



SWISS PRIME SITE

**ANNUAL
REPORT**

2018

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Reporting structure

Swiss Prime Site AG is the leading listed real estate company in Switzerland. The core of the Company's business is its property portfolio, which is managed sustainably and innovatively. Reporting consists of the Strategy and Management Report, which is available online ([annualreport2018.sps.swiss](https://www.sps.swiss/annualreport2018)), and the separate sub-reports (PDF download). For reasons of innovation and sustainability, only the short report is available as a printed version.



SWISS PRIME SITE

STRATEGY AND MANAGEMENT REPORT

2018

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Our strengths at a glance



Sustainable business model

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



Stable financing

The Company is solidly financed with debt and shareholders' equity. The equity ratio is 43.9%. Debt is balanced in its composition, using a range of instruments such as bonds, mortgages and loans. The loan-to-value ratio is 45.3%.



First-class locations

The current portfolio of 190 high-quality properties comprises Swiss properties with good value retention situated in first-class locations, which have a fair value of CHF 11.2 billion. The Company has a strong focus on office and retail space. The vacancy rate is 4.8%.



High profitability and growth

The existing property portfolio realises an attractive net yield of 3.6%. Swiss Prime Site achieves a return on equity of 6.4%. The project pipeline for the coming years comprises more than 20 projects with an investment volume of around CHF 2 billion.



High share liquidity

Swiss Prime Site is the largest stock exchange-listed real estate company in Switzerland, with market capitalisation of CHF 6.0 billion. The 76 million registered shares have a free float of 100% and high liquidity on the SIX Swiss Exchange.



Well-balanced dividend policy

The Board of Directors pursues a consistent and investor-friendly dividend policy. Around 80% of the profits generated, excluding revaluations and deferred taxes, are currently returned to the shareholders. The dividend yield is currently 4.8%.

Results

1214

million CHF operating income
+5.1% year-on-year

310.9

million CHF profit
+1.8% year-on-year

3.80

CHF dividend¹
unchanged year-on-year

People

6 295

employees
+6.5% year-on-year

4 513

women
+1.7% year-on-year

449

apprentices
+11.4% year-on-year

Potential

2.0

billion CHF project pipeline
-4.8% year-on-year

1.6

million m² rental space
-0.5% year-on-year

4.8

percent vacancy rate
-7.7% year-on-year

¹ Proposal to the Annual General Meeting on 26 March 2019





Dear Shareholders

Swiss Prime Site made good progress in 2018 in its core business and the vertically integrated real estate-related business fields. Robust economic performance and stable business conditions on the Swiss capital market allowed us to continue to implement our strategy according to plan.

2018 was a successful financial year for the entire group. Our results at all levels reflected the goals we had set ourselves. Operating income increased by 5.1% to CHF 1 214.1 million. It is gratifying to note that growth was underpinned by both the Real Estate and Services segments. Profits rose by 1.8% to CHF 310.9 million. This includes profits of CHF 67.6 million from revaluation of investment properties. In addition, important transactions allowed us to increase the value of the portfolio to CHF 11.2 billion. We also made important progress within our development pipeline. In Geneva, both of our important urban development projects, «Espace Tourbillon» and «Alto Pont-Rouge», are making very good headway. The modification of the «Schönburg» building has progressed, enabling staged hand-over to tenants this year. In Basel, the former Stücker shopping centre is currently experiencing a repositioning as an attractive mixed-used site with high demand for floorspace for laboratories, offices, research and health. In Zurich, we have begun work on the modification of a large site in Schlieren, which is designed as an important hub for knowledge transfer, entrepreneurship and innovation. The acquisition of the «West-Log» project in Zurich as an urban logistics property with great future potential represented a significant enhancement to our pipeline. In the real estate-related business fields, we are investing in digitalisation and expansion, thereby strengthening our individual business models.

In short, we are happy with the past financial year, and we are optimistic about the coming year. I would like to thank you, our valued customers and partners, for your trust and support. My thanks also go to all employees across the entire Swiss Prime Site Group, the Executive Board and my colleagues on the Board of Directors.

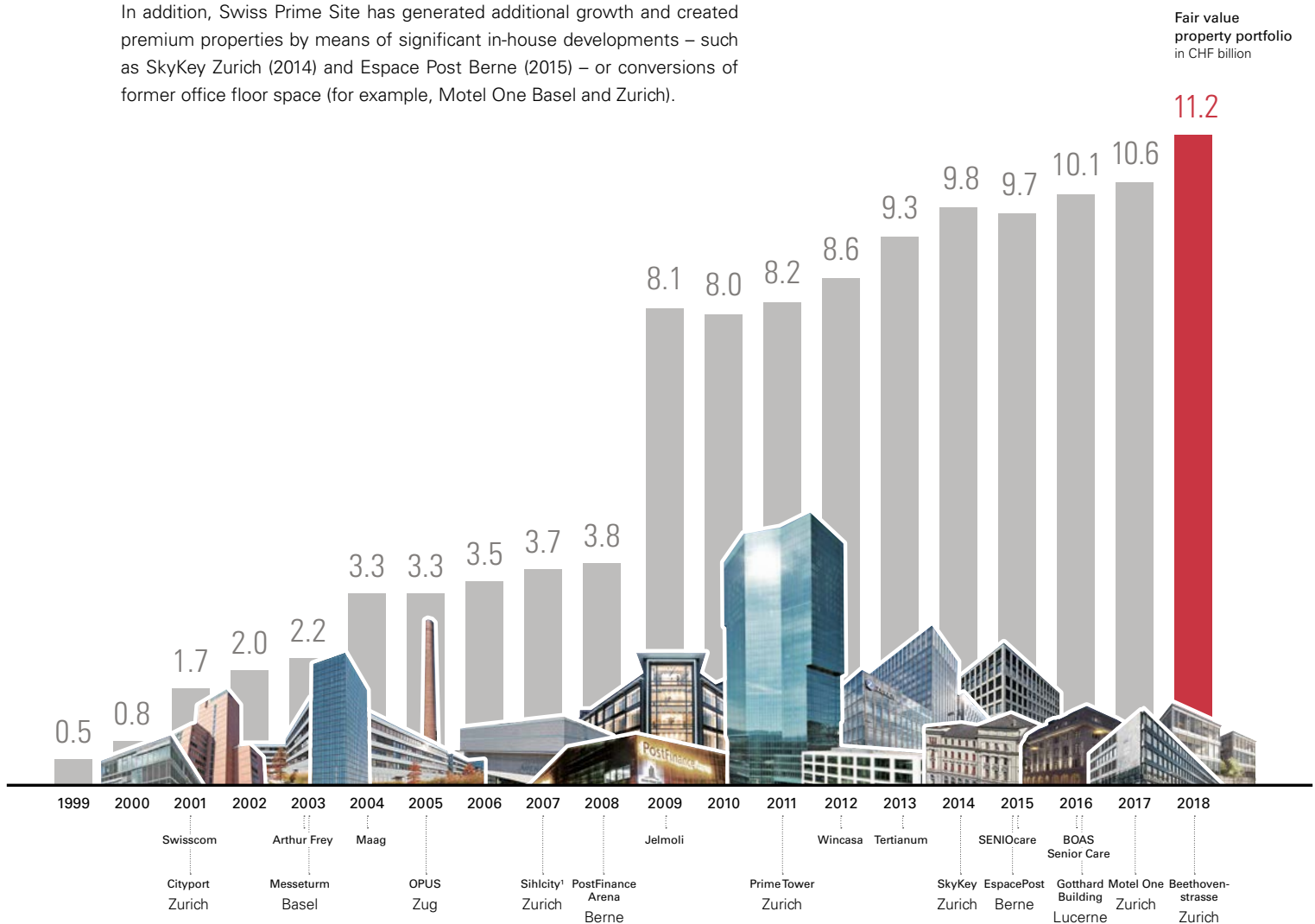
A handwritten signature in blue ink, appearing to read 'Wehrli' with a horizontal line extending to the right.

Hans Peter Wehrli
Chairman of the Board of Directors

Our success story

Swiss Prime Site was founded in 1999. By 2018, the Company had grown to become the largest stock exchange-listed real estate firm in Switzerland, with a property portfolio currently valued at CHF 11.2 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 Jelmoli portfolio of properties in 2009 doubled the value of the Company's real estate 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 created premium properties by means of significant in-house developments – such as SkyKey Zurich (2014) and Espace Post Berne (2015) – or conversions of former office floor space (for example, Motel One Basel and Zurich).



¹ sold as at 1 October 2018

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

From June 2017 to June 2018, around 63 000 positions were created in the services sector, generating increasing demand for office space. Demand developed at a dynamic pace, in particular in the major centres important for Swiss Prime Site such as Zurich and Basel, and significant rental contracts were finalised. The market for retail floor space remained challenging. Bricks and mortar stores, and in particular shopping centres, are facing strong competition from e-commerce. Swiss Prime Site benefits from holding properties in high-traffic central locations that enjoy strong demand. This made it possible to sign follow-up leases, in some cases at higher rent prices, for floor space that had become available. Given that the demand for the urban micro-distribution of goods is likely to increase, this will open up additional opportunities for Swiss Prime Site. The Company sees great opportunities in urban logistics and is already investing in two very promising projects in Geneva and Zurich.

.....
+7 percent p.a.

average annual performance (total return)
of the Swiss Prime Site AG share from list-
ing in 2000 to the end of 2018.
.....

Transactions market

In recent years, the strong demand for investment properties has resulted in significant increases in the value of existing properties, accompanied by compression of yields on the transactions market. Over the past year, the yields on prime office and retail properties have stabilised at a low level. Swiss Prime Site made use of the considerable interest in investment properties, achieving profitable sales such as the sale of residential properties at «Weltpost Park» in Berne. The Company also invested in its own real estate development projects, which, unlike the embattled transactions market, perform above-average net yields of around 5%. Swiss Prime Site's numerous projects in the area of assisted living (residential and geriatric care centres) are also satisfying the sustained demand for the services of group company Tertianum.

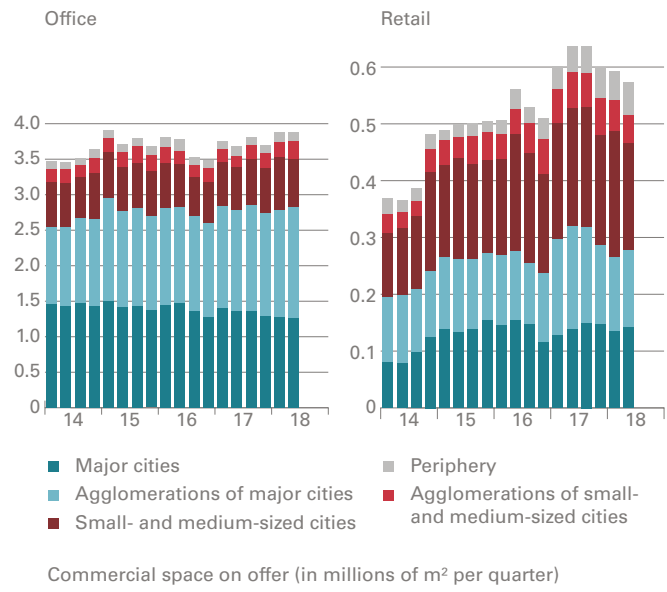
Capital market

Both direct and indirect real estate investments continue to profit from high investor demand. Swiss Prime Site took advantage of the favourable market climate in the late summer of 2018 for a capital increase totalling around CHF 331 million. The pleasing subscription result of over 98% confirmed the attractiveness of Swiss Prime Site shares. In addition, a convertible and a fixed interest bond were placed in 2018, with proceeds of the issue totalling CHF 490 million. For its part, Swiss Prime Investment Foundation, the assets of which are managed through Swiss Prime Site Solutions, undertook a successful share issue in the amount of CHF 221 million. This demonstrates the sustained demand from pension funds for services in the field of real estate asset management. While the Swiss Prime Site share outperformed in the first half of 2018 as a result, in the second half of the year rising bond returns in the US and additional capital increases in Switzerland led to contractions in the Swiss real estate share sector. With an average annual performance (total return) of around 7% since listing, Swiss Prime Site shares have generated more attractive returns than the sector and the market on average.

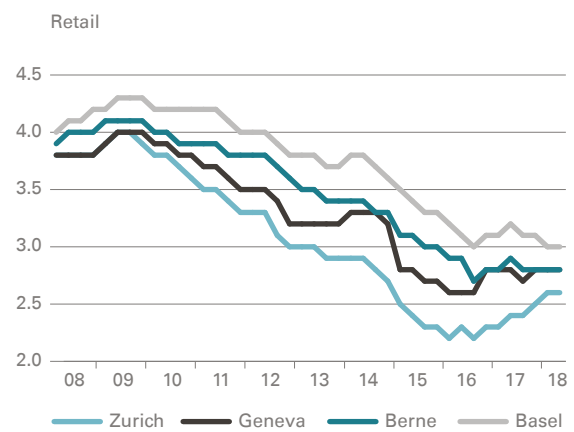
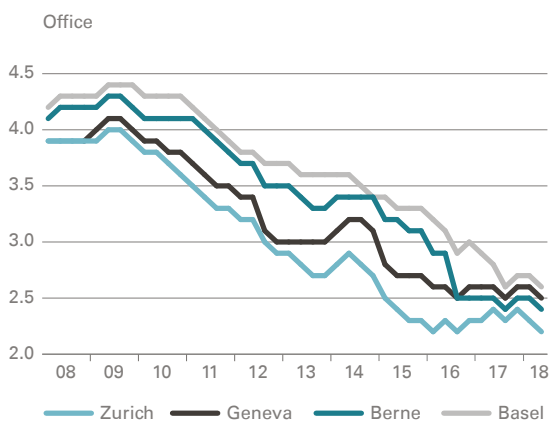
Assisted living

Demographic change in Switzerland is becoming more and more apparent: In 2017, there were 1.55 million people in the 65 and over category – this equates to 18.3% of the population. That figure was 15.4% in the year 2000. Effectively, the number of people aged over 65 years has increased by almost 40.0% during this period, and further growth in the older population is expected in the coming years.

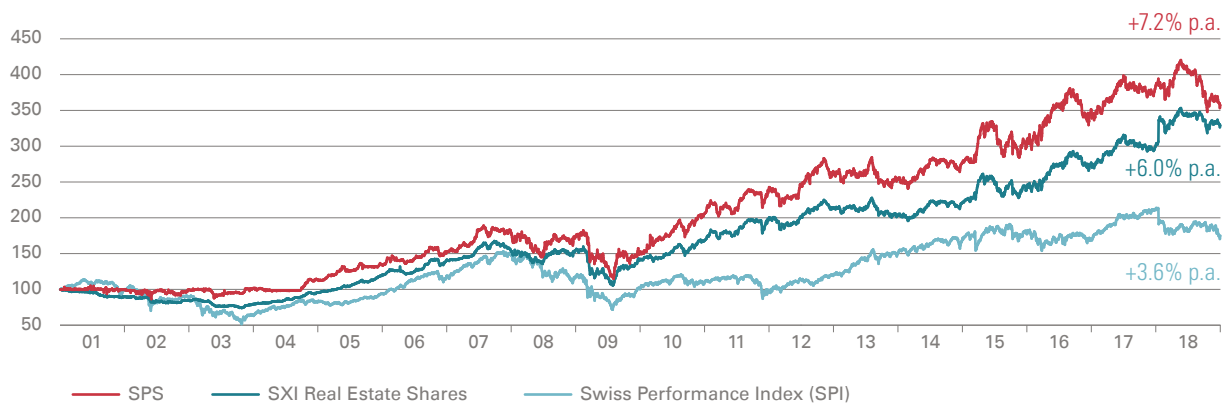
Rental market: trend in rents and floor space



Transactions market: trend in prime initial yields



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



Sources: Credit Suisse, Wüest Partner, Swiss Prime Site, Thomson Datastream

Risk management

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 goals of that process are to screen strategies and operational activities for opportunities and threats, assess the risks that are identified and take appropriate measures to control these risks.

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. Risk management is an ongoing process in which all of the Company's employees are basically involved. Responsibility is allocated to the various bodies of the respective company, such as the Board of Directors and Executive Board, as appropriate to their level. The principles and processes of risk management are set out in separate regulations.

The following bodies or positions are involved in the process:

- Board of Directors
- Audit Committee of the Board of Directors
- Members of executive management
- Internal risk management
- Internal audit

The types of risks specified below are addressed by means of appropriate selection and diversification of properties and tenants, adjustments of the lease expiry profile, construction measures, assurances of finance, an appropriate debt ratio, and regular monitoring of processes and procedures.

- Specific real estate risks
- Environmental and climate risks
- Risks associated with construction activities
- Market risk and diversification
- Valuation risks
- Credit, refinancing and liquidity risks
- Risks in the Services segment
- Regulatory and fiscal risks
- Risks associated with litigation



The overview shows the Swiss Prime Site risk management process.



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«We see great potential in development projects in particular»

Swiss Prime Site closed out the 2018 financial year with favourable results. Both the core real estate business and the Services segment contributed to this pleasing result. The portfolio of existing properties was optimised by acquisitions and divestment. In addition, the project pipeline was implemented according to plan and augmented with new projects. Technological changes were prioritised in the group companies in the Services segment. The progress achieved will make the business models of the vertically integrated real estate-related business areas significantly more robust for the future. Sustainable growth and long-term success are of paramount relevance to the entire management team, and in particular to René Zahnd, CEO of Swiss Prime Site.

René Zahnd, you have been CEO of Swiss Prime Site for three years now. How has the real estate market changed since you took up your position in 2016?

René Zahnd: The market has become considerably more dynamic. New technologies and the changed demands of market players are leading to a diversification of the source of demand. The positive side effect of this change is that the real estate sector has to focus much more strongly than previously on the client (tenant/user/operator) and their specific needs. This has meant that products coming onto the market are also absorbed at the end of the day. Another change has occurred in the residential market, which is now reaching its limits. Put another way, too many residential properties are still being created in the wrong location. What is more important for Swiss Prime Site, however, is the fact that demand for office floor space has picked up again, particularly in the greater Zurich area.

How does the interest rate situation influence your business model?

Although the assumption a few years ago was that interest rates were bound to rise again soon, we are still confronted with a low interest phase. The effect is that all market players are on the lookout for returns, and one place they are finding them is the real estate sector. This means that currently we are in direct competition not just with other real estate companies, but also with life insurance companies, pension funds and other institutional investors. Thanks to our attractive portfolio and the project pipelines, we are able to cope well with the existing market situation. Our results reflect this.

What does this new competition mean for you?

When more players participate in the real estate market, this often results in excess demand and price increases. This does not affect us severely, given that we have a large portfolio of 190 properties, as well as a wide pipeline of around 20 projects at our disposal. Both factors give us a certain degree of independence vis-à-vis

the market. When it comes to seeking higher returns, we see great potential in project developments in particular.

It appears that you continued to cope very well with the challenges in the 2018 financial year. What conclusions would you draw?

At the start of the year, we promised our investors successful business performance. We were able to fulfil our promise. We are definitely satisfied with the result. At the earnings level, we grew by 5.1% to CHF 1 214.1 million. Rental income, which is the most important indicator in our core real estate business, also rose by a pleasing 2.0% to CHF 479.4 million.

How did earnings perform in the Services segment?

We achieved year-on-year growth in Services as well. Our major growth area was assisted living, through our group company Tertianum (+10.2% compared with 2017). We expect further growth in that area in coming years as our network expands. Some record sales were posted at Jelmoli, especially on «Thank You Day» which marked the 185th anniversary, and also during the pre-Christmas period. Our strategy of not participating in pointless discount battles such as «Black Friday» once again proved to be the right approach this year. We are convinced that our customers value this position.

How did Wincasa and Swiss Prime Site Solutions fare in 2018?

Wincasa was able to achieve increased turnover (+1.5%) in a saturated market. But much more pivotal for the real estate service provider is the transformation of the business model into a digital concept, and the development of new services. The newly established Mixed Use Site Management unit has acquired a number of interesting contracts over the past year. We reorganised the management at Swiss Prime Site Solutions in the summer of 2018 and this has already paid off. Following the renewal of the asset management contract with Swiss Prime Investment Foundation



(SPIF) ahead of schedule, the focus is now on delivering the best possible service for this customer. In this respect, we are very fortunate that the employees of this group company have expertise across the whole real estate spectrum. The assets managed by Swiss Prime Site Solutions increased from CHF 1.4 billion to CHF 1.6 billion in 2018. All in all a pleasing performance.

And what is the position at operating result level in these two segments?

We are on target there, too. Swiss Prime Site Immobilien generated EBIT of CHF 431.1 million, representing growth of 2.1% in our core business. Revaluations in the amount of CHF 68.3 million also contributed to this impressive result. Again, this shows the attractiveness of our real estate portfolio. This figure also includes profits on sales. They are part of our strategy of developing real estate projects and selling them either in part or in whole when a favourable opportunity presents itself. We then invest the income in additional properties for our portfolio and new projects. We are on schedule in the Services segment with our goal of generating a substantial contribution to the Group by no later than 2021. Currently, EBIT is CHF 476 million.

.....

«Rental income, which is the most important indicator in our core business, also rose by a pleasing 2.0% to CHF 479.4 million.»

.....

You conducted a number of transactions in 2018, including the sale of your share in Sihlcity. What was the reason for this surprising move?

We had a little over 24% ownership of the site dating from the period when Sihlcity was developed. However, we always aim to be at least a majority owner, or better still, sole owner. When we were offered the prospect of an attractive real estate swap for our share, we seized the opportunity. This enabled us to further optimise our portfolio and to relinquish a part of the retail floor space that we did not control.

You carried out a share capital increase in September 2018. Why?

