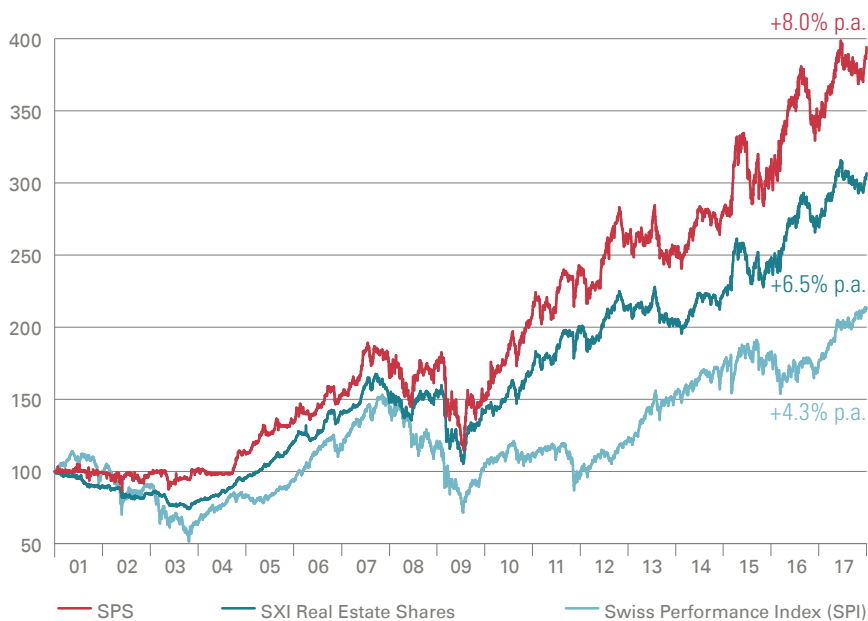
## Capital market

Investments in first-class properties with focal point on Switzerland are associated with

significant capital expenditures. National and international monetary policy decisions in recent years have led to such a noticeable change in the interest rate environment that investments increased in direct as well as indirect real estate assets. From the perspective of the overall cycle, Swiss Prime Site was able to obtain favourable financing on the capital market in addition to upholding its

performance on the stock market. In fact, since the Company's initial public offering, the Swiss Prime Site share has realised an above-average performance (total return) of +8% per annum, which surpassed the performances turned in by the sector and the market. The Swiss Prime Site share also achieved an outperformance in 2017, with a total return of +12.6%.

### Capital market: Swiss Prime Site share price performance versus sector and market



Sources: Credit Suisse, Thomson Datastream

# Business model

## **From space to living spaces**

The core of Swiss Prime Site's business model is formed by development, construction and management as well as company and third-party utilisation of properties. The objective of this core process is aimed at sustainably generating value and expanding the real estate portfolio. Sites and properties are developed into projects according to the highest standards for current and future market needs. Swiss Prime Site finances these projects and designates partners for the construction process. Following completion, the properties are marketed, managed and transferred to tenants for their utilisation. At the end of their life cycle, the properties are redeveloped or converted, enabling the cycle to commence anew.

The real estate portfolio is supplemented by acquisitions and optimised through divestments within the scope of the value-creation chain. Revolving around the core of the business model, superordinate business processes ensure that the relevant know-how is expanded within the Company while access to markets and resources is secured. Furthermore, marketing and branding as well as modern information technology architecture and contemporary employee development underpin the creation of «space to living spaces».