In the course of our claim to grow profitably, we use capital increases to seize opportunities in the market. We have done this very well in the past. In this sense, capital increases are part of our corporate strategy.

How will you use this capital?

We invest the funds specifically for our development projects, which in the medium and long term allow us to increase rental income and generate income from sales, which we in turn can invest in new projects. We achieved this in Geneva with the partial sale of «Espace Tourbillon» and reinvestment in the project «Alto Pont-Rouge». And with the sale of the «Weltpost Park» project in Berne and the acquisition of «West-Log» in Zurich. Another important consideration is the additional financial flexibility, which allows us to react to unique opportunities in the market, such as the purchase at Beethovenstrasse in Zurich.

Do you feel you are well set up now in relation to capitalisation?

Our current equity ratio is 43.9%. It is sound as usual, and gives us enough room for manoeuvre. We are a company that will always consider the whole gamut of financing possibilities if we need to.

Where do you see Swiss Prime Site currently in the implementation of its strategy?

We are very satisfied with developments in the core real estate business. The focus on development projects and our clients has already paid off. This performance also reflects the outstanding quality of our real estate team, allowing us to deliver superior services both for our own portfolio and through asset management for third-party portfolios (SPIF). We have made very good progress in the past year in the Services segment. The focus is now on continuing to work on operational excellence to ensure that we will be in a position to generate at least 10% of EBIT from this area in the medium term. At the same time, we as a group are also making improvements in the areas of innovation and sustainability. At the end of the day, this will be reflected in continuing strong performance.

Could you provide a bit more detail?

Thanks to investments, we have been able to increase our portfolio of existing properties significantly by CHF 571.3 million in the past 12 months. Furthermore, we succeeded in reducing the

vacancy rate to 4.8%. The sale of the «Weltpost Park» project has enabled us to further refine our portfolio's focus on office floor space. The growth in the Services segment demonstrates that we have also increased earnings diversification. Our group companies make valuable market knowledge available to us, and we can make ideal use of that knowledge both for purchases and in our projects. Innovation, and in this context sustainability as well, are pillars that will support our future. We have group-wide committees in order to further develop our business models in this regard.

How will the office market perform in your core zones, Zurich and Geneva?

We expect stable performance and good demand in Zurich. We are also seeing this at first hand in our projects that are coming onto the market, such as YOND. The demand for superior-quality, flexible office floor space is there. In Geneva, we are seeing a clear movement by many companies out of the city centre into the new sub-centres that are emerging around the Pont-Rouge, and around Plan-les-Ouates for logistics. This is precisely where we are developing two exciting major projects.

Will the vacancy rate continue to fall?

We currently have a vacancy rate of under 5%. That is a very good figure, which we want to maintain. A base vacancy rate of 4% to 5% really is quite healthy. It gives us flexibility in the portfolio and allows us to respond to our tenants' needs.

Wincasa bought real estate service provider «streamnow» in the second half of 2018. Can you tell us what the story was there?

Wincasa is systematically continuing on the digitalisation path and placing a strong focus on client benefit. Digital communication and transaction portals such as streamnow are well established in the market and contribute to increasing the professionalisation of services for tenants. streamnow is a well-designed tenant portal that allows users to take care of all matters relating to the property and the rental agreement simply, quickly and at any time, wherever they happen to be. We are all familiar with this from online banking and insurance apps. We are convinced that this acquisition means an important step towards focussed tenant services.

You have slightly adapted the way you communicate your goals. Why?

Investors and analysts want forecasts to be as precise and detailed as possible. We value transparency very highly, and we want to be even more successful in meeting this need. Investments in real estate are a medium- to long-term proposition. Taking a look at our pipeline, it is easy to see that projects generally take a number of years. Properties have to be built before they can yield returns. This may also sometimes result in higher vacancy rates at first. Furthermore, the years ahead will vary considerably with respect to the development projects that we will either incorporate into our portfolio or sell on the market. It is important to us to make that clear.

What target figures can investors expect for 2019 and beyond?

We anticipate stable figures for 2019 both at the earnings and operating result level. We will see stronger growth again in 2020 and 2021 as a result of project completions.

How do you see the future?

I am optimistic by nature, so I also take a mainly positive view of the future, specifically in those areas that we can directly influence ourselves through our daily work. Of course, this doesn't include geopolitical risks, which definitely have not reduced, or home-grown concerns, such as the vote on the urban sprawl initiative or debate about the responsible business initiative. All in all, however, we are in a good position in the Swiss real estate sector.

**«We are a company that
will always consider
the whole gamut of
financing possibilities if
we need to.»**



Jela

Jela 5li

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OPT K

Financial commentary 2018



2018 was a successful year for Swiss Prime Site, with earnings growth of 5.1%. Operating income rose by CHF 59.3 million to CHF 1 214.1 million year-on-year. Both the core real estate business and the Services segment performed well. Real estate increased its earnings by 6.4%. Real estate-related services grew by 4.8% year-on-year. At CHF 11.2 billion, the value of the property portfolio grew by 5.4%. At the same time, net yield decreased slightly to 3.6%. The vacancy rate fell significantly from 5.2% to 4.8%. A CHF 5.4 million or 1.8% increase in profit to CHF 310.9 million was reported. Swiss Prime Site anticipates stable or improving performance in the most important parameters for 2019 and over the medium term.

Once again, the Swiss economy performed well in 2018. Switzerland competed successfully in the global marketplace as a location for many international businesses, and the real estate market benefited from this. Interest rate movements remained stable. Swiss Prime Site performed well under these conditions, with growth and good results to report in both segments for 2018.

Swiss Prime Site invested extensively in its core real estate business. The stock of first-class properties was expanded with major purchases. The Company also streamlined its portfolio by selling minority interests in properties, trading them for attractive sole ownership of other properties. In addition, the Company forged ahead with development projects and new construction projects. The pipeline was expanded with new ventures. Focussing the Company's strategy and business model on successful management of the portfolio of existing properties and its own developments once again proved successful. In the past financial year, Swiss Prime Site finalised new leases or contract renewals on around 190 000 m² (12% of rental floor space) within the property portfolio. During the course of 2018, several transactions were concluded, which fine-tuned the portfolio of existing properties and developments further: In January, Swiss Prime Site purchased a completely leased site with great potential for further development in Regensdorf near Zurich. This was followed mid-year by the purchase of the «West-Log» construction project in Zurich, the majority of which was already under lease. The foundation stone for this pioneering urban logistics property was laid in autumn. In Monthey (canton of Valais), Swiss Prime Site acquired land for the construction of a property for the Tertianum group company. A fully leased office property at Beethovenstrasse 33 in the heart of Zurich – near Paradeplatz and the lake – is a valuable new addition to the portfolio. The «Weltpost Park»

residential project in Berne was sold as planned. The project will be handed over to the buyer ready for occupancy at the start of 2020. In the last quarter of 2018, Swiss Prime Site and the majority owner of the «Sihlcity» urban entertainment centre in Zurich agreed on a swap of the co-ownership share of 24.2% in exchange for three attractive properties. They are fully leased and complement the portfolio of existing properties perfectly. Two of the properties are located in Zurich, and one in Worblaufen in the canton of Berne, where Swiss Prime Site already held a co-ownership share of 49%. In addition, the Company divested itself of two smaller properties in Berne and Dietikon in December.

The Services segment, with Wincasa, Tertianum, Jelmoli – the House of Brands and Swiss Prime Site Solutions, comprises real estate-related services. Overall, the segment also performed well in the 2018 financial year. Wincasa is continuing to forge ahead with its transformation strategy. With its purchase of «streamnow», the Company completed an important step for the further development and digitalisation of the business model. Meanwhile, Tertianum introduced a new resource planning system (SAP) and a care documentation system in German-speaking Switzerland and in Ticino. This allowed internal procedures to be optimised and customer service to be significantly upgraded. Jelmoli celebrated its 185th anniversary in 2018. The oldest premium department store in Switzerland held its ground well in a challenging environment. The strengthening of the business model by expanding the e-commerce offering and the opening of a second foothold at Zurich airport are progressing well. The management team at Swiss Prime Site Solutions was bolstered following the early extension of the mandate with Swiss Prime Investment Foundation, and the services portfolio was further refined.

Operating income

in CHF m	01.01.– 31.12.2017	01.01.– 31.12.2018	Change in %
Real Estate segment	478.4	509.2	6.4
Rental income from properties	424.4	434.4	2.4
Income from real estate developments	51.7	72.8	40.6
Other operating income	2.3	2.0	-11.0
Services segment	754.6	790.7	4.8
Rental income from properties	100.7	101.5	0.8
Income from real estate services	142.2	144.4	1.5
Income from retail	136.2	131.3	-3.6
Income from assisted living	360.1	396.9	10.2
Income from asset management	9.9	8.5	-14.4
Other operating income	5.6	8.2	45.1
Eliminations	-78.2	-85.7	9.6
Total group	1 154.8	1 214.1	5.1

The Swiss Prime Site Group increased its operating income by 5.1% to CHF 1 214.1 million in 2018. Both the Real Estate segment and the Services segment contributed to this pleasing growth. Real estate, the core business of Swiss Prime Site, continued to develop at a dynamic pace. The segment realised operating income of CHF 509.2 million. The increase of 6.4% or CHF 30.8 million can mainly be attributed to the increase in rental income and the development of properties and projects. Active vacancy rate management, acquisitions in the current and previous year, and successful new leasing and leasing renewal activities in particular contributed to the increase. At CHF 11.2 billion, the market value of the 190 properties [188 as at the end of 2017] rose by 5.4% or CHF 571.3 million. The profitability of the portfolio, with a net yield of 3.6%, remains at an attractive level. The vacancy rate, as a yardstick for the attractiveness of the building stock, stood at 4.8% and improved by 0.4 percentage points.

The income of the Services segment grew in the reporting period by 4.8% year-on-year, realising CHF 790.7 million [CHF 754.6 million]. Income from real estate services amounted to CHF 144.4 million [CHF 142.2 million]. Switzerland's leading real estate services provider was able to increase income slightly, thanks to the introduction of various services (e.g. construction management). The new mixed-

use site management service introduced in 2017 is becoming established in the market and is already bearing fruit. Multi-use development sites require integrated services tailored to their specific needs. Wincasa recognised this market requirement early on. In addition to Zurich, it also opened a branch for these specific services in Western Switzerland (Geneva). In August 2018, ahead of schedule, the real estate service provider was able to extend a management contract with one of its most important customers for a further five years. The contract includes over 1 000 factory and office buildings with an area of approximately 1.4 million m². The market value of the portfolio managed by Wincasa amounts to around CHF 68 billion. Tertianum is implementing its growth strategy and now has 77 locations across Switzerland. Investment in processes and IT should increase the attractiveness of Tertianum's network of locations even further. Income from assisted living of CHF 396.9 million (+10.2%) was realised. Jelmoli – The House of Brands realised income from retail of CHF 131.3 million [CHF 136.2 million]. Despite a challenging year, with trading revenue falling across Switzerland, the premium department store is holding its own. The company invested in product lines, retail formats and the building in order to meet its customers' expectations. It also tackled the expansion of its online strategy. Swiss Prime Site Solutions generated earnings of CHF 8.5 million [CHF 9.9 million]. The new management invested in expanding the customer base and services, as well as in employees and infrastructure. The real estate assets of Swiss Prime Investment Foundation managed by Swiss Prime Site Solutions amount to around CHF 1.6 billion.

Operating result (EBIT)

in CHF m	01.01.– 31.12.2017	01.01.– 31.12.2018	Change in %
Real Estate segment	422.0	431.1	2.1
Services segment	48.6	47.6	-2.1
Total group	470.6	478.6	1.7

In 2018, Swiss Prime Site achieved an operating result (EBIT) of CHF 478.6 million [CHF 470.6 million]. The EBIT figure excluding revaluation gains was CHF 411.1 million [CHF 404.8 million]. The core real estate business (+2.1%) continued to contribute the lion's share to the result. This favourable result includes revaluation gains of CHF 68.3 million [CHF 65.9 million]. The weighted average real discount rate was 3.22% as at the end of 2018, which was 13 basis points under the previous year. The core real estate business once again demonstrated its operational strength with this impressive result, which was achieved thanks to increasing rental income and the successful divestment of projects. The part-sale of the «Espace Tourbillon» project in Geneva, the sale of the «Weltpost Park» project in Berne, two investment properties and one earn-out generated pre-tax gains totalling CHF 33.9 million. At CHF 165.1 million, the operating expenses of the Real Estate segment increased by CHF 40.5 million. This was mainly attributable to expenses from the real estate developments sold.

The Services segment generated EBIT of CHF 47.6 million [CHF 48.6 million]. Despite substantial investments in the future, the result was maintained at an almost stable level. Real estate service provider Wincasa intensified efforts to forge ahead with the digitalisation of the business model, in particular. The expansion of the network and optimisations of administrative processes contributed to improved results at Tertianum as planned. Jelmoli invested in the forward-looking projects mentioned above and is confident of meeting its medium-term business plan. An increase in operating expenses in the Services segment of CHF 742.6 million [CHF 705.7 million] was primarily due to rising personnel costs and depreciation. Swiss Prime Site Group employed a workforce totalling 6 295 persons [5 910] on the balance sheet date.

Profit

In 2018, Swiss Prime Site generated a profit of CHF 310.9 million [CHF 305.5 million], or CHF 287.8 million [CHF 307.4 million] excluding revaluations and deferred taxes. Operational improvements in the group companies and recurring profits achieved from the sale of real estate developments and properties offset increased investment well. Once again, financial expenses fell slightly year-on-year due to attractive refinancing. Earnings per share (EPS), both including and excluding revaluations and deferred taxes, exceed the forecast dividend distribution. In the 2018 financial year, EPS were CHF 4.27 [CHF 4.27]. EPS excluding revaluations and deferred taxes were CHF 3.95 [CHF 4.30].

in CHF m	01.01.– 31.12.2017	01.01.– 31.12.2018	Change in %
Operating result (EBIT)	470.6	478.6	1.7
Financial expenses	-77.8	-75.8	-2.7
Financial income	2.0	1.2	-42.8
Income tax expenses	-89.3	-93.1	4.2
Profit	305.5	310.9	1.8
Profit excluding revaluations and deferred taxes	307.4	287.8	-6.4

Balance sheet figures

In January 2018, Swiss Prime Site placed a seven-year convertible bond valued at CHF 300 million with a coupon of 0.325% on the market. In addition, CHF 190 million was borrowed in the third quarter by means of a six-year 1% straight bond. Swiss Prime Site also carried out a share capital increase at the end of September 2018. Shareholders' equity was increased by around CHF 323 million through the issue of 4 467 432 fully paid up registered shares. The capital raised is being used to finance the development pipeline and market opportunities. The weighted average interest rate on financial liabilities is 1.4% [1.5%] and once again fell year-on-year. At the same time, the weighted residual term to maturity of interest-bearing financial liabilities reduced slightly to 4.3 years [4.7 years]. Compared with the net yield of 3.6% realised on the property portfolio, this results in an attractive interest rate spread of 2.2% [2.2%].

	in	31.12.2017	31.12.2018	Change in %
Equity ratio	%	43.1	43.9	1.9
Return on equity (ROE)	%	6.4	6.4	-
Net property yield	%	3.7	3.6	-2.7
Weighted average interest rate on financial liabilities	%	1.5	1.4	-6.7
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.7	4.3	-8.5
Loan-to-value ratio of property portfolio (LTV)	%	45.6	45.3	-0.7
NAV before deferred taxes per share ¹	CHF	82.87	83.40	0.6
NAV after deferred taxes per share ¹	CHF	66.85	67.74	1.3

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

Swiss Prime Site exhibits sound financial strength. The equity ratio amounts to 43.9% as at year-end 2018. The loan-to-value ratio of the property portfolio stands at 45.3% [45.6%]. NAV after deferred taxes rose to CHF 67.74 per share, exceeding the previous year's figure by 1.3%. Swiss Prime Site's return on equity is 6.4%, placing it within the long-term target range.

Outlook

Swiss Prime Site anticipates that economic and political conditions will remain similar to 2018 and that this will therefore provide opportunities for the Company and the sector. Development projects in particular will have a positive effect on the earnings and profit of Swiss Prime Site over the medium term. For 2019, the Company expects stable results both at the earnings and profit level. Active asset, portfolio and vacancy management, recurring income from real estate development projects and the implementation of the project pipeline will all contribute to these results. The properties constructed will provide significant growth impetus for rental income and thus results, starting from the end of 2019. Swiss Prime Site anticipates contributions from the real estate-related Services segment as planned. The Company will maintain an attractive policy on dividend distribution to shareholders.

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».

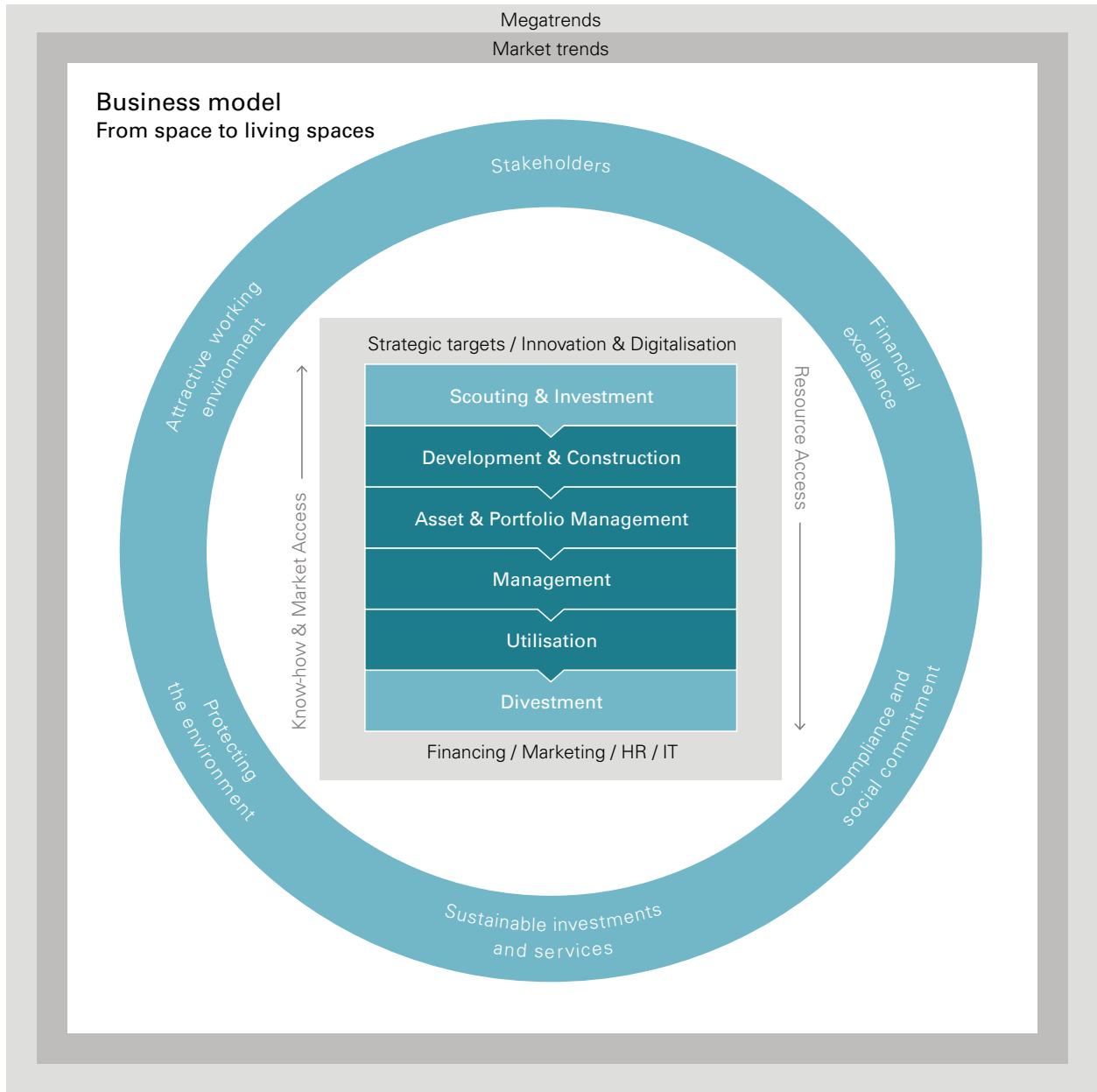
Sustainably developing spaces in line with needs

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 such as the revitalisation of industrial sites no longer suited to current needs or changes in the interest-rate environment are among the other 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

Group companies Swiss Prime Site Immobilien, Wincasa, Tertianum, Jelmoli and Swiss Prime Site Solutions constitute integral parts and the foundation of Swiss Prime Site Group's integrated business model. The real estate portfolio comprising over CHF 11 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

Sustainability

As a leading real estate company, Swiss Prime Site is committed to sustainability and assuming responsibility for its corporate actions, environment and society. In this context, the Company pursues a comprehensive approach focusing on six dimensions.

Stakeholders

Credibility, reliability, integrity, trustworthiness and conscientiousness form the central pillars of Swiss Prime Site's reputation, decisively contributing to the Company's excellent image in the eyes of the stakeholders. Hence, the Company maintains regular dialogue with all stakeholder groups and coordinates communications measures timely and recipient-appropriate. Since market presence and customer focus ultimately constitute decisive factors for the Company's success, Swiss Prime Site consistently directs its business activities toward the needs of the stakeholders.

Financial excellence

A stable and future-oriented company is based on financially sustainable management. This leads to additional value creation, which ultimately benefits all stakeholders. Untapped potential can be identified on a continuous basis through stringent control of in-house and third-party costs. Profitability can be boosted through improving operating processes and enhancing business planning as well as constantly reducing capital costs and vacancy rates.

Compliance and social commitment

The entire Group places a great deal of importance on acting responsibly and with integrity. In addition to compliance with legal requirements and regulatory standards, this also includes compliance with the Group's own policies and internal directives. Transparency is a top priority in all business activities. The Code of Conduct is part of the values mission statement.

Sustainable investments and services

The development and further enhancement of groupwide products and projects – as well as their orientation in the market and toward the needs of customers – constitute part of Swiss Prime Site's core mission. The real estate portfolio is continuously expanded and substantially upgraded through acquisitions and modernisation. Innovation and continuous improvements in efficiency are the drivers for long-term successful investments and services. Along with economic added value, Swiss Prime Site always takes into account the needs of society and environmental objectives too.

Protecting the environment

Swiss Prime Site acts to protect the environment and conserve resources, whether in its daily operations or in investments in real estate and its management. At the same time, the focus is clearly directed at the real estate portfolio, where invested capital realises the greatest impact. Swiss Prime Site is aiming for a portfolio of emission-neutral buildings in the long term. Reducing resource consumption, enhancing energy efficiency and cutting emissions as well as intelligently handling land resources are not just environmentally friendly but also economically and socially sensible. Training sessions and information events are held to raise employee awareness and, in particular, to motivate the workforce to protect the environment.

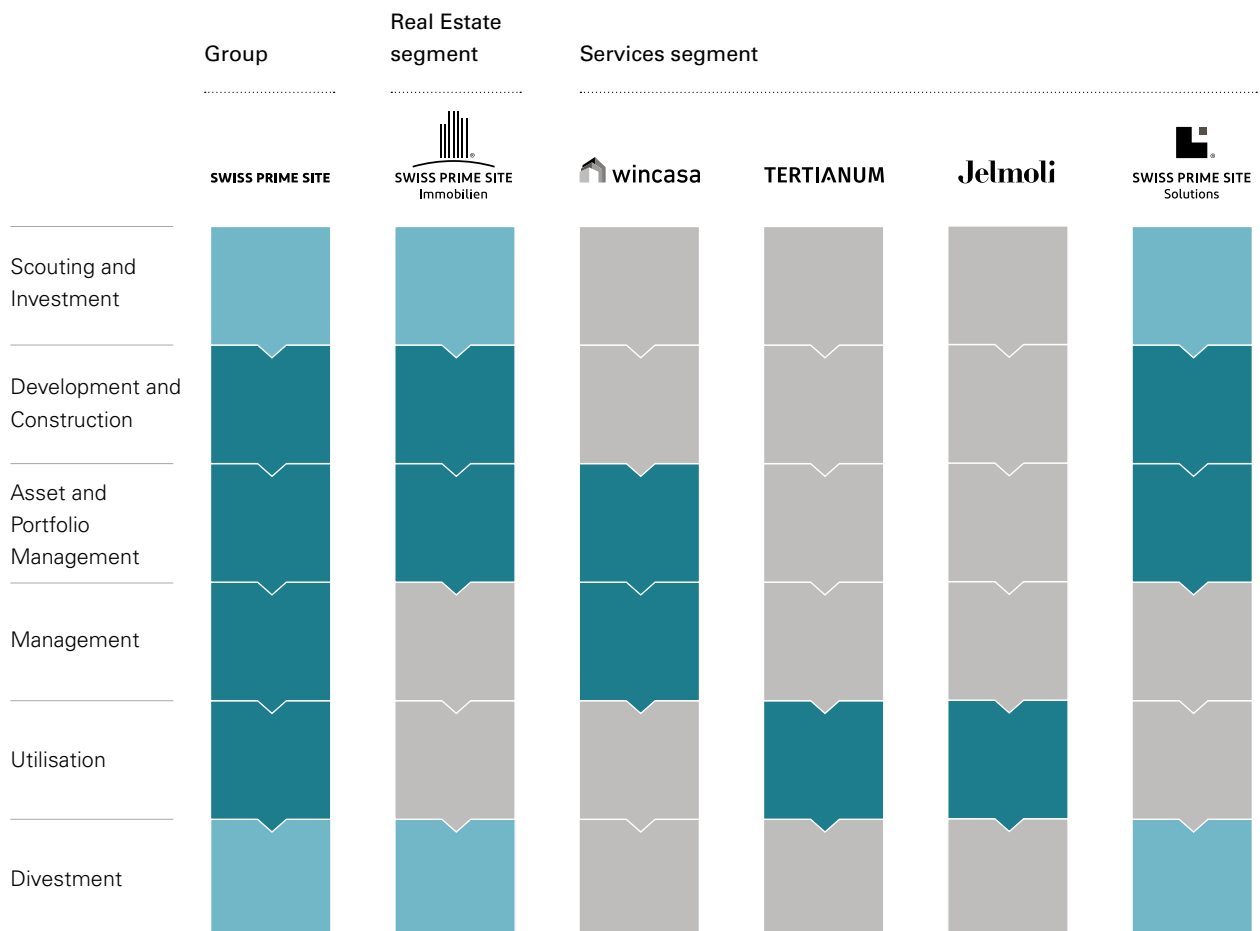
Attractive working environment

Competent and committed employees constitute a central factor in mastering future challenges. The medium- and long-term business success depends on how well a company manages to retain and attract qualified employees, promote and expand their skills, empower them to assume more responsibility and motivate them. Swiss Prime Site and its group companies strive to be employers of first choice.

Swiss Prime Site will not publish a separate sustainability report this year. The sustainability key metrics 2018 (by group company and capital including changes year-on-year) are shown below. Furthermore, the sustainability key indicators 2018 can be downloaded at: annualreport2018.sps.swiss

Value creation

The vertically integrated group companies of Swiss Prime Site constitute integral parts and the foundation of the business model. The value creation processes of Swiss Prime Site Immobilien, Wincasa, Tertianum, Jelmoli and Swiss Prime Site Solutions are intentionally designed to go beyond the integral levels of the business model and thereby generate important contributions to the long-term success of the Group.



SWISS PRIME SITE

Swiss Prime Site Group

Swiss Prime Site AG is the leading listed real estate company in Switzerland. Its high-quality real estate is worth over CHF 11 billion and consists of properties with good value retention in prime locations, which predominantly comprise office and retail floor space. The group has been listed on the SIX Swiss Exchange since 2000.

1 214

CHF million operating income
+5.1% year-on-year

6 295

employees
+6.5% year-on-year

Group and group companies

		Swiss Prime Site Group	Swiss Prime Site Immobilien	Wincasa	Tertianum	Jelmoli	Swiss Prime Site Solutions
Financial capital							
Income (segments)	CHF million	1 214	509	144	397	131	8.5
Investments in training and development measured against total payroll	%	0.90	0.82	1.01	0.85	0.99	0.46
Human capital							
Employees	number	6 295	59	920	4 679	628	9
Fluctuation rate	%	25.86	8.33	21.51	26.64	28.40	0.00
Absentee rate	%	4.97	0.94	2.17	5.65	4.50	0.33
Natural capital (services)							
Energy consumption	MWh	62 852.6	373.5	3 776.4	49 261.2	9 397.2	44.3
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	6 888	33.8	502	5 908	440	4
CO ₂ intensity per m ²	kg CO ₂ -eq/m ²	13.8	16.46	20.79	13.55	12	16.5
CO ₂ intensity per FTE	kg CO ₂ -eq/FTE	1 360.5	642.6	647.7	1 582.8	887.1	615.4
Water consumption	m ³	551 946	945	17 465	499 961	33 448	127.2

Group key figures

		2018	2017
Financial capital			
Shareholders' equity	CHF million	5 145	4 777
Investments	CHF million	545	430
Interest expenses (borrowed capital)	CHF million	76	78
Interest rate borrowed capital (weighted average)	%	1.4	1.5
Turnover	CHF million	1 214	1 155
Operating profit (EBIT)	CHF million	479	471
Portfolio value	CHF million	11 204	10 633
Profit per share	CHF	4.27	4.27
Bank rating		BBB/BBB+	BBB/BBB+
Physical capital			
Properties	number	190	188
Usable floor space	%	1 567 288	1 575 102
Vacancy rate	%	4.8	5.2
Intellectual capital			
Analysed trend signals	number	515	approx. 300
Innovation projects	number	12	30
Relationship capital			
Number of registered shareholders as at 31.12.2018	number	10 584	10 464
Acceptance of agenda items at AGM	%	100	100
Natural capital (services)			
CO ₂ emissions	tCO ₂ /million CHF turnover	5.67	7.65



Swiss Prime Site Immobilien

The segment realised operating income of CHF 509.2 million. The increase of 6.4% or CHF 30.8 million can mainly be attributed to the increase in rental income and the development of properties and projects. Active vacancy rate management, acquisitions in the current and previous year, and successful new leasing and leasing renewal activities in particular contributed to the increase.

509.2

CHF million operating income
+6.4% year-on-year

59

Employees
+15.7% year-on-year

		2018	2017
Financial capital			
Operating income (segment Real Estate)	CHF million	509	478
Investments in training and development measured against total payroll	%	0.82	1.29
Portfolio value	CHF million	11 204	10 633
Real estate costs	CHF million	64	63
Revaluation gains	CHF million	68	66
Net rental income	CHF million	434	424
Physical capital			
Properties	number	190	188
Usable floor space	m ²	1 567 288	1 575 102
Vacancy rate	%	4.8	5.2
Intellectual capital			
Floorspace development projects	m ²	324 987	375 000
Return on investment development projects	%	5	5
Human capital			
Employees	number	59	51
Fluctuation rate	%	8.33	2
Absentee rate	%	0.94	1.32
Women in executive positions	%	41	n/a
Relationship capital			
Tenants	number	approx. 2 000	approx. 2 000
Documented tenant meetings	number	40	approx. 40
Natural capital (services)			
Energy consumption	MWh	373.5	395.1
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	33.8	36
CO ₂ intensity per m ²	kg CO ₂ -eq/m ²	16.46	15.7
CO ₂ intensity per FTE	kg CO ₂ -eq/FTE	642.6	612.2
Water consumption	m ³	945	1 496.5
Natural capital (portfolio)			
CO ₂ emissions (Scope 1, 2)	tCO ₂	39 074	38 372
CO ₂ intensity / m ²	kg/m ²	26.08	25.65
Water consumption	m ³	874 334	888 586
Properties with contaminated soil	ha	32.35	32.35
Decontamination measures	CHF million	1.3	2



Wincasa

Income from real estate services of CHF 144.4 million [CHF 142.2 million] was realised. Switzerland's leading real estate services provider was able to increase turnover slightly, thanks to the introduction of various services (e.g. construction management).

144.4

CHF million income
+1.5% year-on-year

920

Employees
-2.1% year-on-year

		2018	2017
Financial capital			
Income (segment Services)	CHF million	144	142
Investments in training and development measured against total payroll	%	1.01	1.33
Assets under management	CHF billion	68	66
Rental income for clients	CHF million	3 290	3 137
Volume of transactions advised	CHF million	450	500
Monetary value of Kaizen	CHF million	0.21	0.435
Physical capital			
Properties managed	number	233 300	233 000
Construction projects	number	1 766	1 670
Share of residential in portfolio	%	36.8	38.4
Share of office and retail in portfolio	%	63.2	61.6
Intellectual capital			
Kaizen ideas put into effect	number	350	404
Human capital			
Employees	number	920	940
Fluctuation rate	%	21.51	18.59
Absentee rate	%	2.17	2.71
Women in executive positions	%	43	n/a
Relationship capital			
Branches	number	27	24
Direct suppliers	number	70	70
Proportion of Top 10 clients	%	92.9	90.3
Natural capital (services)			
Energy consumption	MWh	3 776.4	3 328.8
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	502	493
CO ₂ intensity per m ²	kg CO ₂ -eq/m ²	20.79	21.26
CO ₂ intensity per FTE	kg CO ₂ -eq/FTE	647.7	620.05
Water consumption	m ³	17 465	15 557.6

TERTIANUM

Tertianum

Tertianum is implementing its growth strategy and now has 77 residences as well as residential and care centres across Switzerland. Income of CHF 396.9 million (+10.2%) was realised.

396.9

CHF million income
+10.2% year-on-year

4 679

Employees
+8.7% year-on-year

		2018	2017
Financial capital			
Income (segment Services)	CHF million	397	360
Investments in training and development measured against total payroll	%	0.85	0.97
Costs of care supplies and medication	CHF million	3.94	3.44
Physical capital			
Operations	number	77	76
Care capacity utilisation	%	85.2	89.2
Residential capacity utilisation	%	84.8	84.8
Human capital			
Employees	number	4 679	4 303
Fluctuation rate	%	26.64	22.84
Absentee rate	%	5.65	4.8
Women in executive positions	%	7	n/a
Proportion of care staff with secondary or tertiary educational qualifications	%	>50	>50
Relationship capital			
Residential guests	number	1 658	1 637
Nursing care guests	number	2 805	2 544
Natural capital (services)			
Energy consumption	MWh	49 261.2	50 649.3
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	5 908	6 933
CO ₂ intensity per m ²	kg CO ₂ -eq/m ²	13.55	15.27
CO ₂ intensity per FTE	kg CO ₂ -eq/FTE	1 582.8	2 001.45
Water consumption	m ³	499 961	429 218



Jelmoli – The House of Brands

Jelmoli – The House of Brands realised income of CHF 131.3 million [CHF 136.2 million]. Despite a challenging year, with trading revenue falling across Switzerland, the premium department store is holding its own.

131.3

CHF million income
–3.6% year-on-year

628

Employees
+0.8% year-on-year

		2018	2017
Financial capital			
Income (segment Services)	CHF million	131	136
Investments in training and development measured against total payroll	%	0.99	1.06
Physical capital			
Retail floor space (total floor space 33 000 m ²)	m ²	24 000	24 000
Items sold sales receipt	number	1.98	1.94
Intellectual capital			
Brands	number	1 200	1 200
Items	number	60 000	60 000
Human capital			
Employees		628	623
Fluctuation rate	%	28.4	19.4
Absentee rate	%	4.5	3.73
Women in executive positions	%	46	n/a
Relationship capital			
Customers with J-Card	number	281 600	>250 000
Customer satisfaction (word of mouth n = 100)	NPS %	93	96
Natural capital (services)			
Energy consumption	MWh	9 397.2	12 663.7
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e	440	1 382
CO ₂ intensity per m ²	kg CO ₂ -eq/m ²	12	38
CO ₂ intensity per FTE	kg CO ₂ -eq/FTE	887.1	2 760.14
Water consumption	m ³	33 448	39 755



Swiss Prime Site Solutions

Swiss Prime Site Solutions generated income of CHF 8.5 million [CHF 9.9 million]. The new management invested in expanding the customer base and services, as well as in employees and infrastructure.

8.5

CHF million income
-14.4% year-on-year

9

Employees
-18.2% year-on-year

			2018
Financial capital			
Income (segment Services)	CHF million		8.5
Investments in training and development measured against total payroll	%		0.46
Human capital			
Employees	number		9
Fluctuation rate	%		0.00
Absentee rate	%		0.33
Natural capital (services)			
Energy consumption	MWh		44.3
CO ₂ emissions (Scope 1, 2, 3)	tCO ₂ e		4
CO ₂ intensity per m ²	kg CO ₂ -eq/m ²		16.5
CO ₂ intensity per FTE	kg CO ₂ -eq/FTE		615.4
Water consumption	m ³		127.2



Board of Directors



Prof. em. Dr. Hans Peter Wehrli
Chairman
Member since 29 April 2002³



Mario F. Seris
Vice-Chairman
Member since 27 April 2005^{2, 3}



Dr. Barbara Frei-Spreiter
Member since 27 March 2018²



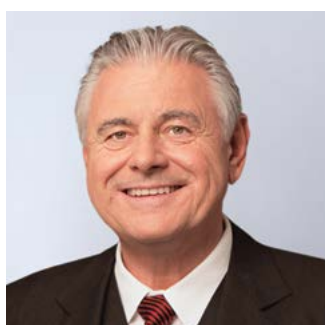
Dr. Rudolf Huber
Member since 29 April 2002¹



Christopher M. Chambers
Member since 22 October 2009^{1, 2}



Thomas Studhalter
Member since 27 March 2018¹



Klaus R. Wecken
Member since 22.10.2009

Swiss Prime Site's Board of Directors comprises personalities from Switzerland's economy. 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.

¹ Audit Committee

² Nomination and Compensation Committee

³ Investment Committee

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 43% share in the portfolio of over CHF 11 billion, Zurich is currently the most important strategic region. The region around the Lake Geneva basin is also experiencing strong growth. Swiss Prime Site focuses on commercial-use areas and units, utilising in-house expertise to sustainably develop, reposition and modernise 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, Tertianum, 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 an innovation leader. 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.

2019 targets

≤ 5 %

Vacancy rate

± 45 %

Equity ratio

6 – 8 %

Return on equity

Executive Board



Oliver Hofmann
Chief Executive Officer
Wincasa

Franco Savastano
Chief Executive Officer
Jelmoli

René Zahnd
Chief Executive Officer
Swiss Prime Site

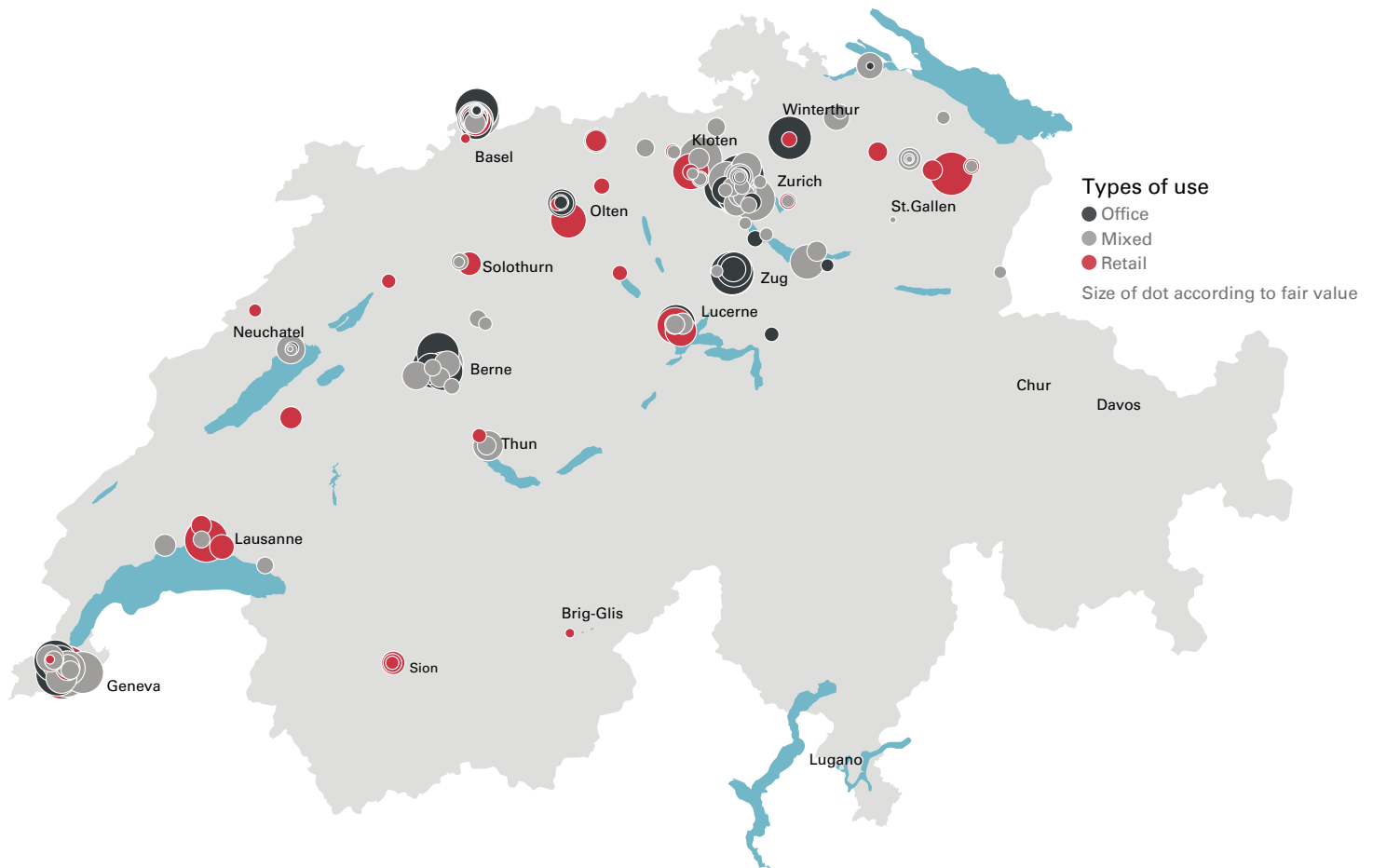
Peter Lehmann
Chief Executive Officer
Swiss Prime Site Immobilien

Markus Meier
Chief Financial Officer
Swiss Prime Site

Luca Stäger
Chief Executive Officer
Tertianum

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

Real estate portfolio



Expansion and growth

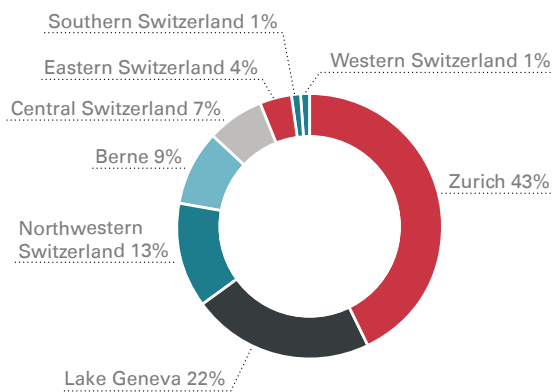
The founding of Swiss Prime Site in 1999 by the Credit Suisse Pension Fund, Siemens Pension Fund and Winterthur Leben (today: AXA) laid the foundation for the current property portfolio. The value of the real estate holdings grew through acquisitions and significant self-development projects to roughly 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 such as «Prime Tower» and «SkyKey» in Zurich as well as «EspacePost» in Berne or properties like the Gotthard Building in Lucerne 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 11.2 billion as at the end of 2018.