## **Sustainably developing spaces in line with needs**

At a more overriding and therefore more

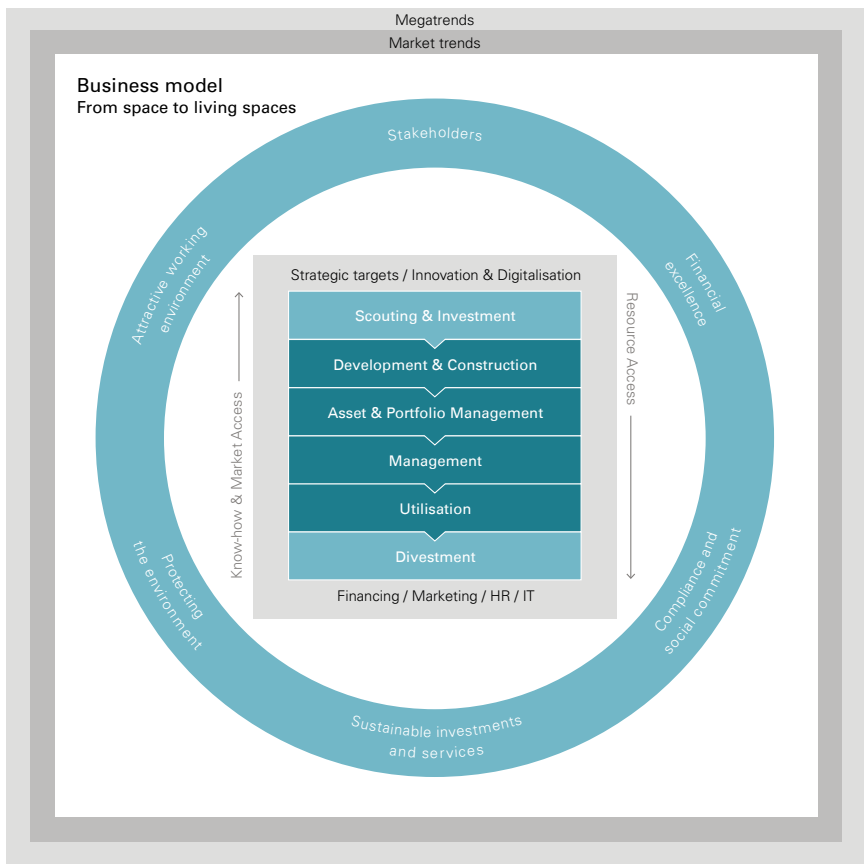
social level, the most notable inspirations are incorporated that have a significant impact on the business model. Relevant trends such as digitalisation, demographic changes or immigration can lead to enlargements and adjustments of the value-creation chain. Market trends like revitalisation of industrial sites that are no longer contemporary or changes in the interest rate environment count among the additional influencing factors. The most inner circle of these «macro-dimensions» forms the needs of direct stakeholders. At the same time, concerns on the part of the customers, investors, public sector, project partners and employees in particular are also integrated.

## **Vertically integrated group companies**

The group companies Swiss Prime Site Immobilien, Wincasa, Tertianum, Jelmoli and Swiss Prime Site Solutions constitute the integral elements as well as the basis of Swiss Prime Site Group's integrated business model. The real estate portfolio comprising roughly CHF 10.6 billion in properties is actively expanded and optimised by Swiss Prime Site Immobilien through acquisitions, developments, conversions, construction, financing and where necessary divestments. Wincasa plays a role through acquiring, managing, marketing and selling properties throughout the value-creation hierarchy as a link in the chain. Tertianum as services provider in the assisted living sector in addition to Jelmoli as premium department store utilise properties in the portfolio and also

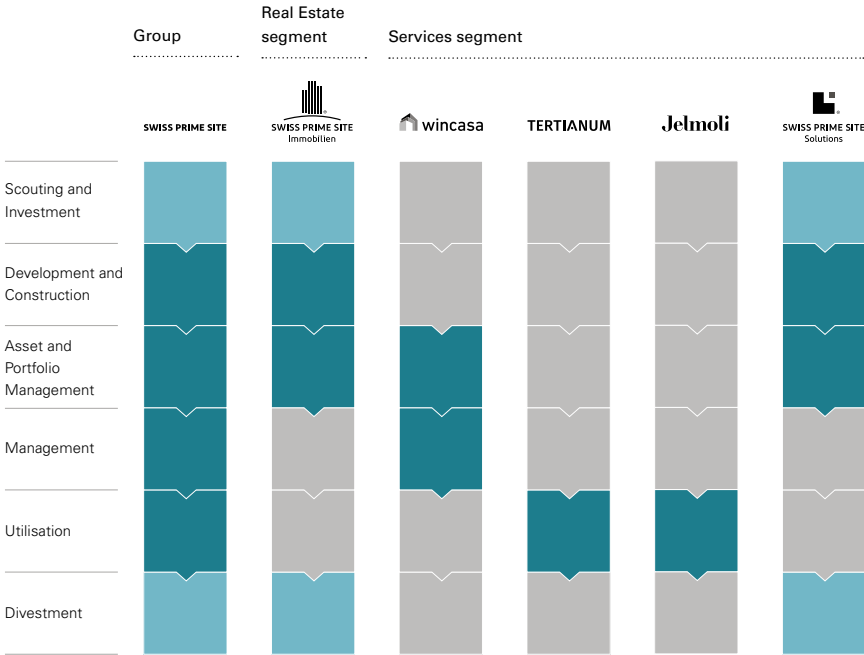
contribute to further strengthening the business model. Swiss Prime Site Solutions as asset manager since 2017 provides core processes services for third parties with acquisition, development, conversion, construction, financing and sales.

The value-creation processes of the group companies are intentionally not fully centralised and generate – beyond the aforementioned integrated elements of the business model – further contributions for Swiss Prime Site Group’s long-term success.



Swiss Prime Site’s integrated business model

# Group companies



**SWISS PRIME SITE**  
Immobilien

The investment focus of the core Real Estate business is directed at investments in high-quality properties in prime locations. These properties are mainly used by commercial tenants. Other key activities within the core business include conversion, development and modernisation of entire sites.

**469.9**

Rental income from properties  
in CHF million

**10.6**

Real estate portfolio  
in CHF billion



Wincasa is the leading integrated real estate services provider in Switzerland. The company's innovative services portfolio encompasses the entire life cycle of properties. Assets under management amount to around CHF 66 billion. Wincasa is regarded as a first mover in the field of digitalisation (tenants' portal «My Wincasa») in the real estate sector.

120.0

Income from real estate services  
in CHF million

66

Assets under management  
in CHF billion

## TERTIANUM

Tertianum Group is the leading provider in the assisted living and geriatric care sector in Switzerland. Quality-conscious living and autonomy, individual services, security as well as care and support are at the heart of Tertianum. The group operates 76 residences as well as residential and geriatric care centres throughout Switzerland.

359.9

Income from assisted living  
in CHF million

76

Number of business operations

# Jelmoli

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Jelmoli – The House of Brands in Zurich is Switzerland's leading premium department store. Roughly 40% of the retail floor space of 23 800 square metres generates sales from third parties according to the shop-in-shop model. The rest of the floor space is self-managed by Jelmoli. A new branch at Zurich Airport will open from 2020.

136.2

Income from retail  
in CHF million

23 800

Retail floor space  
in square metres



**SWISS PRIME SITE**  
Solutions

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Swiss Prime Site Solutions is an asset management company focusing on the real estate sector. The business field develops tailor-made services and investment products for third-party clients. The objective is aimed at generating solid and attractive earnings with low risk, regardless of the yield environment.