Geographic allocation

Swiss Prime Site's real estate portfolio boasts a high level of quality of property and location. According to Wüest Partner, roughly 80% of the Group's properties rank in the quadrants with the highest quality based on the overall market. Such strategic positioning is attributable to the fact that the properties enjoy brisk demand despite the challenging 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 43%. Another focus region is the Lake Geneva basin (22%).

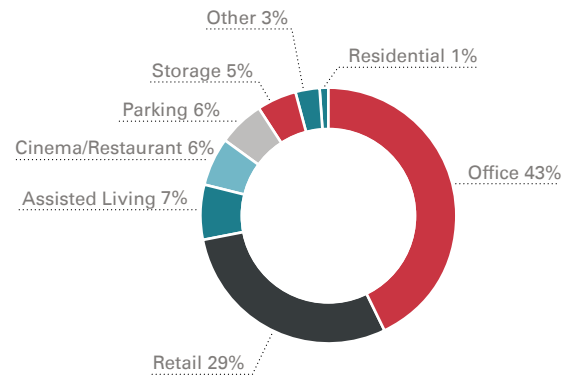
Portfolio split by region

Basis: fair value as at 31.12.2018



Portfolio by type of use¹

Basis: net rental income as at 31.12.2018

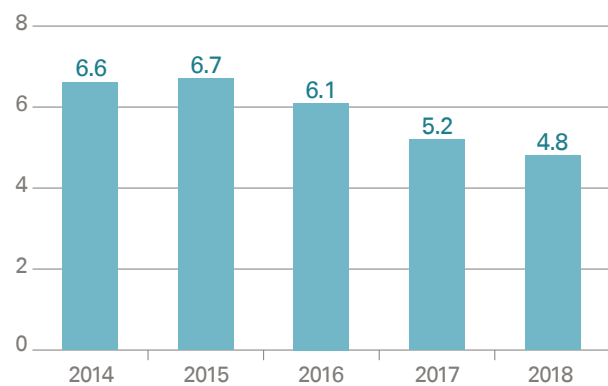


¹ Real Estate segment

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 1.6 million m² of total available floor space, 43% is currently leased as office space and 29% as retail units. Utilisation of the Company's real estate by group company Tertianum accounts for 7% and is likely to increase in the coming years. Entertainment, parking and storage are regarded as additional supplemental types of use. The real estate portfolio's maturity profile is long term and thus attractive. Roughly 24% of net rental income is generated with rental agreements with a term of ten years or more. Another 30% of the portfolio is subject to renewed leasing at terms of between four and nine years.

Vacancy rate in %



Swiss Prime Site has succeeded in significantly reducing the vacancy rate of its real estate holdings (190 properties) over recent years. The 2018 rate was a low 4.8%.

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. In accordance with the business model, acquired land, sites or properties that no longer sufficiently conform to the current standards are subject to analysis, then optimised, developed and transformed to meet customer or market needs.

Development projects are based on the Group's strategic targets aimed at boosting organic growth and increasing corporate profitability. Earnings from completed projects accrue 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. On the other hand, the key revenue streams from rental income have been continuously growing.

The volume of Swiss Prime Site Immobilien's project pipeline is CHF 2.0 billion as at the end of 2018 and comprises projects that are already under construction or still in the planning phase. Overall, the plan for the years ahead is to create new rental premises totalling in the region of 290 000 m². Expectations point to around CHF 92 million in additional rental income as a result.

Projects under construction

Construction projects comprise an investment volume (including land) of around CHF 800 million. The rental floor space to be constructed in these projects will total around 155 000 m² and generate earnings of CHF 44 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 232 million. Two buildings of the five structures to be erected had already been sold shortly after the construction start date in the second half of 2017. The objective here is aimed at realising another partial sale. «Schönburg» in Berne represents another major project. The former Swiss Post headquarters is being totally modified at a cost of CHF 194 million and newly transformed to utilisation as hotel, retail floor space, fitness facilities and apartments. Projects under construction exhibit an average net yield that exceeds the current portfolio mean.

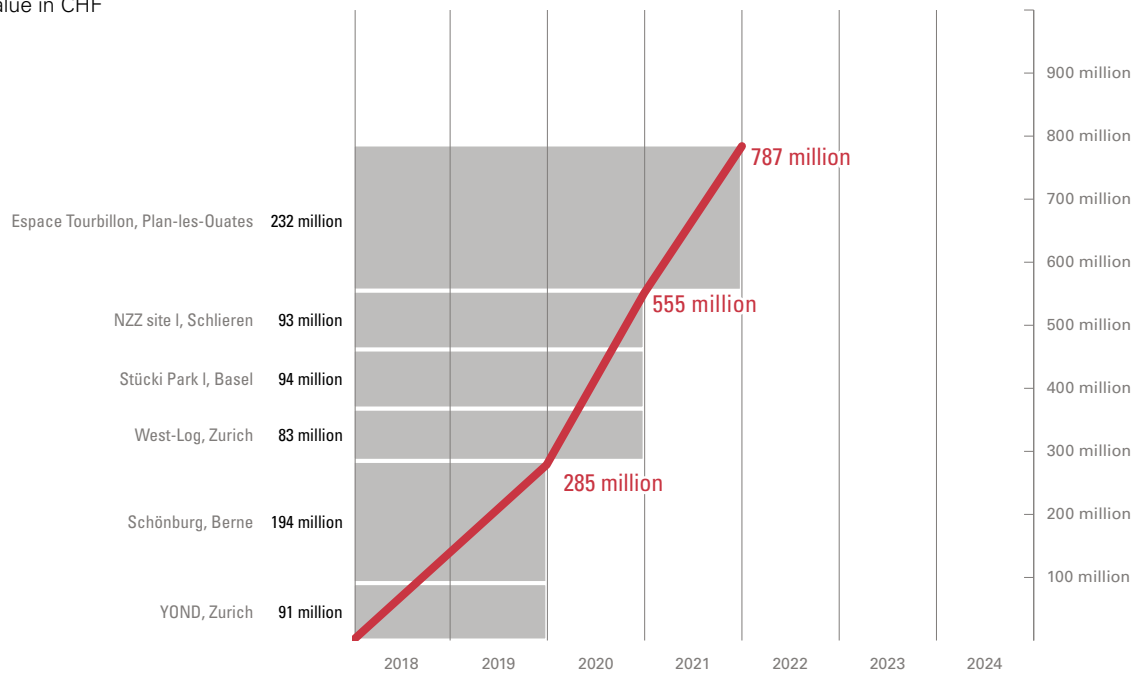
Projects in planning phase

At the end of 2018, projects in the planning phase had an estimated investment volume (including land portions) of around CHF 900 million. The rental floor space constructed in these projects is anticipated to total around 135 000 m² and generate rental income of CHF 48 million per year. Of these projects, the largest individual project will be «Alto 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 juncture and economic hub will be created for the city as a result. Based on current planning, an investment of around CHF 280 million will be made in the construction and operation of approximately 30 000 m² of additional rental floor space. The Company also plans to construct very flexible projects especially directed at future generations of tenants in Schlieren and Zurich in the coming years. Traditional industrial sites there will be transformed into melting pots of knowledge transfer, research, start-ups and small businesses. Four projects to create new residential and geriatric care centres in Paradiso, Monthey, Richterswil and Olten (Usego site) are also in the pipeline for group company Tertianum.

Swiss Prime Site Immobilien also holds land reserves providing scope for potential investments of around CHF 300 million in addition to substantial utilisation reserves in its stock.

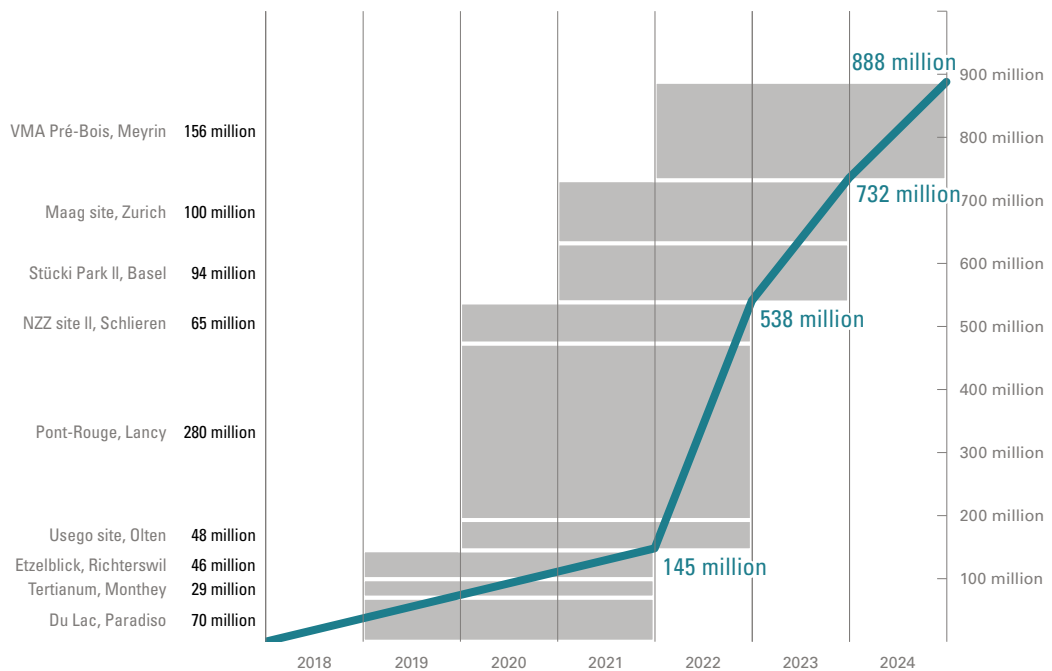
Projects under construction

Value in CHF



Projects in planning phase

Value in CHF



«We offer Factor Four!»

Swiss Prime Site Immobilien achieved very good results in 2018, optimising its portfolio through acquisitions and divestments, and further expanding the project pipeline. Peter Lehmann, CEO of Swiss Prime Site Immobilien, is satisfied with what has been achieved, but still has further key goals for the future.

Mr Lehmann, Swiss Prime Site Immobilien once again achieved impressive results in the past year. What were the main drivers behind that performance?

Peter Lehmann: We continued to concentrate on our strengths in 2018, and to actively manage our portfolio of 190 existing properties. This means that we bought attractive properties and sold properties that were less sought-after. In addition, we have let or re-let almost 200 000 m² of floor space in the past 12 months alone, which represents around one-eighth of our stock. This kind of result is only possible if your employees know their customers and understand their wishes.

Your customer segment is very disparate, so their requirements for office floor space also vary widely. How do you still manage to meet their requirements?

Our customers have very high expectations for their future offices. We are able to satisfy those expectations very successfully with our stock. The majority of our customers mainly want two things: good accessibility and efficient floor spaces.

Could you explain that a little more?

In order to either operate their business model successfully or to gain access to good, skilled employees, companies want their future offices and sites to be ideally situated. This also includes good transport links in terms of both public and private transport. In addition, our customers want there to be living spaces or urban centres very close to or within easy reach of their office. They are placing ever-greater importance on the flexibility of floor spaces.

How are you dealing with increased technological requirements in today's real estate market?

Financial services businesses in particular have this requirement. The majority of our customers are looking for highly efficient and extremely flexible floor space at an optimal price. People – that is to say businesses and their needs – change. We respond to that.

What do you mean by that?

Well, today there are more and more «millennials» among our customers. The way this generation sees their workplace and operates within it is different from what we have been used to. These customers want to have living spaces all around their place of work, where they can shop, access services, enjoy culture and even live right next door. We also deal with businesses that need a lot of freedom to evolve. That includes flexibility when it comes

to floor space and the terms of leases. Not to mention the fact that services you can access almost at the press of a button are becoming more and more important.

You have two major projects, in Zurich-Albisrieden and Schlieren, that focus on this. What can you tell us about them?

We are currently constructing the YOND project on the former Siemens site in Zurich. This is a unique property that takes precisely this need for flexibility into account. It is being created in an up-and-coming district, and it will be possible to customise the floor spaces at short notice to suit individual needs. A real ecosystem for service providers, start-ups and the knowledge industry is being created in the form of the JED in Schlieren. This property comes very close to the idea of the «community building». We are very much aware of the need for such areas.

You have continued to optimise the portfolio and adjusted the stock by means of acquisitions and divestments. What were the reasons for this?

We seize opportunities as they come onto the market. As the largest listed real estate company in Switzerland, we are in a position to do so. This year, we bought a property on Beethovenstrasse in Zurich, a stone's throw from Paradeplatz and the lake, which is a perfect match for our portfolio. Not only is it in a unique location, but it is also fully leased on a long-term basis. What's more, it is very flexible in its layout. This location is a one-off, and the property is not only valuable, but should continue to become even more so. The second important transaction involved Sihlcity in Zurich. For historical reasons, we were only a co-owner there, holding around 24%. However, our goal is to hold at least a majority stake in a property. The asset swap with Credit Suisse was a unique opportunity to obtain three buildings – three very good ones in fact – in return for that minority share. Of course we seized the opportunity.

You have also bought and sold projects. What were the reasons in those cases?

There are around 20 major projects in our development pipeline with a volume of over CHF 2 billion. Our «Weltpost Park» project in Berne was the only one where we would have created residential space rather than office space. But the residential market is not part of our focus. While we developed the project, it was always with the ultimate objective of selling it to a suitable owner when a good opportunity presented itself. And then we found a suitable





owner in the form of Allianz Versicherung. At the same time, we are using resources freed up in this way to invest in new projects. Last year we sold a part of the «Espace Tourbillon» project, and reinvested in the major construction project «Alto Pont-Rouge», also in Geneva. This year, we used that momentum to buy the pioneering «West-Log» project with the proceeds.

You mentioned Geneva. How important is French-speaking Switzerland for Swiss Prime Site Immobilien?

We have been active in Geneva since our listing on the stock exchange in April 2000, so we know the market very well and see a lot of opportunities there. In addition, compression of returns is less pronounced in Geneva than in certain cities in German-speaking Switzerland.

There are critical voices who see a risk of high vacancy rates in Geneva. What approach is Swiss Prime Site Immobilien taking?

To assess the long-term opportunities and risks of a market, it is not enough just to count the square metres of office floor space that currently exist and add the new projects on top of that. You need to analyse the quality of the existing office properties and ask yourself which ones still meet the needs of users. In the Geneva central business district (CBD), there are many that do not.

Why?

The spatial efficiency of most of the office properties in the city is quite low compared with modern properties. In many of the buildings in the CBD today, a lot of space goes to waste due to ancillary and circulation areas that cannot be used. In fact, in some such properties only 40% of the area is available for use as office workspace. What's more, users have to pay high rents for these properties. We are addressing both these problems with modern properties that offer Factor Four.

«The factor of double the use of floor space multiplied by the factor of half the rent – that is Factor Four.»

What is Factor Four?

The term «Factor Four» describes the advantages of our new concept for our service buildings. Up to 80% of the space in the

buildings is available for office workspace. So they provide twice the spatial efficiency of older buildings. At the same time, rents will only be half as high. The factor of double the use of floor space multiplied by the factor of half the rent – that's Factor Four.

You mentioned earlier that «West-Log» is a project that shows enormous promise. Can you expand on that?

Digitalisation and thus online trading have a big influence on the flow of goods and distribution. Cost efficiency and time savings also play a significant role. This increases the demand of the logistics industry for central locations and buildings that are specifically tailored to meet their requirements. Swiss Prime Site Immobilien recognised this correlation at an early stage and has invested in projects in recent years that are suited to the industry. Our strategy has been, and remains, to orientate our portfolio strongly to premium locations. Ten years ago, logistics centres were still located far away from cities, but today they can sometimes be found on the outskirts or in urban areas. After all, it is local distribution – the last mile – of goods that holds the key to success for many logistics companies. We assist them by providing customised properties and an increasing number of central sites.

What are other projects in which you are already anticipating future social developments?

There are many trends, particularly in the area of technology and energy use, that we pay careful attention to and are guided by. In terms of social development, we see an ever-increasing trend towards smaller living spaces and micro-apartments. Although residential property is not our focus, we see enormous potential for such a project, for example on the Maag site. Another issue we will be addressing in the coming years and decades is climate change. Summers like the one we had in 2018 will probably become increasingly common. We will have to scrutinise our use of resources even more closely in the future. The property sector can make a big contribution here. We have planned a self-sufficient building on the JED site in Altstetten. It is designed to deal much better with weather extremes. Emissions can be reduced to almost zero. Our objective wherever possible is to develop properties that will satisfy needs for decades to come, that are environmentally friendly and that also offer pleasant living spaces.

Information policy

Swiss Prime Site complies with all legal requirements and strives to meet best practice standards. The Company fosters close relations with the financial industry and the broad public sector through all appropriate communication channels. Share-price relevant news is reported by the Company on an ad-hoc basis. Furthermore, comprehensive information about various topics and disclosure requirements are published on the Group's website www.sps.swiss.

The Investor Relations and Corporate Communications department is responsible for the management of all contacts with investors, analysts and media representatives. Regular conferences with the media, institutional investors and analysts are held to report important corporate news, which can be followed by shareholders and other interest groups personally or via the Swiss Prime Site website.

26 March 2019

Annual General Meeting
2018 financial year

8 August 2019

Semi-annual report as at 30 June 2019
with financial results press conference

Autumn 2019

Capital Markets Day 2019



Markus Waeber

Head of Investor Relations &
Communications

+41 58 317 17 64

markus.waeber@sps.swiss



Mladen Tomic

Head of Corporate Communications

+41 58 317 17 42

mladen.tomic@sps.swiss



CORPORATE GOVERNANCE REPORT

2018

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Corporate Governance Report

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Corporate Governance

This Corporate Governance report contains the requisite disclosures according to the guidelines regarding corporate governance information of the SIX Swiss Exchange and basically follows their structure in terms of presentation.

Group structure

All investments in group companies are unlisted firms. These companies were fully consolidated and non-controlling interests are recognised. The registered shares of the holding company – Swiss Prime Site AG with headquarters in Olten, Switzerland – are listed on the SIX Swiss Exchange under securities number 803838 and ISIN number CH 0008038389. Swiss Prime Site AG reported market capitalisation of CHF 6041.5 million [CHF 6433.1 million] as at 31 December 2018. During the reporting year, the Group implemented the following changes:

01.01.18 Bellevue-Bau AG, Winterthur
into Swiss Prime Site Immobilien AG,
Olten
Merger

01.01.18 SENIOcare AG, Zurich
into Tertianum AG, Zurich
Merger

01.01.18 La Résidence des Marronniers SA, Martigny
into Les Tourelles S.à r.l., Martigny
Merger

12.01.18 Zentrum Schönberg AG, Berne
Acquisition of 51% of the shares

01.01.18 Résidence les Sources Saxon SA, Saxon
into Les Tourelles S.à r.l., Martigny
Merger

01.04.18 Home Médicalisé Vert-Bois SA, Val-de-Ruz
into Les Tourelles S.à r.l., Martigny
Merger

01.01.18 Perlavita Rosenau AG, Kirchberg
into Tertianum AG, Zurich
Merger

19.10.18 streamnow AG, Zurich
Acquisition of 100% of the shares

Fully consolidated investments in group companies (direct or indirect)

		31.12.2017 Capital in CHF 1 000	Shareholding in %	31.12.2018 Capital in CHF 1 000	Shareholding in %
Bellevue-Bau AG, Winterthur ¹	Real estate	6 000	100.0	n.a.	n.a.
Home Médicalisé Vert-Bois SA, Val-de-Ruz ²	Assisted living	100	100.0	n.a.	n.a.
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 ³	Assisted living	100	100.0	n.a.	n.a.
Leben im Alter AG, Zurich	Assisted living	100	100.0	100	100.0
Le Manoir AG, Gampelen	Assisted living	100	100.0	100	100.0
Leora S.à r.l., Villeneuve	Assisted living	140	100.0	140	100.0
Les Tourelles S.à r.l., Martigny ^{2,3}	Assisted living	20	100.0	20	100.0
Perlavita Rosenau AG, Kirchberg ⁴	Assisted living	300	100.0	n.a.	n.a.
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 ³	Assisted living	100	100.0	n.a.	n.a.
SENIOfcare AG, Zurich ⁴	Assisted living	2 400	100.0	n.a.	n.a.
SPS Beteiligungen Alpha AG, Olten	Investments	450 000	100.0	450 000	100.0
streamnow ag, Zurich ⁵	Real estate services	–	–	100	100.0
Swiss Prime Site Fund Advisory AG II, Olten	Collective investments	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten ¹	Real estate	50 000	100.0	50 000	100.0
Swiss Prime Site Management AG, Olten	Services	100	100.0	100	100.0
Swiss Prime Site Solutions AG, Zurich	Asset management	1 500	100.0	1 500	100.0
Tertianum AG, Zurich ⁴	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
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
Zentrum Schönberg AG, Berne ⁶	Assisted living	–	–	1 000	51.0

¹ merger of Bellevue-Bau AG in Swiss Prime Site Immobilien AG as at 01.01.2018

² merger of Home Médicalisé Vert-Bois SA in Les Tourelles S.à r.l. as at 01.04.2018

³ merger of La Résidence des Marronniers SA and Résidence les Sources Saxon SA in Les Tourelles S.à r.l. as at 01.01.2018

⁴ merger of Perlavita Rosenau AG and SENIOcare AG in Tertianum AG as at 01.01.2018

⁵ acquisition as at 19.10.2018

⁶ acquisition as at 12.01.2018

Investments in associates valued according to the equity method

		31.12.2017 Capital in CHF 1 000	Shareholding in %	31.12.2018 Capital in CHF 1 000	Shareholding in %
Parkgest Holding SA, Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

Segments

Swiss Prime Site comprises two segments: Real Estate and Services. The investments in group companies are allocated to these segments as follows:

Real estate

59

Employees

-
- Swiss Prime Site Immobilien AG, Olten

 - SPS Beteiligungen Alpha AG, Olten
 - Swiss Prime Site Management AG, Olten
 - Swiss Prime Site Fund Advisory AG II, Olten

Services

6 236

Employees

-
- Tertianum Gruppe AG, Zurich
 - Jelmoli AG, Zurich
 - Wincasa AG, Winterthur

 - Hôtel Résidence Bristol SA, Montreux
 - immoveris ag, Berne
 - La Fontaine SA, Court
 - Leben im Alter AG, Zurich
 - Le Manoir AG, Gampelen
 - Leora S.à r.l., Villeneuve
 - Les Tourelles S.à r.l., Martigny
 - Quality Inside SA, Crissier
 - Résidence Bel-Horizon Sàrl, Ecublens
 - Résidence de la Jardinerie SA, Delémont
 - Résidence du Bourg SA, Aigle
 - Résidence Joli Automne SA, Ecublens
 - Résidence le Pacific SA, Etoy
 - Résidence l'Eaudine SA, Montreux
 - streamnow ag, Zurich
 - Swiss Prime Site Solutions AG, Zurich
 - Tertianum AG, Zurich
 - Tertianum Management AG, Zurich
 - Tertianum Romandie Management SA, Crissier
 - Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden
 - Zentrum Schönberg AG, Berne

Shareholder structure

Shareholders as at 31.12.2018

Number of shares	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in % ¹
1 to 1 000	8 591	81.1	2 633 731	3.5
1 001 to 10 000	1 627	15.4	4 364 194	5.7
10 001 to 100 000	289	2.7	8 845 351	11.7
100 001 to 1 000 000	70	0.7	17 992 083	23.7
1 000 001 and above	7	0.1	14 825 077	19.5
Total registered shareholders/shares	10 584	100.0	48 660 436	64.1
Unregistered shares			27 285 913	35.9
Total shares issued			75 946 349	100.0

¹ as % of shares issued

Countries/regions	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Switzerland	9 815	92.8	33 885 713	69.6
Europe (excluding Switzerland)	586	5.5	12 053 510	24.8
Other countries	183	1.7	2 721 213	5.6
Total registered shareholders/shares	10 584	100.0	48 660 436	100.0

Shareholder categories	Number of registered shareholders	Registered shareholders in %	Number of registered shares	Registered shares in %
Natural persons	9 502	89.8	7 273 403	14.9
Legal entities	504	4.8	18 145 551	37.4
Pension funds	200	1.9	9 744 805	20.0
Insurance companies	30	0.3	1 915 691	3.9
Funds	185	1.7	8 027 171	16.5
Other	163	1.5	3 553 815	7.3
Total registered shareholders/shares	10 584	100.0	48 660 436	100.0

Major shareholders (shareholding interest >3%)	31.12.2017 Shareholding interest in %	31.12.2018 Shareholding interest in %
BlackRock Inc., New York	>5.0	>10.0
Credit Suisse Funds AG, Zurich	3.2	4.1
State Street Corporation, Boston	3.9	3.6
UBS Fund Management (Switzerland) AG, Basel	n.a.	3.2

Disclosure notifications of major shareholders

Information regarding major shareholders is based on the register of shareholders or the notifications received by Swiss Prime Site AG. The obligation to disclose investments exists when a person or group subject to this obligation has 3, 5, 10, 15, 20, 25, 33 $\frac{1}{3}$, 50 or 66 $\frac{2}{3}$ percent of the voting rights in Swiss Prime Site AG or their holding falls above or below this level. The disclosure notifications issued in the reporting year – according to article 120 of the Swiss Financial Market Infrastructure Act (FMIA) and the provisions of the Swiss Financial Market Infrastructure Ordinance (FMIO) – can be viewed on the reporting and disclosures platform of the SIX Swiss Exchange (www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html).

Cross-investments

As at the balance sheet date, there were no cross-investments.

Capital structure

Share capital

As at the balance sheet date, Swiss Prime Site AG's share capital comprised 75 946 349 registered shares at a nominal value of CHF 15.30. All outstanding shares are entitled to voting rights and dividends. There are no preferential rights. In accordance with articles 3a and 3b of the Articles of Association, share capital (authorised and conditional capital) may be increased by a maximum of CHF 38.748 million or 3.3% of existing share capital. On 28 September 2018, share capital was increased by CHF 68.352 million (4 467 432 shares).

Authorised and conditional capital

The authorised and conditional capital comprises 2 532 568 [4 172 617] registered shares amounting to CHF 38.748 million [CHF 63.841 million].

The Board of Directors is authorised to increase the share capital within the aforementioned limits at any time until 27 March 2020. The Board of Directors is entitled to exclude shareholders' subscription rights in favour of third parties, in the event that the new shares should be utilised for acquiring other companies, stakes in companies, investments or real estate, or for financing or re-financing such transactions. Additional details on the changes to share capital can be found in note 23 «Shareholders' equity» of the consolidated financial statements, on page 58 of the Financial Report. Swiss Prime Site AG has no other equity instruments (e.g. participation or profit share certificates) outstanding other than registered shares.

The precise wording regarding authorised and conditional capital can be found in articles 3a and 3b of Swiss Prime Site AG's Articles of Association (download at www.sps.swiss under Investors / Corporate Governance).

Restrictions on transferability and nominee registrations

Pursuant to article 5 of the Articles of Association, every shareholder and usufructuary may request to be registered in the share register. The Articles of Association are available for download on the website www.sps.swiss under Investors/Corporate Governance. Only those persons whose names appear in the share register and who have acquired shares in their own name and on their own account are registered as shareholders or usufructuaries by the Company. The Company acknowledges only one beneficiary per share.

Each share is entitled to a vote at the Annual General Meeting. The Board of Directors is authorised to reject foreign purchasers of registered shares as shareholders with voting rights insofar as, and as long as, their recognition can prevent the Company from providing the verification governing the composition of its shareholders, which is required by federal law. Otherwise, there are no restrictions on registration or voting rights. The Annual General Meeting may resolve to suspend these restrictions on transferability with a majority of valid votes according to article 12, paragraph 3 of the Articles of Association (download at www.sps.swiss under investors/corporate governance).

Shareholdings not subject to notification held by nominees and fiduciaries are entered into the register without voting rights.

Capital structure as at 31.12.2018

Capital	Number of registered shares	Nominal per share in CHF	Total in CHF 1 000
Share capital	75 946 349	15.30	1 161 979
Authorised and conditional capital	2 532 568	15.30	38 748
of which for exercising options and/or conversion rights granted with bonds or similar issues	2 532 568	15.30	38 748

Share capital changes over the last three years

Changes	Number of registered shares	Nominal per share in CHF	Nominal value in CHF 1 000
Share capital as at 31.12.2015	69 651 534	15.30	1 065 668
Conversion of 29 930 units of the CHF 190.35 million convertible bond	1 827 383	15.30	27 959
Share capital as at 31.12.2016	71 478 917	15.30	1 093 627
Share capital as at 31.12.2017	71 478 917	15.30	1 093 627
Capital increase on 28.09.2018	4 467 432	15.30	68 352
Share capital as at 31.12.2018	75 946 349	15.30	1 161 979

Convertible bonds

		CHF 250 m 2023	CHF 300 m 2025
Issuing volume, nominal	CHF m	250.000	300.000
Nominal value as at 31.12.2018	CHF m	250.000	300.000
Book value as at 31.12.2018	CHF m	245.334	297.077
Book value as at 31.12.2017	CHF m	244.287	0.000
Conversion price	CHF	104.41	100.67
Interest rate	%	0.25	0.325
Term to maturity	years	7	7
Maturity	date	16.06.2023	16.01.2025
Securities number		32 811 156 (SPS16)	39 764 277 (SPS18)

Each individual bond with a nominal value of CHF 0.005 million can be converted into registered shares of the Company at any time. New shares will be guaranteed using conditional capital of CHF 36.634 million. This is equal to 3.3% of share capital prior to the convertible bond issue.

No conversions took place in the reporting year. Further information on convertible bonds is included in note 21 «Financial liabilities», on page 56 of the Financial Report.



Board of Directors

As at the balance sheet date, the Board of Directors of Swiss Prime Site AG comprised seven members. All members are non-executive Board of Directors members in the context of the Swiss Code of Best Practice for Corporate Governance. None of the members of the Board of Directors maintains any significant business relationship with Swiss Prime Site AG or Swiss Prime Site Group.

Composition of the Board of Directors

Name	Position	Nationality	Member since
Prof. em. Dr. Hans Peter Wehrli	Chairman	Swiss	2002
Mario F. Seris	Vice-Chairman	Swiss	2005
Christopher M. Chambers	Member	Swiss/British	2009
Dr. Barbara Frei-Spreiter	Member	Swiss	2018
Dr. Rudolf Huber	Member	Swiss	2002
Thomas Studhalter	Member	Swiss	2018
Klaus R. Wecken	Member	German	2009

Departures during the reporting period

Dr. Elisabeth Bourqui on 23 April 2018.

Members of the Board of Directors place their mandate at the disposal of the ordinary Annual General Meeting in the year in which they reach the age of 70.

Articles of Association provisions regarding the number of permitted activities

Members of the Board of Directors may simultaneously carry out no more than ten additional mandates outside the Group in the supreme managing or supervising body of legal entities that are required to be entered in the commercial register or an equivalent foreign register, of which no more than four in listed entities.

Several mandates within the same group of companies and mandates carried out as part of the member's position on the Board of Directors or the executive management or a supreme managing or supervisory body (including in pension funds, joint ventures and legal entities, in which the company has a substantial investment) are counted as one mandate. Activities in non-profit-oriented associations, organisations and foundations are not subject to any restrictions.

The Board of Directors currently has three committees (Audit Committee, Nomination and Compensation Committee and Investment Committee), which are described in more detail in the following sections.

Elections and period of office

The respective Chairman as well as members of the Board of Directors and Nomination and Compensation Committee are individually elected by the Annual General Meeting for a one-year term of office.

Regulation of the powers and duties of the Board of Directors

The basic principles and the separation of the functions and powers between the Board of Directors and Executive Board are stipulated in the organisational and competence regulations as well as Executive Board regulations.

The Board of Directors is responsible for the general management of the Company as well as supervising and controlling the Executive Board. The Board of Directors makes the fundamental decisions that determine the activity of the Company. Within the framework of its activities, the Board of Directors ensures profit-focused and competent management of the Company by its Executive Board, according to the provisions of the Articles of Association, the regulations and the applicable legislation.

The Board of Directors acts as a collective body. Unless otherwise provided in the resolutions of the Board of Directors and the organisational regulations, its members may not have any personal authority over the Company and therefore cannot issue any instructions of their own accord.

As required, the Board of Directors can form committees from among its members and allocate powers to these committees in separate sets of regulations, or

by amending the existing organisational regulation. The Board of Directors has taken advantage of this opportunity and formed an Audit Committee, Investment Committee and Nomination and Compensation Committee. The Board of Directors can delegate the preparation and implementation of its resolutions or the monitoring of activities to one or more committees or to individual members or the Executive Board. It ensures appropriate reporting to its members.

The Board of Directors delegates all executive management activities to the Executive Board unless otherwise provided by law, the Articles of Association or the organisational regulations. It issues directives on the business and investment policy and keeps itself regularly informed of the course of business. The Board of Directors holds meetings as often as business requires, but a minimum of once per quarter. During the reporting period, five meetings and eight conference calls of the Board of Directors took place. Executive Board members are invited to attend the Board of Directors meetings.

Information and control instruments applied to the Executive Board

The Board of Directors controls the Executive Board and monitors its method of operation by means of reporting processes and right of inspection of business procedures and business transactions.

The Board of Directors is briefed by the Chief Executive Officer as well as by the other Executive Board members at each meeting regarding the ongoing course of business and significant business operations. At these meetings, members of the Board of Directors can request any information regarding Swiss Prime Site Group from other members of the Board of Directors or Executive Board that they require to fulfil their duties. Members of the Board of Directors must be immediately notified of any extraordinary incidents.

The internal auditor, risk management and external auditors provide support to the Board of Directors in exercising its monitoring and controlling functions. In addition, the Audit Committee, Investment Committee and Nomination and Compensation Committee oversee the control and information functions relative to the Executive Board. These functions are coordinated with the Board of Directors and defined in the relevant regulations and records.

The Audit Committee, Investment Committee and Nomination and Compensation Committee are informed about the relevant issues by means of corresponding reports and analyses. These reports are discussed in detail and relevant proposals are submitted

to the Board of Directors. The reports and analyses are then presented by the respective chairman of the committees in the subsequent board meetings and approved by the Board of Directors.

The Board of Directors defines and evaluates any risks that are significant for the Group. This evaluation is based on group-wide coordinated and consistent risk management and internal control systems, which were expanded with a process landscape already in 2016. By means of a risk inventory, the risks are identified, analysed, evaluated and managed according to the Company's targets and sustainability roadmap. The Audit Committee assesses the Group's risk situation through risk reporting. Risk management is subsequently assessed, approved and controlled in terms of implementation by the Board of Directors based on the request of the Audit Committee.

The Board of Directors is also supported by the internal and external auditors. The internal auditors receive audit and analysis assignments from the Board of Directors. Internal auditors have an unrestricted right to information and right of inspection of records relative to all Group companies and positions. Moreover, the Executive Board in consultation with the Audit Committee can assign internal auditors tasks outside the scope of the planned auditing activities, for example, executing special investigations and analyses. The internal auditor in charge reports to the Audit Committee. The external auditors attend relevant meetings of the Audit Committee and, as required, are enlisted to resolve issues.

Audit Committee

Chairman: Rudolf Huber; members: Elisabeth Bourqui (until 23/04/2018), Thomas Studhalter, Christopher M. Chambers.

The functions, duties and powers of the Audit Committee are set out in separate rules and essentially comprise the following areas: The Audit Committee manages all Board of Directors' business activities in the areas of financial management (such as accounting, finance control and financial planning), assurance (risk management, internal control system, compliance and internal audit), external audit as well as additional Board of Directors' business activities that require specific technical expertise in the financial field (for example, regarding taxes and dividend policy).

The Audit Committee has the right to issue instructions and obtain information with regard to the internal audit. The Audit Committee proposes the internal audit charter, which determines the organisation and operation of Swiss Prime Site's internal audit, to the full Board of Directors. The Audit Committee enlisted

Rolf Kruppenacher, Lucerne, as regular advisor for the reporting year.

The Audit Committee holds meetings as often as business requires, but a minimum of twice per year. During the reporting period, five meetings and two conference calls of the Audit Committee took place.

Each year, at least one meeting with the external auditors is held. On the basis of this meeting, the Audit Committee forms an in-depth picture of the activities of the auditors and informs the Board of Directors about its findings.

The Audit Committee acts as a joint and collective body. Its members have no personal authority over the Company and therefore cannot issue instructions of their own accord. The Audit Committee has a right of proposal to the Board of Directors.

The Audit Committee reports regularly to the Board of Directors about its activities and submits the necessary proposals.

Nomination and Compensation Committee

Chairman: Barbara Frei-Spreiter; members: Elisabeth Bourqui (until 23/04/2018), Mario F. Seris, Christopher M. Chambers.

Swiss Prime Site's Nomination and Compensation Committee assumes the relevant responsibilities in accordance with the Ordinance Against Excessive Compensation in Listed Companies (Ordinance) and the Articles of Association amended based on this Ordinance.

The functions, duties and powers of the Nomination and Compensation Committee are set out in separate rules and essentially comprise the following areas: The Nomination and Compensation Committee manages all of the Board of Directors' business activities in the areas of nomination for the highest level managing body (members of the Executive Boards of the group companies) as well as proposals for members of the Board of Directors and for compensation.

The Nomination and Compensation Committee acts as a joint and collective body. Its members have no personal authority over the Company and therefore cannot issue instructions of their own accord. The Nomination and Compensation Committee has the right to submit proposals to the full Board of Directors.

The Nomination and Compensation Committee holds meetings as often as business requires, but a minimum of twice per year. During the reporting period, five meetings of the Nomination and Compensation Committee took place.

The Nomination and Compensation Committee reports regularly to the Board of Directors about its activities and submits the necessary proposals.

Investment Committee

Chairman: Mario F. Seris; members: Hans Peter Wehrli, René Zahnd, Peter Lehmann, Markus Meier.

The functions, duties and powers of the Investment Committee are set out in separate rules and essentially comprise the following areas: The Investment Committee manages all Board of Directors' business activities in the areas of real estate and real estate investments as well as additional Board of Directors' business activities that require specific technical expertise in the real estate field.

The Investment Committee acts as a joint and collective body. Its members have no personal authority over the Company and therefore cannot issue instructions of their own accord. The Investment Committee has the right to submit proposals to the Executive Board or Board of Directors.

The Investment Committee holds meetings as often as business requires, but a minimum of twice per year. During the reporting period, five meetings and three conference calls of the Investment Committee took place.

The Investment Committee reports regularly on its activities to the Board of Directors and Executive Board and submits the necessary proposals.



Prof. em. Dr. Hans Peter Wehrli
1952, Zurich

«Building a good strategy always starts with the customer.»

Position

Chairman of the Board of Directors, member since 2002, Chairman since 2005

Committees

Investment: Member

Education

Prof. Dr. oec. publ.; University of Zurich

Professional activity

Professor of business management studies and chair for marketing at the University of Zurich from 1993 to 2017.

Mandates outside Swiss Prime Site

Stock exchange-listed companies: Chairman of the Board of Directors of Belimo Holding AG, Hinwil; member of the Board of Directors of Datacolor AG, Lucerne
Unlisted companies: Member of the Board of Directors of Gebäudeversicherung Berne (GVB), Ittigen; Vice-Chairman of the Board of Directors of Härdi Holding AG, Oberentfelden



Mario F. Seris
1955, Klosters-Serneus

«We are totally committed to our shareholders as well as to the society.»

Position

Vice-Chairman of the Board of Directors, member since 2005

Committees

Investment: Chairman
Nomination and Compensation: Member

Education

Lic. phil. I; English and Education Studies at the University of Zurich

Professional activity

From 1978 to the beginning of 2013, Mario F. Seris held various national and global management positions at Credit Suisse AG, including as Chief Executive Officer of Credit Suisse Asset Management, Switzerland from 2002 to 2005. He was also Global Head of Real Estate Asset Management at Credit Suisse AG from 2005 to 2010. He represented Credit Suisse AG as senior adviser on various boards of directors and investment committees in the real estate and fund sectors from 2011 to 2012. Since March 2013, he has been an independent advisor.

Mandates within Swiss Prime Site

Member of the advisory board of Wincasa AG, Winterthur

Mandates outside Swiss Prime Site

None



Dr. Barbara Frei-Spreiter
1970, Männedorf

«We have all the key skills we need to continue our success.»

Position

Member of the Board of Directors, member since 2018

Committees

Nomination and Compensation: Chairwoman

Education

Degree in Mechanical Engineering, Swiss Federal Institute of Technology; Dr. sc. Techn., Swiss Federal Institute of Technology; Master of Business Administration, IMD Lausanne

Professional activity

Between 1998 and 2016, Barbara Frei held several senior roles in the ABB Group, most recently as Head of Strategic Portfolio Reviews for the Power Grids division. Since December 2016, Barbara Frei has been Zone President for Germany, Austria and Switzerland for Schneider Electric and Chairwoman of the Executive Board of Schneider Electric GmbH, Germany.

Mandates outside Swiss Prime Site

Stock exchange-listed companies: Member of the Board of Directors of Swisscom AG, Berne

Unlisted companies: Mandates due to her roles in the Schneider Electric Group: CEO of ELSO GmbH, Merten GmbH, Schneider Electric GmbH, Schneider Electric Holding Germany GmbH, SE Real Estate GmbH; CEO of Schneider Electric «Austria» Ges.m.b.H; member of the Supervisory Board of Schneider Electric Sachsenwerk GmbH; member of the Board of Directors of Feller AG, Horgen; Chairwoman of the Board of Directors of Schneider Electric (Switzerland) AG, Ittigen



Dr. Rudolf Huber
1955, Pfäffikon SZ (Freienbach)

«Clearly defined key performance indicators are decisive for the long-term success of the Company.»

Position

Member of the Board of Directors, member since 2002

Committees

Audit: Chairman

Education

Dr. oec. publ.; University of Zurich

Professional activity

Rudolf Huber has held positions as member of management and CEO of various internationally active industrial companies, including as member of the executive board and Chief Financial Officer of Geberit Group, Rapperswil-Jona from 1992 to 2004. As CEO of Axega GmbH, Rudolf Huber subsequently assumed various board of director, advisory, teaching and interim management mandates. From 2015 to end-2016, he held the position of acting CEO of Looser Holding AG.

Mandates within Swiss Prime Site

Member of the advisory board of Jelmolli AG, Zurich

Mandates outside Swiss Prime Site

Stock exchange-listed companies: none

Unlisted companies: Chairman of the Board of Directors of Fageb Verwaltungs AG, Rapperswil-Jona; member of the Board of Directors of Hoerbiger Holding AG, Zug; member of the Board of Trustees of the Hoerbiger Foundation, Zug



Christopher M. Chambers
1961, London, UK

«Strategic positioning is the key to success and provides support in all market situations.»