9.9

Income from asset management  
in CHF million

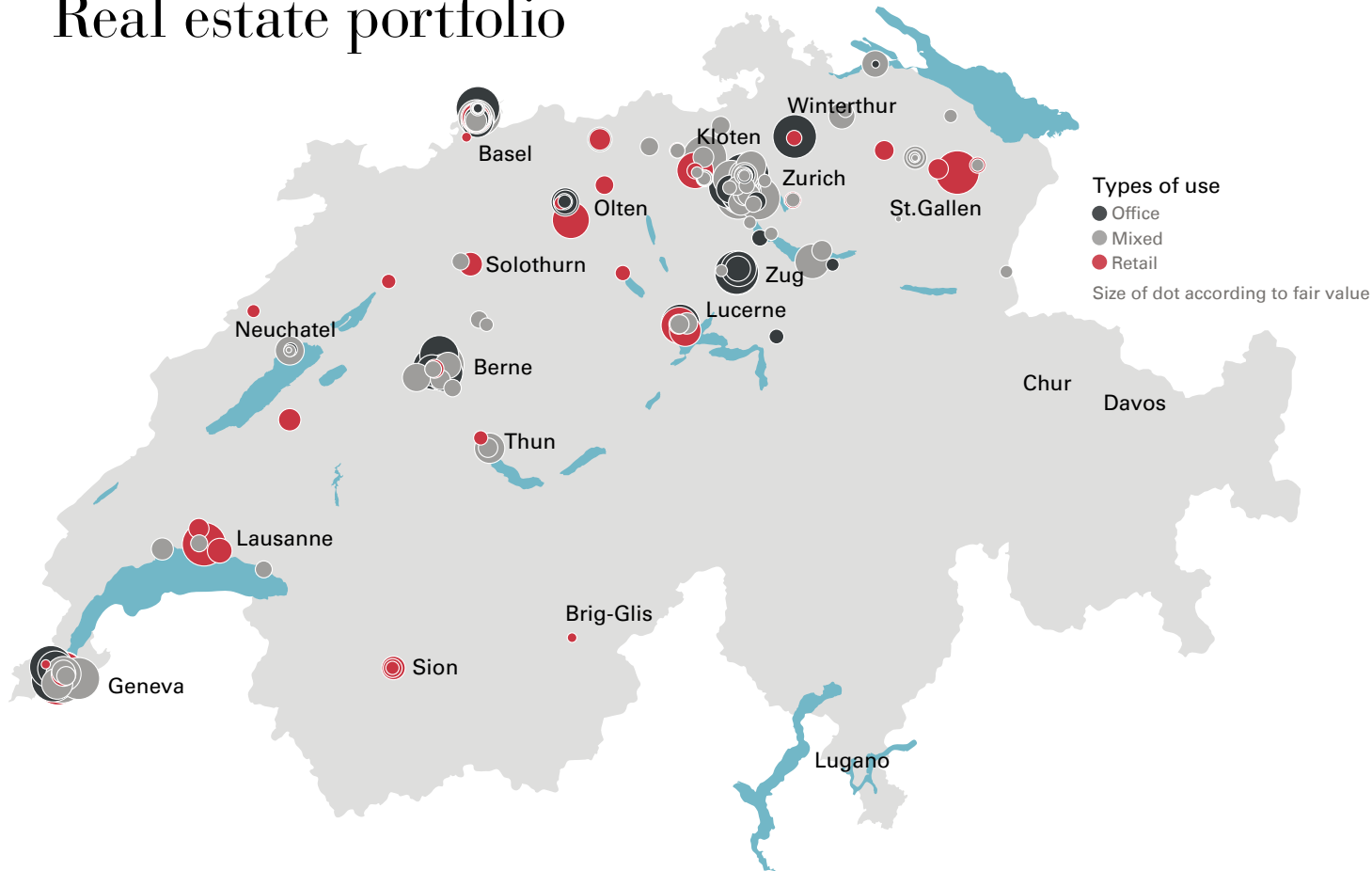
1.4

Assets under management  
in CHF billion



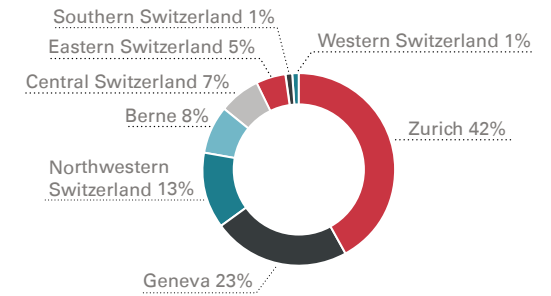


# Real estate portfolio



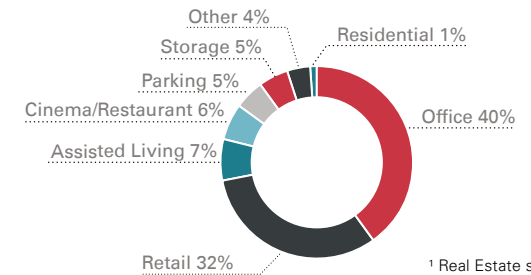
## Portfolio split by region

Basis: fair value as at 31.12.2017



## Portfolio split by type of use<sup>1</sup>

Basis: net rental income as at 31.12.2017



<sup>1</sup> Real Estate segment

## Expansion and growth

The founding of Swiss Prime Site in 1999 by the Credit Suisse Pension Fund, Siemens Pension Fund and Winterthur Life (today: AXA) laid the foundation for the current real estate portfolio. The value of the real estate holdings grew through acquisitions and significant self-development projects to roughly CHF 3.8 billion (2008) within less than ten years. With the acquisition of the Jelmoli properties in 2009, the company once again more than doubled its real estate portfolio. Additional key projects considerably boosted the level of quality and

size of the real estate portfolio. Another spurt in growth followed with the acquisition of the three real estate-related services providers Tertianum (2013), SENIOcare (2015) and BOAS Senior Care (2016). The fair value of the real estate held by Swiss Prime Site amounted to CHF 10.6 billion as at the end of 2017.

## Geographic allocation

Swiss Prime Site's real estate portfolio boasts a high level of quality of property and location, without exception. According to Wüest Partner, roughly 80% of the Group's properties

rank in the quadrants with the highest quality based on the overall market. The majority of properties (76%) are located in German-speaking Switzerland. In this context, canton Zurich and particularly Zurich City account for the lion's share in this region with 42%. Another region in the spotlight is Geneva (23%).

## Utilisation

Swiss Prime Site has focused its portfolio of high-quality, value-retaining properties situated in prime locations primarily on commercial and services businesses and their needs.