Position

Member of the Board of Directors, member since 2009

Committees

Audit: Member
Nomination and Compensation: Member

Education

Fellow of the Royal Society of Arts (FRSA); United Kingdom

Professional activity

Christopher M. Chambers began his professional career in investment banking, before becoming Chief Executive Officer of global hedge fund Man Investments, which he left in 2005.

Mandates outside Swiss Prime Site

Stock exchange-listed companies: Chairman of the Board of Directors of Leonteq AG, Zurich; Chairman of the Board of Directors of Pendragon PLC, Nottingham, UK
Unlisted companies: Chairman of the Board of Directors of Lonrho Ltd., London, UK; member of the Board of Directors of Berenberg Bank (Switzerland) AG, Zurich; member of the Board of Directors of Oxford Sciences Innovation PLC, Oxford, UK; Chairman of the Board of Directors of Leonteq Securities AG, Zurich



Thomas Studhalter
1969, Horw

«We make effective use of our resources and leverage them fully.»

Position

Member of the Board of Directors, member since 2018

Committees

Audit: Member

Education

Business Economist, Certified Public Accountant

Professional activity

Thomas Studhalter is partner and member of the Regional Board of Management for Central Switzerland at BDO. He manages the trust division in the Central Switzerland region. The Altdorf, Sursee and Zug branches also report to him. Prior to his role at BDO, Thomas Studhalter was a partner at KPMG and managed the Central Switzerland market region and the Audit department.

Mandates outside Swiss Prime Site

Stock exchange-listed companies: Member of the Board of Directors of Datacolor AG, Lucerne
Unlisted companies: Member of the Board of Directors of Bataillard AG, Rothenburg; Member of the Board of Directors of HelloNina AG, Zurich; Vice-Chairman of the foundation board of rowing center Luzern-Rotsee foundation, Luzern



Klaus R. Wecken

1951, Bürgenstock

«Permanently low interest rates require the real estate industry to come up with innovative ways of maintaining positive rates of return.»

Position

Member of the Board of Directors, member since 2009

Education

Economics, University of Freiburg in Breisgau

Professional activity

Since 1974, Klaus Wecken has been founder, partner and chairman of various companies in Germany and Switzerland. From 1984, he was co-founder and director of KHK Software AG, Frankfurt am Main, which he sold to SAGE Group, Newcastle, UK, in 1997. From 1999, he was co-founder and principal shareholder of the real estate company Tivona AG, Basel, which was integrated through Jelmoli Holding AG, Zurich, into Swiss Prime Site Group in 2009. From 2001 to 2002, he was member of the Board of Directors of Jelmoli Holding AG, Zurich. Since 2007 he has built up more than 40 investments focused on fields such as the Internet, software and medical technology as well as real estate, through his family office Wecken & Cie, Basel. In the stock exchange-listed real estate sector, Klaus Wecken is one of the major shareholders in Deutsche Mittelstands Real Estate AG (DEMIRE), Langen bei Frankfurt and Adler Real Estate AG, Berlin. DEMIRE previously acquired Fair Value REIT AG, Gräfelting. Adler AG acquired Westgrund AG, Berlin, Brack Capital Properties N.V., Amsterdam NL, Accentro AG, Berlin, and 25% of Conwert Immobilien Invest SE, Vienna. Accentro AG and the share in Conwert have since been sold on.

Mandates outside Swiss Prime Site

Stock exchange-listed companies: none

Unlisted companies: Chairman of the Board of Directors of Care4 Holding AG, Basel, Care4AG, Basel, and IRESI International Real Estate Investors AG, Basel; member of the Board of Directors of SIC invent AG, Basel; CEO of W & W Immobilien GmbH, Weil am Rhein, as well as other positions with related real estate companies.

Executive Board

The Executive Board is responsible for the operating management of Swiss Prime Site and represents the Group publicly. The Executive Board corresponds to the «executive management» according to the Articles of Association of Swiss Prime Site AG and Swiss Ordinance Against Excessive Compensation in Listed Companies (Ordinance).

Members of the Executive Board generally attend the Board of Directors meetings in an advisory capacity. They leave the meeting if the Chairman so directs.

Composition of the Executive Board

Name	Position	Nationality	Member since
René Zahnd	Chief Executive Officer	Swiss	2015
Markus Meier	Chief Financial Officer	Swiss	2015
Peter Lehmann	Member, CEO Swiss Prime Site Immobilien AG	Swiss	2002
Oliver Hofmann	Member, CEO Wincasa AG	Swiss	2013
Franco Savastano	Member, CEO Jelmoli AG	CH/IT	2012
Dr. Luca Stäger	Member, CEO Tertianum Gruppe AG	Swiss	2014

Additions to the Executive Board during the reporting period

None.

Articles of Association provisions regarding the number of permitted activities

Members of the Executive Board may simultaneously carry out no more than five additional mandates outside the Group in the supreme managing or supervising body of legal entities that are required to be entered in the commercial register or an equivalent foreign register, of which no more than one in a listed entity.

Several mandates within the same group of companies and mandates carried out as part of the member's position on the Board of Directors or the executive management or a supreme managing or supervisory body (including in pension funds, joint ventures and legal entities, in which the company has a substantial investment) are counted as one mandate. Activities in not-for-profit associations, organisations and foundations are not subject to any restrictions.

Management contracts

There are no management contracts.

Compensation, shareholdings and loans

The following information is provided in the Compensation Report on pages 5 to 21 : Articles of Association provisions regarding the basic principles governing profit-based compensation and the allocation of shareholdings, as well as an additional amount for those members of the Executive Board who are designated as such following the vote by the Annual General Meeting on compensation; Articles of Association provisions regarding loans, credit and pension benefits to members of the Board of Directors and Executive Board; Articles of Association provisions regarding the vote by the Annual General Meeting on compensation.

Shareholdings in Swiss Prime Site AG held by members of the Board of Directors and Executive Board are reported in the Company's notes to the financial statements of Swiss Prime Site AG on page 83.





René Zahnd
1966, Berne

«Turn challenges into opportunities.»

Position

Member of the Executive Board, Chief Executive Officer

Committees

Investment: Member

Education

Attorney at Law

Professional activity

Chief Executive Officer of Swiss Prime Site AG since 1 January 2016. René Zahnd began his professional career at Bratschi Emch & Partner Attorneys at Law in Berne and Zurich from 1994 to 1996. Thereafter, he held the following positions: co-head of Legal Services at BEKB and Dezenium AG from 1996 to 1998; head of Legal Services as well as Director of Project Development and member of the Executive Management at general contractor Losinger/Marazzi from 1998 to 2009; Implenia AG from 2009 to 30 October 2015 – as member of the Executive Management from 2010 and member of the Group Executive Board of Implenia AG from 2013 – first as director of Implenia Real Estate and thereafter as director of Modernisation & Development from February 2014.

Mandates within Swiss Prime Site

Chairman of the Board of Directors of the following group companies: Jelmoli AG, Zurich; SPS Beteiligungen Alpha AG, Olten; Swiss Prime Site Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Management AG, Olten; Swiss Prime Site Solutions AG, Zurich; Tertianum Gruppe AG, Zurich; Wincasa AG, Winterthur; immoveris ag, Berne

Mandates outside Swiss Prime Site

None



Markus Meier
1964, Winterthur

«Being successful on the market also means utilising resources in the right place.»

Position

Member of the Executive Board, Chief Financial Officer

Committees

Investment: Member

Education

Business Economist FH and Certified Public Accountant

Professional activity

Markus Meier has been Chief Financial Officer of Swiss Prime Site AG since 1 June 2015 and previously ad interim Chief Financial Officer since 1 January 2015. From 2009 to 31 December 2014, he held positions at Swiss Prime Site AG in the areas of Finance, Accounting and Investor Relations. Prior to that, he was Chief Financial Officer of Jelmoli AG and Mobimo AG as well as Head of Corporate Accounting and Tax at Ascom. He was also group controller at BZ Group after years of employment at Arthur Andersen (today Ernst & Young).

Mandates within Swiss Prime Site

Member of the Board of Directors of the following group companies: Jelmoli AG, Zurich; SPS Beteiligungen Alpha AG, Olten; Swiss Prime Site Immobilien AG, Olten; Swiss Prime Site Fund Advisory AG II, Olten; Swiss Prime Site Management AG, Olten; Swiss Prime Site Solutions AG, Zurich; Tertianum Gruppe AG, Zurich; Wincasa AG, Winterthur; immoveris ag, Berne; streamnow ag, Zurich; member of the foundation board of the SPS and Jelmoli pension fund, Zurich; member of the foundation board of the SPS and Jelmoli welfare foundation, Zurich

Mandates outside Swiss Prime Site

None



Peter Lehmann
1958, Wilen bei Wollerau

«We create locations!»

Position

Member of the Executive Board, Chief Executive Officer of Swiss Prime Site Immobilien AG

Committees

Investment: Member

Education

Construction planner

Professional activity

Peter Lehmann has been Chief Executive Officer of Swiss Prime Site Immobilien AG since 1 March 2017; previously he was Chief Investment Officer of Swiss Prime Site AG from 1 March 2002. He was head of various departments at Real Estate Asset Management, Credit Suisse AG, Zurich (managing director) from 1991 to end-2012. From 2004 to 2009, he was head of development, and prior to that head of construction and acquisitions & sales Switzerland, at Credit Suisse AG. Previously, he worked in the construction sector for the fund management of a big bank and as architectural project manager at a general contractor.

Mandates within Swiss Prime Site

Member of the Board of Directors of Swiss Prime Site Fund Advisory AG II; member of the Investment Committee of the SPS and Jelmoli pension fund

Mandates outside Swiss Prime Site

Stock exchange-listed companies: none

Unlisted companies: Chairman of the Board of Directors of DUK AG, Freienbach

Activities in not-for-profit associations, organisations and foundations: Member of the Executive Board of Verband Immobilien Schweiz (VIS)



Oliver Hofmann

1970, Horgen

«Pursuing efficiency and focusing on the essentials are what make our business model successful.»

Position

Member of the Executive Board, Chief Executive Officer of Wincasa AG

Education

Banking studies, bachelor in economics and business administration, Master of Science in Real Estate of CUREM (University of Zurich)

Professional activity

Oliver Hofmann has held the positions of Chief Executive Officer of real estate services company Wincasa AG since 1 January 2013 as well as member of the Executive Board of Swiss Prime Site AG since 1 June 2013. In addition to spending a few years of his professional career in the finance department of IBM (Switzerland) Ltd, he previously worked at UBS AG for more than 15 years with other intermittent activities (investment advisor in Wealth Management, Corporate Finance, build-up of Swiss real estate advisory services). From 2007 to 2012, he held the position of head of Real Estate Advisory Switzerland at UBS AG. From 2010 to September 2013, he served as chairman of RICS Switzerland – Royal Institution of Chartered Surveyors. Oliver Hofmann is also a member of «G15 – Group of Fifteen».

Mandates within Swiss Prime Site

Member of the foundation board of the SPS and Jelmoli pension fund, Zurich; member of the foundation board of the SPS and Jelmoli welfare foundation, Zurich; member of the Board of Directors of immoveris ag, Berne; Chairman of the Board of Directors of streamnow ag, Zurich

Mandates outside Swiss Prime Site

Stock exchange-listed companies: none

Unlisted companies: Vice-Chairman of the Board of Directors of Siegmund & Hofmann AG, Basel; member of the Board of Directors of Crédit Agricole next bank (Suisse) SA, Geneva



Franco Savastano

1965, Stallikon

«Anyone can buy and sell. We offer quality, experience and uniqueness.»

Position

Member of the Executive Board, Chief Executive Officer of Jelmoli AG

Education

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

Professional activity

Franco Savastano has been Chief Executive Officer of Jelmoli – The House of Brands premium department store in Zurich since 1 April 2012 and member of the Swiss Prime Site AG Executive Board. From 2001 to 2012, Franco Savastano was a member of the Management Board of Brunschwig & Cie. SA, holding the positions of director of the Grieder fashion stores in German-speaking Switzerland, as well as procurement director for Grieder throughout Switzerland. From 1997 to 2001, Franco Savastano held positions as head of the creative teams for fashion labels Strellson and Tommy Hilfiger Clothing. From 1988 to 1996, he worked as procurement director at Fein-Kaller Uomo and Donna; and from 1986 to 1988, as assistant to the director of sales at Hugo Boss Switzerland Ltd.

Mandates within Swiss Prime Site

Member of the foundation board of the SPS and Jelmoli pension fund, Zurich; member of the foundation board of the SPS and Jelmoli welfare foundation, Zurich

Mandates outside Swiss Prime Site

Chairman of the Zurich Bahnhofstrasse Association, Zurich



Dr. Luca Stäger

1967, Zurich

«We offer people with their own history a home.»

Position

Member of the Executive Board, Chief Executive Officer of Tertianum Gruppe AG

Education

1991 Degree in Economics (lic. oec.) and 1994 Doctorate in Economics (Dr. oec.) from the University of St. Gallen (HSG); 2002 further studies in integrated services management at the University of St. Gallen; 2003 training as EFQM assessor and 2005 completion of Executive Program in Health Care Policy at the University of Lausanne in cooperation with Harvard Medical International; 2013 Certificate from the Executive School of Management, Technology and Law of University of St. Gallen (ES HSG) in Advanced Management.

Professional activity

Luca Stäger has been Chief Executive Officer of Tertianum Group since 1 March 2010 and member of the Swiss Prime Site AG Executive Board since 1 January 2014. He began his professional career at Price Waterhouse as a consultant with a focal point on NGOs. Thereafter, he held the following positions: deputy project leader at the Canton Zurich Healthcare Directorate, consulting project leader at PuMaConsult GmbH, Zurich and Berne, Chief Executive Officer of Spital Lachen AG, Lachen, and director of Private Clinic Bethanien AG, Zurich, as well as recently as Chief Executive Officer of Swiss Paraplegic Group in Nottwil.

Mandates within Swiss Prime Site

Chairman of the Board of Directors: Les Tourelles S.à r.l., Martigny; Résidence du Bourg SA, Aigle; Résidence Bel-Horizon S.à r.l., Ecublens; Résidence le Pacific SA, Etoy; Résidence Joli Automne SA, Ecublens; Leora S.à r.l., Villeneuve; Hôtel Résidence Bristol SA, Montreux; Le Manoir AG, Gampelen; La Fontaine SA, Court; Résidence de la Jardinerie SA, Delémont; Quality Inside SA, Crissier; Tertianum Romandie Management SA, Crissier; Leben im Alter AG, Zurich; Tertianum Management AG, Zurich; Tertianum AG, Zurich; Résidence l'Eaudine SA, Montreux; Wohn- und Pflegezentrum Salmenpark AG, Rheinfelden; Zentrum Schönberg AG, Berne

Mandates outside Swiss Prime Site

Stock exchange-listed companies: none

Unlisted companies: Vice-Chairman of the Board of Directors of Sanitas Beteiligungen AG, Zurich; Vice-Chairman of the Board of Directors of Clinica Luganese SA, Lugano; Vice-Chairman of the foundation board of the Swiss Paraplegic Foundation, Nottwil; Chairman of the Board of Directors of Clos Bercher SA, Bercher; Vice-Chairman of the Board of Directors of Compact Grundversicherungen AG, Zurich; Vice-Chairman of the Board of Directors of Sanitas Privatversicherungen AG, Zurich; Vice-Chairman of the Board of Directors of Sanitas Grundversicherungen AG, Zurich; Chairman of the foundation board of Fondation Espace, Bevaix; member of the foundation board of Sanitas Krankenversicherung, Zurich; member of foundation board of the Swiss University Sports Foundation, St. Gallen

Shareholder participation rights

The current Articles of Association can be found on www.sps.swiss under Investors / Corporate Governance. The following are references to selected articles:

- Share register and registration provisions (article 5)
- Powers of the Annual General Meeting (article 8)
- Convening/agenda of the Annual General Meeting (article 9, para.4 and article 10)
- Voting rights and adoption of resolutions, independent shareholder representative and issuing instructions (article 12 and article 13)
- Special quorums (article 14)
- Compensation of the Board of Directors and Executive Board (article 28 et seq.), see the Compensation Report

The texts of some Articles of Association provisions are presented in the following section:

Voting rights and adoption of resolutions

According to article 12 of the Articles of Association:

«¹ Each share entitles the holder to one vote.

² Representation by proxy at the Annual General Meeting is only permissible with a written power of attorney.

The chairman of the shareholders' meeting decides on the recognition of proxies. The Board of Directors may issue rules on the participation, representation and the issuing of voting instructions. The Board of Directors ensures that shareholders can grant a power of attorney and issue their instructions to the independent proxy electronically.

³ The Annual General Meeting passes its resolutions and effects its elections with a majority of the validly cast votes, unless the law or the Articles of Association provide otherwise. Abstentions shall not be counted. In the event of a tie vote, the chairman shall have the casting vote for resolutions, while elections shall be decided by lot.

⁴ Elections and resolutions are taken in an open ballot or electronically, unless the Annual General Meeting resolves that an election or resolution shall be taken in writing or the Chairman decides to do so. The Chairman may always have an open or electronic ballot repeated as a written ballot if in his opinion there are doubts as to the result of the vote. In such case the previous open or electronic election or vote is considered not to have occurred.»

Any shareholder that is registered in the share register on 12 March 2019 (effective date) is eligible to vote at the ordinary shareholders' meeting of 26 March 2019. Shareholders that sell their shares after this date are not eligible to participate in the ordinary shareholders' meeting. No entries are recorded in the share register from 13 March up to and including 26 March 2019.

Special quorums

According to article 14 of the Articles of Association:

«A resolution of the Annual General Meeting with at least two-thirds of the represented votes and with the absolute majority of the represented nominal value is required for the following:

- a) amendment of the Company's purpose;
- b) creation of shares with voting rights;
- c) transfer restrictions on registered shares;
- d) authorised or conditional capital increase;
- e) capital increases from shareholders' equity, against contribution in kind or for the purpose of acquiring assets as well as granting of special rights;
- f) restriction or cancellation of subscription rights;
- g) change of the Company's registered office;
- h) dissolution of the Company without liquidation;
- i) dissolution of the Company with liquidation;
- k) conversion of bearer shares into registered shares;
- l) conversion of registered shares into bearer shares;
- m) the abolishment of statutory restrictions regarding the adoption of resolutions at the Annual General Meeting pursuant to the above subsections i, k and l.»

Convening the Annual General Meeting

According to article 10 of the Articles of Association:

«¹ The Annual General Meeting shall be convened by the Board of Directors or, if necessary, by the auditor.

² The Annual General Meeting shall be called no less than 20 days before the date of the meeting by publication in the Swiss Official Gazette of Commerce. Shareholders recorded in the share register may also be invited by letter. The notice of an Annual General Meeting shall state the agenda items and the proposals of the Board of Directors and of the shareholders who requested that items be put on the agenda or that an Annual General Meeting be convened.

³ Subject to the provisions regarding universal meetings of shareholders, no resolutions can be passed on matters not thus announced except with respect to the application to convene an extraordinary shareholders' meeting or to conduct a special audit. Proposals made after convening or during the Annual General Meeting may be allowed for discussion if the Annual General Meeting so decides. However, resolutions in relation to such proposals may only be made at the next Annual General Meeting.

⁴ No prior notification is required for submitting proposals in the context of agenda items and for the discussion of matters without the passing of a resolution.

⁵ The Annual Report, Compensation Report and corresponding audit report, the auditor's report and the auditor's report for the group of companies must be made available to the shareholders at the Company's registered office no less than 20 days before the ordinary Annual General Meeting. The invitation to

the Annual General Meeting must refer to this fact and to the right of every shareholder to request that copies of these documents be sent to him.»

Agenda

According to article 9, para. 4 of the Articles of Association, shareholders representing shares with a nominal value of half a million Swiss francs may demand that an item be put on the agenda. Such demand must be made in writing, specifying the agenda item and the proposals, no later than 40 days before the date of the shareholders' meeting.

Share register and registration provisions

According to article 5 of the Articles of Association:

«¹ A share register is kept for the registered shares in which the owners and usufructuaries are entered with their name, given name, place of residence, address and nationality (in case of legal entities, the registered office). In the event of a change of place of residence, the Company must be notified in writing of the new place of residence, failing which the former place of residence continues to be relevant for the purpose of the relationship with the Company. The Company only acknowledges a person as shareholder if such person is entered in the share register. The Company acknowledges only one beneficiary per share.

² Upon request, those acquiring registered shares are entered into the share register as shareholders with the right to vote if they expressly declare to have acquired these registered shares in their own name and for their own account. Art. 685d (3) CO remains reserved.

³ After having heard the registered shareholder, the Board of Directors may delete an entry in the share register with retroactive effect as of the date of that entry if such entry was based on false information. The respective shareholder must be informed immediately about the deletion.

⁴ The Board of Directors takes the necessary steps and makes the necessary arrangements in order to comply with the above provisions.

⁵ The Board of Directors is authorised to reject foreign purchasers of registered shares as shareholders with voting rights insofar as, and as long as, their recognition can prevent the Company from providing the verification governing the composition of its shareholders, which is required by federal law. Otherwise, there are no restrictions on registration or voting rights.»

Independent shareholder representative

The Articles of Association provisions regarding independent shareholder representative correspond to the regulations according to the Ordinance Against Excessive Compensation in Listed Companies (Ordinance).

The Board of Directors ensures that shareholders can issue authority and instructions to the independent shareholder representative electronically as well. Detailed information and instructions are provided to shareholders together with the invitation documentation for attendance of the Annual General Meeting. These are also published on the Company's homepage.