Of the total 1.6 million square metres of available floor space, 40% are leased as office and 32% as retail properties at present. The real estate portfolio's maturity profile is long term and thus attractive. Roughly 27% of net rental income is generated with rental agreements with a term of ten years or more. Another 31% of the portfolio is subject to renewed leasing at terms of between four and nine years.

# Project pipeline

## Development and project planning

One of Swiss Prime Site Immobilien's strengths is its ability to develop its own projects. This paves the way for the Company to operate with a high degree of independence from market cycles.

Development projects are based on the Group's strategic targets aimed at boosting organic growth and increasing corporate profitability. Earnings from completed projects are realised in the form of revaluation gains, rising rental income and sales proceeds. New projects developed by Swiss Prime Site Immobilien generally exhibit above-average net yields versus the market as well as the existing portfolio.

The volume of Swiss Prime Site Immobilien's project pipeline amounts to CHF 2.1 billion as at end-2017.

## Projects under construction

Construction projects comprise an investment volume of roughly CHF 600 million. In this context, the constructed rental floor space will amount to approximately 102 000 square metres and generate earnings of CHF 37 million per year. Overall, six projects are under construction at present. The most significant investments are being carried out in the large-scale «Espace Tourbillon» building complex in Geneva, with a volume of CHF 233 million. Two buildings of the five structures to be erected were already sold shortly after the construction start date in the second half-year 2017. The objective here is aimed at realising another

partial sale. However, approximately 30% of the original floor space of 95 000 square metres should be retained in Swiss Prime Site Immobilien's portfolio in order to provide additional rental income. Projects under construction exhibit an average net yield that exceeds the current portfolio mean.

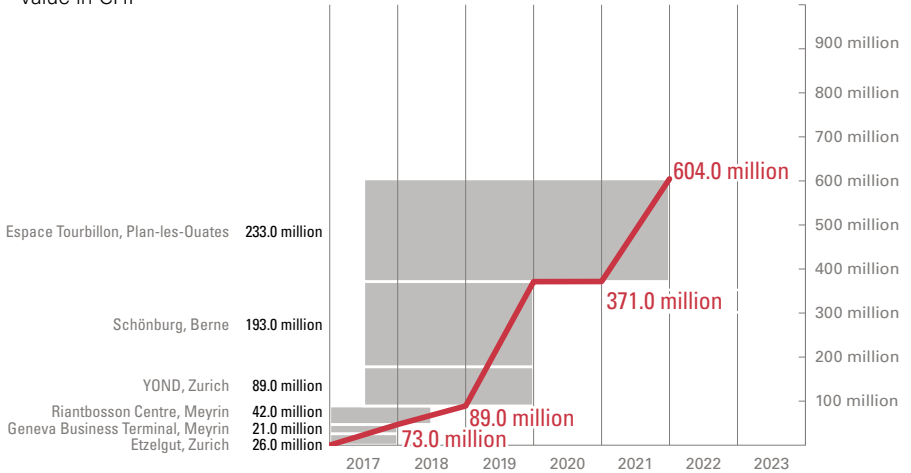
## Projects in planning phase

Projects were in the planning phase at the end of 2017 with estimated investment volumes of roughly CHF 900 million. In this context, the constructed rental floor space will probably amount to approximately 120 000 square metres and generate rental income of CHF 46 million per year. The largest individual project of all will be «Pont Rouge» in Lancy. The project plays a significant role for the Geneva region in its form and due to its location, since another transportation junction and economic hub will be created for the city as a result. The planning envisages that investments amounting to around CHF 260 million will be carried out for construction and operations of an additional roughly 30 000 square metres of rental floor space. In addition, the pipeline includes projects in the planning phase for the Tertianum group company (assisted living business field) located in Richterswil and Lugano.

Swiss Prime Site Immobilien holds land reserves amounting to roughly 129 000 square metres (potential investments of around CHF 600 million) that harbour further potential for future growth, in addition to substantial utilisation reserves in its portfolio.

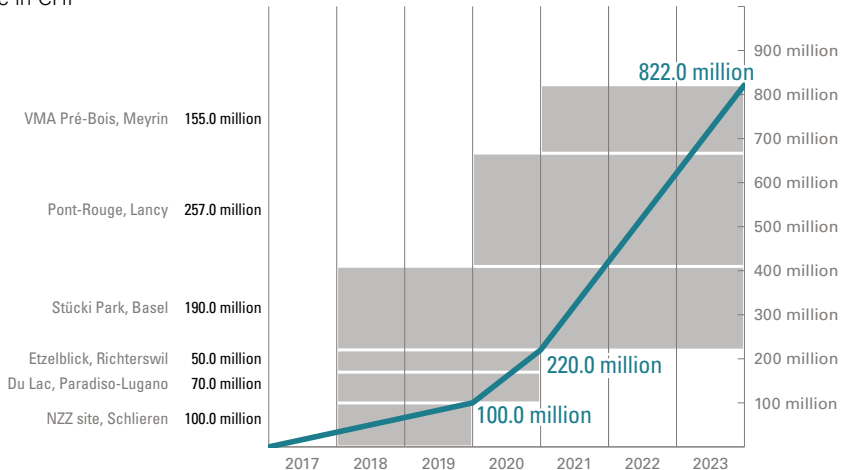
## Projects under construction

Value in CHF



## Projects in planning phase

Value in CHF





### Espace Tourbillon, Plan-les-Ouates

The superstructure comprises a composition of five building structures each with seven above-ground and three subterranean floors as well as its own integrated logistics. The complex will provide future tenants with flexible and state-of-the-art floor space. The building permit was legally validated on 8 June 2017. Project planning envisages construction of the property in one phase and until 2021. Upon completion, the major «Espace Tourbillon» development project will span usable floor space totalling 95 000 square metres, providing the fast-growing Geneva region space for an additional 4 000 workplaces. Two planned buildings were sold to the Hans Wilsdorf Foundation at the end of 2017 and will be fully developed and transferred to the buyer in turnkey condition in 2021.