Change of control and defence measures

Anyone who directly, indirectly or in joint agreement with third parties acquires shares and, together with the shares already in their possession, exceeds the limit of 33 1/3% of the voting rights, whether exercisable or not, must submit an offer for all listed shares of the Company. There are no change of control clauses in the agreements and plans in favour of the members of the Board of Directors and Executive Board as well as other members of the Company's executive management.

Statutory auditor

Duration of the mandate and period of office of the auditor in charge

Since the Company was founded (1999), the statutory auditor of Swiss Prime Site AG has been KPMG Ltd., Badenerstrasse 172, 8004 Zurich. KPMG Ltd. also acts as independent auditor for all significant fully consolidated group companies. The auditors are elected each year by the Annual General Meeting.

The auditor in charge has been in this role since 1 January 2013. The auditor's period of office ends with the financial year 2019.

Fees

For the current reporting period, audit fees (incl. services relating to capital market transactions) of CHF 1.215 million [CHF 0.987 million] and CHF 0.027 million [CHF 0.043 million] were booked for consulting services.

Information tools of the external audit

The Audit Committee holds a meeting with the auditors on annual basis regarding the financial statements as well as the audit thereof. Moreover, the results of the audit are recorded in writing in a comprehensive report for submission to the Board of Directors.

The Audit Committee evaluates the performance, fees and independence of the auditors on an annual basis and reports to the Board of Directors.

The Audit Committee evaluates the assessment of risks of misrepresentations in the financial statements by the Executive Board and external auditors as well as evaluates and monitors the implementation of countermeasures.

The Audit Committee discusses with the Executive Board and external auditors the audited consolidated financial statements and carries out a critical analysis particularly with a view toward any special events. The Audit Committee decides whether the individual and consolidated financial statements can be submitted to the Board of Directors for approval and publication, before the Board of Directors actually approves and publishes these.

The Audit Committee discusses with the external auditors any significant problems that emerge within the scope of the audit as well as the complete report and the responses by the Executive Board to the facts therein. The Audit Committee also submits proposals to the Board of Directors, as required, for appropriate solutions and monitors the implementation of measures.

The Audit Committee discusses with the Executive Board and external auditors their assessment of the general quality of Swiss Prime Site's accounting standards policy that is applied to the financial reporting, carries out a critical analysis and reports to the Board of Directors.

Information policy

Swiss Prime Site Group's detailed financial reporting occurs in the form of semi-annual and annual reports. The published accounting standards comply with the provisions of Swiss Stock Exchange Act, Listing Rules of the SIX Swiss Exchange and Swiss GAAP FER regulations.

Swiss Prime Site presents the Semi-Annual and Annual Reports at the half-yearly and annual financial results press conferences as well as at the Annual General Meeting.

Swiss Prime Site conducts its reporting within the scope of the disclosure obligations according to the Financial Market Infrastructure Act (FMIA) as well as the ad-hoc publicity of the SIX Swiss Exchange. The ad-hoc releases can be retrieved concurrently with the reports to the SIX Swiss Exchange at www.sps.swiss, under Media.

In addition, media releases are published as required, which can also be subscribed to on www.sps.swiss under Media.

Further information about the Group can be found on the website at www.sps.swiss.

Contact address
Swiss Prime Site AG
Frohburgstrasse 1
CH-4601 Olten
Telephone: +41 58 317 17 17
E-mail: info@sps.swiss

Significant changes since the balance sheet date

No significant changes have taken place since the balance sheet date.





SWISS PRIME SITE

COMPENSATION REPORT

2018

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Onwards!



Three years ago, Swiss Prime Site started a gradual process of modernisation, updating the roles on the Executive Board and the Board of Directors, and introducing a new compensation model in 2017. We will continue to pursue this path, expanding our skills and expertise and simplifying our core processes.

In Q2 2018, I took over from Mario F. Seris as Chairwoman of the Nomination and Compensation Committee. My colleagues on the Board of Directors, the members of the Committee and I would all like to thank him for his valuable service as Chairman of the Committee. We are grateful that we can continue to benefit from his knowledge and experience.

In 2016, Swiss Prime Site launched a comprehensive process of modernisation which is transforming the company. The addition of Markus Meier and René Zahnd has rejuvenated the Executive Board, and a new advisory board system has been brought in. This has combined the boards of directors with other executive managers, thereby improving the strategic structure of all Swiss Prime Site group companies. The make-up of the Board of Directors has also been rejuvenated, with the addition of a female director in 2016 marking the first step towards a more diverse board. In the same year, a new compensation system was introduced for the most senior level of management and the Board of Directors, in line with today's international benchmarks. This has positioned Swiss Prime Site as a leader in its industry and as one of the most

significant real estate companies in Europe. As increasingly important stakeholders, proxy advisors have recognised our efforts and approved our report. The changes resulted in our shareholders being able to decide on this at the most recent Annual General Meeting. The high level of approvals in March 2018 showed that we are on the right path. However, we still have much to do.

As Chairwoman of the Nomination and Compensation Committee, one of my main tasks is to work with my colleagues on expanding the key competencies found on the Board of Directors, our Executive Board and among our employees. We already have a strong expertise in real estate, finance and technology, and we need to build on these strengths in the short and medium term. Another key objective is to achieve a more diverse mix on the Board of Directors and the related committees, with even greater significance being attributed to expertise, experience, age and gender in the future. With the nomination of Gabrielle Nater-Bass, there will hopefully be two women on the Board of Directors after the forthcoming Annual General Meeting. This will fulfil the Swiss federal government's quota, which recommends 30% of a board

of directors to be female. However, we are not just improving the diversity within the Board but also significantly strengthening its knowledge base with her extensive legal knowledge. Technological advances have resulted in significant changes in the market. It will be vital for us to be able to reliably analyse, assess and measure these changes, now and in the longer term.

us more resilient, able to shape our future with even greater agility and vigour.

Dr. Barbara Frei-Spreiter
Member of the Swiss Prime Site AG Board of Directors
Chairwoman of the Nomination and Compensation Committee

**«The high level of
approvals in March 2018
showed that we are on
the right path.»**

The compensation system introduced in 2017 was enthusiastically received by our shareholders and proxy advisors. When drawing up this system, we looked very closely at the changing demands of all stakeholders, and focused on transparency and performance criteria. We will therefore continue to hold firm to the compensation system. Direct discussions with our stakeholders, initiated as part of our modernisation process, will also continue. Our unceasing aim is to have a leadership and compensation model befitting a modern company.

In 2019, we will also update the strategic core processes for the Board of Directors, committees and the Swiss Prime Site Group. My ambition is to use these boards and committees to leverage the existing knowledge and expertise within the company, enabling it to permeate through the structure and the group companies, thereby contributing to their commercial success. This will make

The Compensation Report is written in accordance with the provisions of the Swiss Ordinance Against Excessive Compensation in Listed Companies (hereinafter referred to as «Ordinance»), the standard relating to information on corporate governance of the SIX Swiss Exchange and the principles of the «Swiss Code of Best Practice for Corporate Governance» of *economiesuisse*.

The Compensation Report describes the governance framework, the compensation principles and programmes as well as the compensation awarded to the members of the Board of Directors and of the Executive Board in the financial year 2018.

Governance

The role of shareholders in compensation matters has been strengthened in recent years. Shareholders approve the maximum amount of compensation of the Board of Directors and the Executive Board by way of a binding vote at the Annual General Meeting. Furthermore, shareholders approve the Articles of Association that outline the principles of compensation as well as approve the Compensation Report by way of a consultative vote.

Provisions on compensation in the Articles of Association

The Articles of Association can be found in their entirety on the Company's website (www.sps.swiss under investors/corporate governance).

Summary

Principles of compensation of the Board of Directors

Article 28

The members of the Board of Directors receive fixed compensation for their activities. Additional compensation may be paid for memberships in committees and for assuming special tasks or assignments. The compensation may be paid entirely in cash or in restricted or unrestricted shares of the Company.

Principles of compensation of the Executive Board

Articles 30 and 31

The members of the Executive Board receive fixed annual compensation for their activities as well as variable performance-based compensation. The variable compensation is based on quantitative and individual objectives that are determined annually by the Board of Directors in the Company's and the shareholders' long-term interests. The variable compensation may be paid in cash or partly in restricted or unrestricted shares of the Company.

Approval of compensation by the shareholders

Articles 29 and 32

The Annual General Meeting annually approves with binding effect the maximum amount of compensation of the Board of Directors for the respective current financial year and the maximum amount comprising both the fixed and variable compensation of the Executive Board for the current financial year.

The compensation effectively paid to the Board of Directors and the Executive Board is disclosed in the Compensation Report, which is subject to consultative vote by the shareholders.

Additional compensation for Executive Board members

Article 32

In case of appointment of new members of the Executive Board after the approval of the maximum amount of compensation by the Annual General Meeting, the maximum additional amount available for each new member corresponds to 150% of the highest compensation paid to a member of the Executive Board in the last ordinary shareholders' meeting of the previous financial year.

The compensation structure and elements for the members of the Board of Directors and Executive Board are designed according to these governance principles.

The proposed maximum amounts of compensation submitted to shareholders' vote are maximum figures that are paid out in case of substantial over-achievement of all relevant performance objectives. The effective compensation paid out is therefore likely to be below the approved maximum amounts. The effective compensation is reported in the Compensation Report, which is subject to a consultative vote by the shareholders at the Annual General Meeting. The combination of the prospective binding vote

on the maximum amounts of compensation and retrospective consultative vote on the Compensation Report provides a true say-on-pay to shareholders.

Nomination and Compensation Committee

The Board of Directors has appointed a Nomination and Compensation Committee (CC) to provide support in compensation matters. Barbara Frei-Spreiter (Chairwoman), Mario F. Seris and Christopher M. Chambers are the current members of the Nomination and Compensation Committee.

The responsibilities of the Nomination and Compensation Committee are defined in a separate regulation and include in summary:

- Preparation of proposals to the Board of Directors regarding the compensation principles, including the design of variable compensation
- Preparation of proposals to the Board of Directors regarding the maximum amounts of compensation of the members of the Board of Directors and the Executive Board to be submitted to shareholders' vote at the Annual General Meeting
- Preparation of proposals to the Board of Directors regarding the individual compensation of the members of the Board of Directors and the Executive Board within the limits approved by the shareholders
- Preparation of proposals to the Board of Directors on the performance objectives relevant for the determination of the variable compensation
- Evaluation of the achievement of the performance objectives for the calculation of the variable compensation and preparation of the corresponding proposals to the Board of Directors
- Monitoring compliance of the compensation principles with the law, the Articles of Association and internal regulations as well as the resolutions of the Annual General Meeting regarding compensation
- Preparation of the Compensation Report
- The Nomination and Compensation Committee prepares the guidelines and proposals for the nomination (including authority to sign) for the compensation payable to the Board of Directors, the Executive Board, the employees of Swiss Prime Site AG and its group companies, the real estate asset managers, the property/facility managers, related persons and the external valuation experts
- The Nomination and Compensation Committee monitors compliance with the compensation and nomination policy determined by the Board of Directors, the Committee itself and the Executive Board.
- Any other activities assigned by law or by the Board of Directors

The Nomination and Compensation Committee acts in an advisory capacity while the Board of Directors retains the decision-making authority on compensation matters, except for matters concerning the maximum amounts of compensation of the Board of Directors and Executive Board, which are subject to the approval of shareholders at the Annual General Meeting. The authority levels of the different bodies on compensation matters are detailed in the following table.

Authority levels in compensation matters

	CEO	CC	BoD	AGM
Compensation principles and variable compensation design		Proposes	Approves	
Maximum amounts of compensation of Board of Directors and Executive Board		Proposes	Reviews	Approves (binding vote)
CEO compensation		Proposes	Approves	
Individual compensation of the Executive Board	Proposes	Reviews	Approves	
Performance target setting and assessment of the CEO		Proposes	Approves	
Performance target setting and assessment of the Executive Board	Proposes	Reviews	Approves	
Individual compensation of the members of the Board of Directors		Proposes	Approves	
Compensation Report		Proposes	Approves	Consultative vote

The Nomination and Compensation Committee held five meetings in 2018. The members attended all the meetings. Furthermore, the Nomination and Compensation Committee performed its regular activities throughout the year, such as the performance goal setting at the beginning of the year and the performance assessment following the year-end, the annual review and determination of the individual compensation of the members of the Board of Directors and the Executive Board, as well as the preparation of the Compensation Report and of the say-on-pay compensation votes for the Annual General Meeting.

The Chairwoman of the Nomination and Compensation Committee reports the activities of the committee to the Board of Directors after each meeting. The minutes of the committee meetings are available to the members of the Board of Directors. As a general rule, the Chairman of the Board of Directors and CEO attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed. The Nomination and Compensation Committee may consult an external advisor from time to time regarding

special compensation issues. In 2018, no such external advisor was mandated.

Method of determination of compensation

Periodic benchmarking

Swiss Prime Site periodically reviews the compensation of its Board of Directors and Executive Board. This includes regular benchmarking analysis – for example, every two to three years – of the compensation of similar positions in other stock exchange-listed companies that are comparable in size (i.e. market capitalisation, revenues, headcount). However, it is worth nothing that Swiss Prime Site's business model – with operating group companies in real estate-related business fields and a total workforce of more than 6 000 employees – implies a higher degree of complexity than pure real estate companies. With the comparison of the compensation of members of the Executive Board that manage operating group companies, the composition of the benchmark is

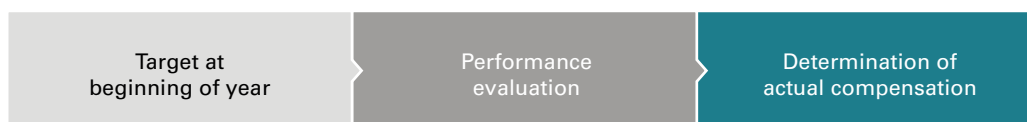
derived according to the respective areas of activity: i.e. in the real estate services, retail and assisted living sectors.

The last benchmarking analysis was conducted in 2016 and served as the basis for the annual review and the determination of compensation of the members of the Board of Directors and Executive Board for the financial year 2018.

Performance management

The actual compensation paid to the individual members of the Executive Board in a given year depends on the Company and individual performance. Individual performance is assessed through the annual performance management process, which aims to align individual and collective objectives, boost performance and foster personal development. The Company and individual objectives are determined at the beginning of the financial year and achievement of targets is assessed at year-end. In discussing the individual performance of the members of the Executive Board, the Nomination and Compensation Committee considers the achievement of the individual performance objectives pre-determined during the performance management

process as well as the extent to which the executives have conducted themselves in line with Swiss Prime Site's DNA. The Company's DNA includes Swiss Prime Site's vision, the corporate culture, the Company's values and its commitment toward sustainability. The performance assessment is the basis for the determination of the actual compensation, as shown in the following illustration.





Compensation principles

Swiss Prime Site's compensation principles reflect the Company's commitment to attract, develop and retain qualified and talented executives. Compensation drives performance, rewards the achievement of business and individual objectives as well as supports the long-term creation of value for the shareholders. In order to ensure market competitiveness, the compensation structure and levels are subject to regular reviews. Compensation decisions are fair and transparent. The compensation principles are outlined as follows:

Pay for performance

Compensation of the Executive Board is directly linked to the Company's financial results and individual performance. Both the annual performance and sustainable success of Swiss Prime Site are rewarded through a well-balanced combination of performance objectives.

Alignment with shareholders' interests

A portion of the compensation of the Board of Directors is paid in the form of shares, for members of the Executive Board in the form of performance share units (PSUs). In this way, alignment with the interests of the shareholders is ensured.

Competitiveness

Compensation is benchmarked against that of comparable companies at regular intervals in order to ensure market competitiveness.

Internal equity and fairness

Compensation decisions are based on objective factors such as scope of responsibility of the position, external value of the position and individual performance. Compensation decisions are communicated in an open and transparent way.

Compensation system for the Board of Directors

In order to ensure their independence in exercising their supervisory duties toward the Executive Board – and to strengthen their focus on the long-term strategy and good corporate governance of the Company – the members of the Board of Directors receive a fixed compensation only, including an annual retainer reflecting the respective member's role on the Board of Directors and on the boards of group companies, as well as a lump-sum expense allowance.

Half of the compensation of the members of the Board of Directors is paid in cash and the other half is paid in the form of blocked Swiss Prime Site AG shares. This reinforces the alignment of their interests with those of the shareholders. The shares are allocated at the end of the financial year on the basis of the market price at the beginning of the financial year, less a 10%

discount. Therefore, the value of the share-based compensation at the time of allocation may be more or less than 50% of the fixed compensation, depending on the share price performance during the financial year. The delivered shares are subject to blocking for a period of four years, which also applies to members who depart the Board of Directors.

The compensation levels of the Board of Directors are shown in the following table.

Compensation levels of the Board of Directors

Fixed annual retainer for members of the Board of Directors	CHF
Chairman of the Board of Directors	350000
Vice-Chairman of the Board of Directors	190000
Member of the Board of Directors ¹	180000

Additional compensation	CHF
Lump-sum expense allowance	6000

¹additional fee of CHF 10 000 for audit committee chairman



TON
HALLE
MAAC

Compensation system for the Executive Board

The compensation system for the Executive Board is based on business strategy, medium-term financial planning and the long-term interests of the company's shareholders. The current compensation system has been in force since 2017 and is characterised by various elements.

- According to the performance-related remuneration approach, remuneration consists of three elements: fixed base salary, short-term and long-term variable remuneration. no possibility for the Board of Directors to apply management discretion in the determination of the effective variable compensation awarded.
- Split of the variable compensation into two components: 62.5% is awarded as a short-term incentive (STI) in cash and 37.5% delivered in the form of performance share units under the long-term incentive plan (LTI). STI and LTI together can in the best case achieve a maximum of 100% of the fixed base salary.
- Direct link to shareholders' interests: In the case of long-term compensation (LTI), members of the Executive Board receive performance-related entitlements, so-called Performance Share Units (PSUs). After three years, the degree of target achievement is measured retroactively and the PSUs are converted into shares. The performance target was defined as earnings per share (EPS) before revaluations and deferred taxes, which also serves as the basis for dividend payments to shareholders (target payout ratio: at least 80% of EPS before revaluations and deferred taxes). In this way, we ensure that the interests of the Executive Board and those of the shareholders are aligned.
- Direct link to the business strategy: The STI rewards the annual financial performance of the business under responsibility and the individual performance, while the LTI rewards the performance of Swiss Prime Site as a whole over a performance period of several years. Therefore, the performance of Swiss Prime Site as a group and the performance of the individual operating group companies are rewarded in a balanced manner.
- Direct link to the mid-term financial planning: All performance targets are determined on the basis of the three-year rolling financial planning of the Company, which ensures a robust, transparent and sustainable measurement of performance. There is

Compensation structure of the Executive Board in the financial year 2018

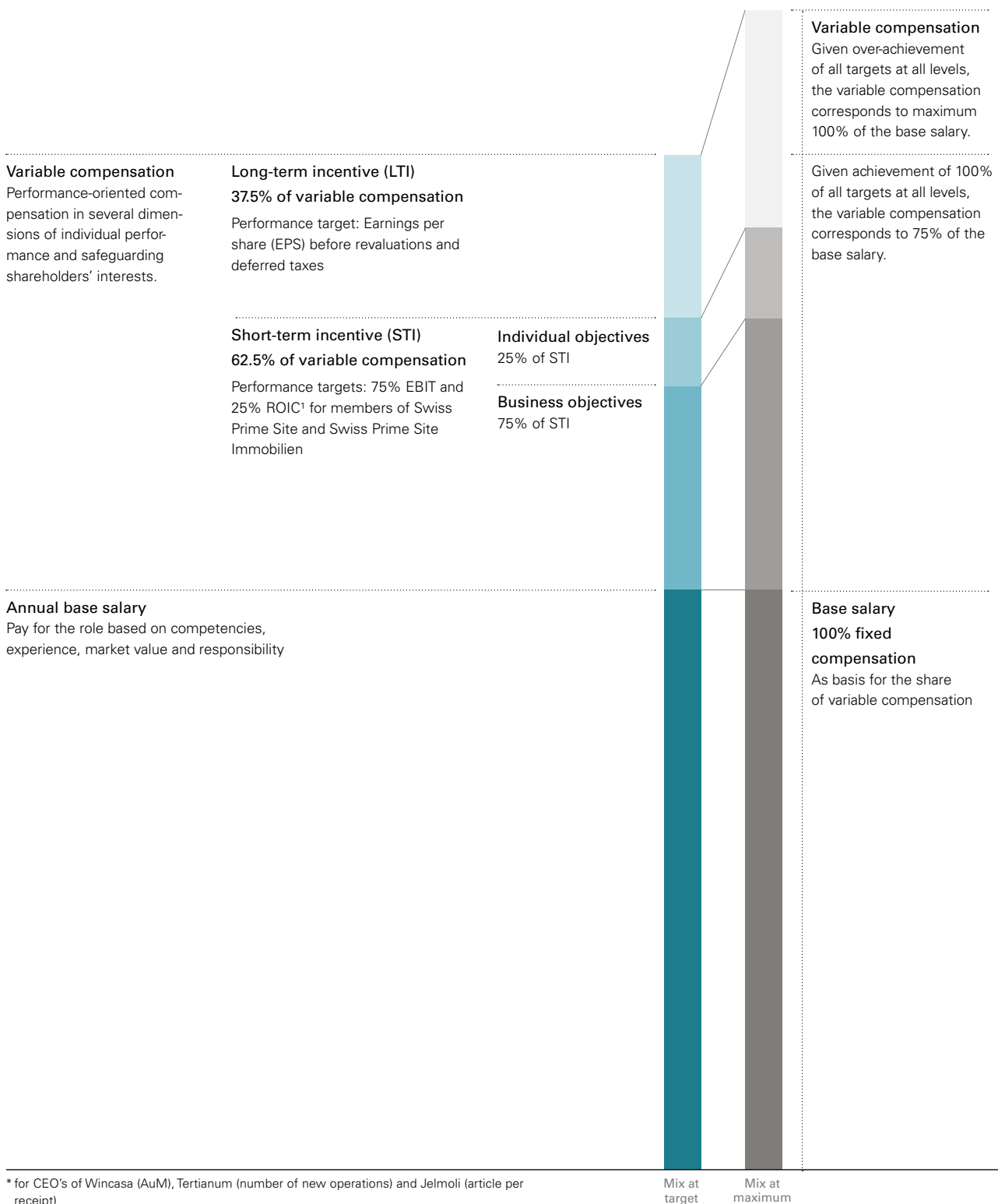
	Element	Purpose	Drivers	Performance measures
Base salary	Monthly cash payments	Pay for the role; attracting and retaining talent	Market value of role as well as skills and experience	
Variable compensation	STI (bonus in cash)	Pay for performance	Achievement of annual business and individual objectives	EBIT, ROIC and top-line performance
	LTI (performance share units)	Pay for performance and alignment with shareholders' interests	Group performance over three years and continued employment	Earnings per share (EPS) before revaluations and deferred taxes
Benefits	Social contributions, retirement plans and fringe benefits	Risk coverage	Market practice, function and local regulations	

Annual base salary

The annual base salary is part of the compensation. The amount of the base salary is determined particularly by individual competencies, experience, market value and responsibility of the respective Executive Board member. The base salary also serves to ensure a certain attractiveness of the Company's public image.