Realisation	2017 – 2021
Investment volume including land	CHF 233 million
Usable floor space	50 400 m <sup>2</sup>
Rental income	CHF 19 million
Gross yield (on cost)	8.2%
Net yield (on cost)	7.3%



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## NZZ site, Schlieren

Commercial sites can be transformed into socially valuable and interesting properties with multi-faceted opportunities for utilisation through conversions and redevelopments. In this regard, the former NZZ printing facility will undergo a significant upgrade by 2019. The ideally accessible site (with total area of 26 700 square metres) will be positioned in the long term as a centre for innovation, entrepreneurship, knowledge transfer and attractive working environments. The signing of a long-term rental agreement in 2016 secured a key anchor tenant. The partnership with this innovation services provider constitutes the first significant step in the site's development process.

<b>Realisation</b>	2018 – 2019
<b>Investment volume including land</b>	CHF 100 million
<b>Usable floor space</b>	23 700 m <sup>2</sup>
<b>Rental income</b>	CHF 5.7 million
<b>Gross yield (on cost)</b>	5.7%
<b>Net yield (on cost)</b>	5.1%

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## Stückli Park, Basel

The Stückli site will be thoroughly developed, thus becoming attractive and future oriented by the year 2023. The key expansion of the already existing laboratory and office floor space will be carried out in two phases. Four new buildings situated between the already fully leased Businesspark and shopping centre will noticeably expand the total floor space. At the same time, the rental floor space will more than double from roughly 27 000 square metres to more than 60 000 square metres. Consequently, the project will meet the region's needs for laboratory and office floor space, creating room for an additional 1 700 workplaces. The laboratory and office floor space constitutes a key element for the successful and sustainable future development of the entire site, where innovation, entertainment, wellness, healthcare, research and shopping are all interwoven in an overall concept.

Realisation	2018 – 2023
Investment volume including land	CHF 190 million
Usable floor space	26600 m <sup>2</sup>
Rental income	CHF 11.8 million
Gross yield (on cost)	6.2%
Net yield (on cost)	5.2%



## Schönburg, Berne

The Schönburg site in Berne will undergo an extensive conversion process. The architecturally interesting building (year of construction 1970) will be developed into a high-value, mixed use property. The property will house 142 high-quality and modern rental apartments, an innovative hotel concept and retail floor space as well as sports and relaxation opportunities situated in a prime location, while maintaining the existing structure. The new Schönburg will become an attractive, ground-breaking property development with national radiance.

Realisation	2017 – 2020
Investment volume including land	CHF 193 million
Usable floor space	19 600 m <sup>2</sup>
Rental income	CHF 7.2 million
Gross yield (on cost)	3.7%
Net yield (on cost)	3.4%





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## YOND, Zurich

The unique building structure of the «YOND» real estate product located at the Siemens Site focuses on start-ups as well as small- and medium-sized enterprises from various sectors. Starting from 2019, services providers and production facilities will be united under one roof, thus creating additional synergies for all tenants in the context of a community. Two-storey, utilisation-independent rooms will accommodate the various spatial concepts and fluctuating floor space needs. The construction project combines what embodies the spirit of the times of millennials: i.e. room and space that are individually and creatively adapted to the relevant market situation.

Realisation	2017 – 2019
Investment volume including land	CHF 89 million
Usable floor space	20 000 m <sup>2</sup>
Rental income	CHF 5.4 million
Gross yield (on cost)	6.0%
Net yield (on cost)	5.0%



A photograph of a tree with autumn-colored leaves in front of a modern building with a grid of windows. The tree's leaves are in various shades of green, yellow, and orange. The building behind it has a dark facade with a grid of white window frames. The word "SUSTAINABILITY" is written in white, serif, all-caps font across the center of the image, flanked by two horizontal white bars.

**SUSTAINABILITY**

# Sustainable management

As part of its reporting for 2017, Swiss Prime Site is publishing a Sustainability Report for the first time. The report has been prepared in accordance with the Global Reporting Initiative (GRI) standards and is based on the Integrated Reporting Framework promulgated by the International Integrated Reporting Council (IIRC). The following is a brief overview of the key milestones already achieved and the upcoming objectives which Swiss Prime Site has set itself.



## Stakeholders

Our first stakeholder dialogue enabled us to evaluate and augment the materiality of our roadmap topics.



## Financial excellence

The Group achieved and partially exceeded the targets announced at the beginning of the reporting year.



## Compliance and social commitment

Group-wide IT guidelines were introduced which also incorporate the basis for a comprehensive data-protection concept for 2018.



## Sustainable investments and services

Maintaining the primary structures of the Schönburg project in Berne resulted in a documented saving of 26 750 MWh of grey energy.



## Protecting the environment

A comprehensive reporting and data-recording concept was developed and implemented. Resource utilisation by individual Group companies is now being evaluated for the first time.



## Attractive working environment

81 employees attended our executive training course in leadership. Around 400 apprentices and 78 interns completed their vocational training.

# Sustainability targets 2018/2018+

## Swiss Prime Site

targets 2018

targets 2018+

### Stakeholders

Develop the stakeholder dialogue and the startup network

Hold second stakeholder panel meeting and publish Sustainability Report for 2018/2019

### Financial excellence

Develop scenarios to identify possible risks to Swiss Prime Site's business from climate change

Report on scenarios based on TCFD (Task Force on Climate-related Financial Disclosures) recommendations

### Compliance and social commitment

All employees to re-commit to the Code of Conduct

Evaluate functional adequacy of 2018 data-protection concept

### Sustainable investments and services

Formulate uniform Building Information Modelling parameters for all new developments

Specify all new developments based on BIM (Building Information Modelling) parameters

### Protecting the environment

Compile key environmental metrics in accordance with CO<sub>2</sub> balance-sheet concept

Cut revenue-related CO<sub>2</sub> emissions by at least 5%

### Attractive working environment

Continuation of leadership training courses  
Start Trainee Program

Reduce average staff fluctuation rates to below 18%

## Swiss Prime Site Immobilien

targets 2018

targets 2018+

Evaluate all development projects according to SNBS criteria

Obtain sustainability certification for at least two new construction projects

Specify a downward trajectory towards 2-degree target

Quantify key environmental metrics for company operations and third-party tenants

Conduct employee survey

Cut absentee rates to below 2%

## Wincasa

targets 2018

targets 2018+

Process digitalisation:  
continue development of My Wincasa

Establish mobility concept based on 5% cut in CO<sub>2</sub> emissions

Compile key environmental metrics in accordance with CO<sub>2</sub> balance-sheet concept

Quantify key environmental metrics for company operations and mobility

Launch of Career Website

Cut absentee rates to below 2.5%

## Tertianum

targets 2018

targets 2018+

Process digitalisation:  
Roll out SAP and careCoach in German-speaking Switzerland and Ticino

Process digitalisation:  
Roll out SAP and careCoach in French-speaking Switzerland

Reduce vacancy rates by at least 5% based on balance 2017

Quantify key environmental metrics for operations

Introduction of a uniform wage system in German-speaking Switzerland and Ticino

Introduction of a uniform wage system in French-speaking Switzerland

## Jelmoli

targets 2018

targets 2018+

Process digitalisation:  
introduce electronic contract management

Quantify key sustainability metrics for suppliers

Cease sale of genuine fur products in accordance with animal welfare

Quantify key environmental metrics for operations

Conduct client survey

Cut absentee rates to below 3%

# Information policy

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## 1 March 2018

Annual Report as at 31.12.2017 with  
financial results press conference

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## 27 March 2018

Annual General Meeting financial year  
2017

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## 9 August 2018

Semi-Annual Report as at 30.06.2018  
with financial results press conference



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