Variable compensation

The variable compensation amounts to 75% (target value) and a maximum of 100% of the annual base salary (at maximum payout level) without taking into account the share price performance. The variable compensation is split into short-term incentive (STI) and long-term incentive (LTI), as shown in the following illustration.



* for CEO's of Wincasa (AuM), Tertium (number of new operations) and Jelmoli (article per receipt)

Short-term incentive (STI) Bonus in cash

The STI accounts for 62.5% of the variable compensation and reward for the business and the individual performance over a time horizon of one year.

The business-related objectives make up 75% of the STI. For the members of the Executive Board employed by Swiss Prime Site, business objectives include earnings before interest and tax (EBIT excluding revaluations) of Swiss Prime Site weighted at 75%, and return on invested capital (ROIC) of Swiss Prime Site weighted at 25%. For the members of the Executive Board who manage Jelmoli, Tertianum and Wincasa – and are employed by the respective operating group company – business objectives include EBIT of the respective operating company and a top-line performance indicator, such as assets under management or development of new businesses.

For each business objective, a target is set corresponding to the expected level of performance that will generate a payout if achieved. Given achievement of 100% of all the targets, a payout of 75% of variable compensation applies. The maximum limit for the payout of variable compensation amounts to 100% of the fixed salary. Accordingly, the rule that applies to total compensation for a member of the Executive Board is that the variable component of the compensation can reach a maximum level amounting to the base salary. The business objectives and the target level of performance are determined on the basis of the mid-term financial planning, so the target setting is very robust and ambitious.

The individual objectives are weighted with 25% of the STI, consisting of annual personal objectives that are determined and agreed upon within the scope of the performance management process:

- For the CEO: implementation of innovation and sustainability initiatives, strategic management of the operating group companies and perception of Swiss Prime Site as a leading real estate firm according to the Company's vision.
- For the other members of the Executive Board: risk management, reduction of fluctuation and vacancy rates, customer satisfaction, contract renewals and personnel management.

Long-term incentive (LTI) Performance share units

The LTI accounts for 37.5% of the variable compensation, to be delivered in the form of performance share units (PSUs) that reward for the long-term performance of Swiss Prime Site and align the interests of the members of the Executive Board with those of the shareholders.

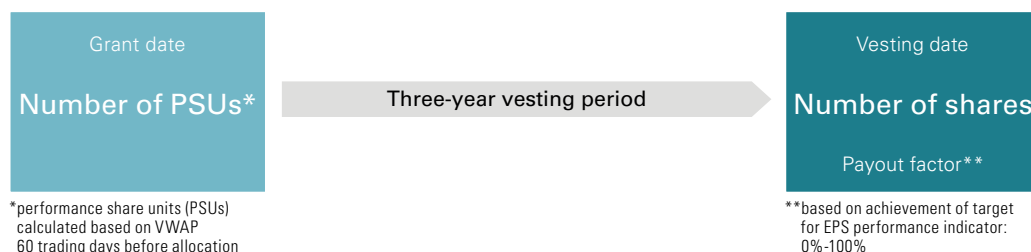
On the date of allocation, the individual LTI amount is converted to PSUs based on the volume-weighted average share price of the last 60 trading days prior to the allocation date.

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. Swiss Prime Site's earnings per share (EPS) before revaluations and deferred taxes constitute the performance indicator. The EPS target for the three-year vesting period is predetermined based on Swiss Prime Site's ambitious medium-term financial planning.

At the vesting deadline 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%.

The performance share units are subject to forfeiture clauses in case of termination of employment during the vesting period. In case of termination for cause, all PSUs are forfeited. In case of resignation or termination (not for cause), all PSUs granted in the year of termination are forfeited. PSUs granted in previous years are subject to the regular vesting periods. In cases of retirement, disability or death, the PSUs are subject to a pro-rata vesting for the number of full months of employment in the respective vesting periods that have expired by the termination date. The determination of the payout factor and the vesting date remain unchanged (no acceleration of vesting). In case of change of control, the PSUs are subject to an accelerated pro-rata vesting process for the number of full months of the respective vesting periods that have expired by the date of change of control. The decisive factor here is the effective EPS performance at the date of change of control as determined by the Board of Directors.

The compensation system applicable to the members of the Executive Board is well balanced. The system is performance oriented with a larger portion of variable compensation, and it



Mechanism of the performance share units (PSUs) within the scope of the long-term incentive (LTI) plan

reflects the business strategy by rewarding Swiss Prime Site’s profitability. In addition, the system incorporates the top-line and bottom-line contributions of the operating group companies. The compensation system also takes into account the shareholders’ long-term interests by rewarding EPS of Swiss Prime Site over a three-year period.

Benefits and fringe benefits

Benefits consist mainly of retirement, insurance and healthcare plans that are designed to provide a reasonable level of protection for the employees and their dependants with respect to retirement, the risk of disability and death, and risks to health. The members of the Executive Board are covered by the respective pension plans of the employing company. There are three pension plans within the SPS and Jelmoli pension funds for the employees of Swiss Prime Site Management AG, Jelmoli AG and Wincasa AG. Tertianum Gruppe AG has a different insurance solution.

The maximum contribution limits (maximum insured salary) are CHF 0.3 million to CHF 0.5 million. The employer contributions are graduated in a range between 10% and 14% depending on age and/or position.

In addition, all members of the Executive Board are entitled to a lump-sum expense allowance, according to the regulations approved by the relevant tax authorities that are applicable to Executive Board members.

Employment contracts

According to article 23 of the Articles of Association, the contracts determining the compensation of the members of the Board of Directors and the Executive Board may be of fixed or unlimited term. The maximum duration of fixed-term contracts is one year. The notice period for unlimited contracts may not exceed one year. These contracts may stipulate post-contractual non-competition clauses with a duration of up to one year. The compensation corresponds to the maximum amount of the last effected fixed annual compensation in proportion to the duration.

The current employment contracts of the members of the Executive Board are indefinite and include notice periods of six to twelve months. These contracts contain no unusual provisions, in particular no severance pay, no extraordinary clauses in the event of change of control over the Company and no non-competition clause.

Compensation in 2018

The compensation is disclosed in gross terms and according to the accrual principle. Contributions made by the employer to pension funds are considered as an integral part of compensation and disclosed as such.

the Board of Directors in 2018 is within the maximum amount of compensation of CHF 1.7 million for the financial year 2018 approved by the shareholders at the Annual General Meeting on 27 March 2018.

Compensation to the Board of Directors

In 2018, total compensation of the Board of Directors amounted to CHF 1.4 million [2017: CHF 1.5 million] in the form of cash payments of CHF 0.6 million [2017: CHF 0.7 million], restricted shares valued at CHF 0.6 million [2017: 0.8 million], social contributions amounting to CHF 0.1 million [2017: CHF 0.1 million] and other forms of compensation of CHF 0.1 million [2017: CHF 0.1 million]. The total amount of compensation of CHF 1.4 million effected to

This corresponds to a reduction by 12.2% compared with the previous year's period, which is attributable to a difference in the number of Board of Directors members versus the previous year.

The Board of Directors comprised six members at the end of 2017. At the 2018 Annual General Meeting, two new members were elected to replace the two retired members of the Board of Directors. One member resigned on 23 April 2018, bringing the total number of members of the Board of Directors to seven at the end of 2018.

01.01.–31.12.2018

in CHF 1 000	Compensation in cash	Share-based compensation ¹	Other compensation components ²	Employer social security contributions	Gross compensation	Expense allowance
Prof. em. Dr. Hans Peter Wehrli, Chairman of the BoD	175	178	5	19	377	6
Mario F. Seris, Vice-Chairman of the BoD	95	96	6	13	210	6
Dr. Elisabeth Bourqui, member of the BoD ³	30	34	–	4	68	2
Christopher M. Chambers, member of the BoD	90	91	6	–	187	6
Dr. Barbara Frei-Spreiter, member of the BoD ⁴	67	69	6	5	147	5
Dr. Rudolf Huber, member of the BoD	95	96	6	13	210	6
Thomas Studhalter, member of the BoD ⁴	67	69	6	5	147	5
Klaus R. Wecken, member of the BoD ⁵	–	–	5	–	5	12
Total compensation to the Board of Directors 2018, gross	619	633	40	59	1 351	48
Compensation approved by the Annual General Meeting					1 700	

¹ the shares are subject to blocking for four years, fair value upon transfer of shares

² services and benefits in kind (provision of Swiss federal railways (SBB) general pass, gross)

³ until 23.04.2018

⁴ since 27.03.2018

⁵ waived the annual fee and received a CHF 12 000 lump-sum expense allowance

01.01. – 31.12.2017

in CHF 1 000	Compensation in cash	Share-based compensation ¹	Other compensation components ²	Employer social security contributions	Gross compensation	Expense allowance
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	175	202	5	23	405	6
Mario F. Seris, Vice-Chairman of the BoD	95	109	6	14	224	6
Dr. Elisabeth Bourqui, member of the BoD	90	104	6	13	213	6
Christopher M. Chambers, member of the BoD	90	104	6	–	200	6
Markus Graf, member of the BoD ³	90	104	5	–	199	6
Dr. Bernhard Hammer, member of the BoD ⁴	30	35	–	3	68	2
Dr. Rudolf Huber, member of the BoD	95	109	6	14	224	6
Klaus R. Wecken, member of the BoD ⁵	–	–	5	–	5	12
Total compensation to the Board of Directors 2017, gross	665	767	39	67	1 538	50
Compensation approved by the Annual General Meeting					1 600	

¹ the shares are subject to blocking for four years, fair value upon transfer of shares

² services and benefits in kind (provision of Swiss federal railways (SBB) general pass, gross)

³ until 08.12.2017

⁴ until 11.04.2017

⁵ waived the annual fee and received a CHF 12 000 lump-sum expense allowance

Compensation of the Executive Board

In 2018, the members of the Executive Board received total compensation of CHF 6.9 million [2017: CHF 7.1 million]. This amount comprises fixed compensation of CHF 3.3 million [2017: CHF 3.3 million], a variable compensation component in cash of CHF 1.5 million [2017: CHF 1.6 million], the performance-related entitlements, so-called Performance Share Units (PSUs) in the amount of CHF 1.2 million [2017: CHF 1.2 million] as well as other social security components totalling CHF 0.9 million [2017: CHF 1.0 million]. The target achievement rates for the short-term incentive (STI) were within the range of 60% and 82% (see table on page 20).

The long-term incentive (LTI) comprises performance share units (PSUs) whose number is based on the volume-weighted average share price (VWAP) calculated from the last 60 trading days in 2017. Due to the three-year vesting period, these entitlements (PSUs) will only result in a transfer of shares at a later date and only if the target has been achieved accordingly (measured value EPS).

The total compensation of CHF 6.9 million effected to the Executive Board for the financial year 2018 fell far short of the maximum amount of CHF 8.3 million approved by the Annual General Meeting on 27 March 2018.

01.01.–31.12.2018

in CHF 1 000	Total Group Executive Board	of which René Zahnd (CEO) ¹
Fixed compensation in cash, gross	3 300	900
Variable compensation in cash, gross	1 453	359
Share-based variable compensation ²	1 190	325
Other compensation components ³	25	6
Pension fund contributions	564	97
Other social security contributions	322	75
Total compensation to the Group Executive Board 2018, gross	6 854	1 762
Expense allowance	102	18
Compensation approved by the Annual General Meeting	8 300	

¹ highest compensation to the Executive Board

² performance share units (LTI) with three-year vesting period

³ includes all compensation components not separately reported according to art. 14, para. 2 of the Swiss Ordinance Against Excessive Compensation in Listed Companies, e.g. provision of Swiss federal railways (SBB) general pass

01.01.–31.12.2017

in CHF 1 000	Total Group Executive Board	of which René Zahnd (CEO) ¹
Fixed compensation in cash, gross	3 300	900
Variable compensation in cash, gross	1 552	362
Share-based variable compensation ²	1 238	338
Other compensation components ³	18	6
Pension fund contributions	550	96
Other social security contributions	434	116
Total compensation to the Group Executive Board 2017, gross	7 092	1 818
Expense allowance	105	18
Compensation approved by the Annual General Meeting	8 300	

¹ highest compensation to the Executive Board

² performance share units (LTI) with three-year vesting period

³ includes all compensation components not separately reported according to art. 14, para. 2 of the Swiss Ordinance Against Excessive Compensation in Listed Companies, e.g. provision of Swiss federal railways (SBB) general pass

Target weighting and target achievement 2018

Total bonus, maximum 100% of base salary					
	62.5% short term			Achievement of targets in % of maximum bonus for short-term bonus	37.5% long-term number of PSUs based on VWAP in 2017
	25% individual objectives	75% EBIT and growth targets			
CEO	25%	75%	25% ROIC	64%	100% EPS ^{1,2}
CFO	25%	75%	25% ROIC	73%	100% EPS ^{1,2}
CEO Swiss Prime Site Immobilien	25%	75%	25% ROIC	82%	100% EPS ^{1,2}
CEO Wincasa	25%	75%	25% AuM	81%	100% EPS ^{1,2}
CEO Jelvoli	25%	75%	25% article per receipt	61%	100% EPS ^{1,2}
CEO Tertianum	25%	75%	25% new business operations	60%	100% EPS ^{1,2}

¹ before revaluations and deferred taxes

² Swiss Prime Site Group

Shareholding rights for Board of Directors and Executive Board

Number of shares	31.12.2017	31.12.2018
Board of Directors		
Prof. em. Dr. Hans Peter Wehrli, Chairman of the BoD	38 465	41 652
Mario F. Seris, Vice-Chairman of the BoD	11 004	12 864
Dr. Elisabeth Bourqui, member of the BoD ¹	2 048	n.a.
Christopher M. Chambers, member of the BoD	48 000	41 486
Dr. Barbara Frei-Spreiter, member of the BoD ²	n.a.	833
Dr. Rudolf Huber, member of the BoD	25 366	17 500
Thomas Studhalter, member of the BoD ²	n.a.	833
Klaus R. Wecken, member of the BoD	380 000	180 000
Group Executive Board		
René Zahnd, member of the Group Executive Board (CEO)	3 327	4 535
Markus Meier, member of the Group Executive Board (CFO)	6 073	6 451
Peter Lehmann, member of the Group Executive Board and CEO of Swiss Prime Site Immobilien AG	10 000	12 375
Oliver Hofmann, member of the Group Executive Board and CEO of Wincasa AG	75	–
Franco Savastano, member of the Group Executive Board and CEO of Jelvoli AG	–	–
Dr. Luca Stäger, member of the Group Executive Board and CEO of Tertianum Gruppe AG	2 157	1 387
Total share ownership	526 515	319 916

¹ until 23.04.2018

² since 27.03.2018

Any compensation other than that stipulated in the Articles of Association and referred to in this report to members of the Board of Directors and Executive Board is prohibited. No compensation was effected to members of the Board of Directors and Executive Board in 2018 other than that referred to in the previous sections.

Loans and credits to members of the Board of Directors and Executive Board

No loans or credits were granted to present members of the Board of Directors or the Executive Board in 2018, and there were no loans or credits outstanding as at 31 December 2018.

Compensation, loans and credits to former members and related persons

No compensation was effected to nor loans or credits granted to former members of the Board of Directors and the Executive Board, or related persons of members of the Board of Directors or Executive Board, and there were no loans or credits or compensation outstanding as at 31 December 2018.

Business relations of Board of Directors members

No member of the Board of Directors has any significant business relationship with Swiss Prime Site AG or its group companies.



Report of the Statutory Auditor

To the General Meeting of Shareholders of Swiss Prime Site AG, Olten

We have audited the accompanying compensation report of Swiss Prime Site AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained in the sections "Compensation of the Board of Directors", "Compensation of the Executive Board", "Loans and credits to members of the Board of Directors and Executive Board and Compensation", "loans and credits to former members and related persons" on pages 17 to 21 of the compensation report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report for the year ended 31 December 2018 of Swiss Prime Site AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Jürg Meisterhans
Licensed Audit Expert
Auditor in Charge

Anna Pohle
Licensed Audit Expert

Zurich, 21 February 2019

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

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SWISS PRIME SITE

FINANCIAL REPORT

2018

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**SELECTED
GROUP
KEY FIGURES**

Selected Group key figures

Key financial figures	in	31.12.2017	31.12.2018	Change in %
Rental income from properties	CHF m	469.9	479.4	2.0
Income from real estate developments	CHF m	51.7	72.8	40.6
Income from real estate services	CHF m	120.0	116.7	-2.8
Income from retail	CHF m	136.2	131.3	-3.6
Income from assisted living	CHF m	359.9	396.9	10.3
Income from asset management	CHF m	9.9	8.5	-14.4
Total operating income	CHF m	1 154.8	1 214.1	5.1
Revaluation of investment properties, net	CHF m	65.9	67.6	2.5
Result from investment property sales, net	CHF m	0.3	18.4	n/a
Operating result (EBIT)	CHF m	470.6	478.6	1.7
Profit	CHF m	305.5	310.9	1.8
Cash flow from operating activities	CHF m	458.1	334.4	-27.0
Shareholders' equity	CHF m	4 777.5	5 145.1	7.7
Equity ratio	%	43.1	43.9	1.9
Borrowed capital	CHF m	6 317.6	6 564.2	3.9
Return on equity (ROE)	%	6.4	6.4	-
Return on invested capital (ROIC)	%	3.5	3.4	-2.9
NAV before deferred taxes per share ¹	CHF	82.87	83.40	0.6
NAV after deferred taxes per share ¹	CHF	66.85	67.74	1.3
Earnings per share (EPS)	CHF	4.27	4.27	-
Financial figures excluding revaluations and deferred taxes				
Operating result (EBIT)	CHF m	404.8	411.1	1.6
Profit	CHF m	307.4	287.8	-6.4
Return on equity (ROE)	%	6.4	5.9	-7.8
Return on invested capital (ROIC)	%	3.6	3.2	-11.1
Earnings per share (EPS)	CHF	4.30	3.95	-8.1
Real estate portfolio				
Fair value of real estate portfolio	CHF m	10 633.1	11 204.4	5.4
of which projects/development properties	CHF m	412.9	576.8	39.7
Number of properties	number	188	190	1.1
Rental floor space	m ²	1 575 102	1 567 288	-0.5
Vacancy rate	%	5.2	4.8	-7.7
Average discount rate	%	3.35	3.22	-3.9
Net property yield	%	3.7	3.6	-2.7
Employees				
Number of employees as at balance sheet date	persons	5 910	6 295	6.5
Full-time equivalents as at balance sheet date	FTE	4 868	5 115	5.1

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

**ANNUAL REPORT
FOR THE YEAR
2018**

Annual Report for the year 2018

2018 was a successful year for Swiss Prime Site, with earnings growth of 5.1%. Operating income rose by CHF 59.3 million to CHF 1 214.1 million year-on-year. Both the core real estate business and the Services segment performed well. Real estate increased its earnings by 6.4%. Real estate-related services grew by 4.8% year-on-year. At CHF 11.2 billion, the value of the property portfolio grew by 5.4%. At the same time, net yield decreased slightly to 3.6%. The vacancy rate fell significantly from 5.2% to 4.8%. A CHF 5.4 million or 1.8% increase in profit to CHF 310.9 million was reported. Swiss Prime Site anticipates stable or improving performance in the most important parameters for 2019 and over the medium term.

Once again, the Swiss economy performed well in 2018. Switzerland competed successfully in the global marketplace as a location for many international businesses, and the real estate market benefited from this. Interest rate movements remained stable. Swiss Prime Site performed well under these conditions, with growth and good results to report in both segments for 2018.

Swiss Prime Site invested extensively in its core real estate business. The stock of first-class properties was expanded with major purchases. The Company also streamlined its portfolio by selling minority interests in properties, trading them for attractive sole ownership of other properties. In addition, the Company forged ahead with development projects and new construction projects. The pipeline was expanded with new ventures. Focussing the Company's strategy and business model on successful management of the portfolio of existing properties and its own developments once again proved successful. In the past financial year, Swiss Prime Site finalised new leases or contract renewals on around 190 000 m² (12% of rental floor space) within the property portfolio. During the course of 2018, several transactions were concluded, which fine-tuned the portfolio of existing properties and developments further: In January, Swiss Prime Site purchased a completely leased site with great potential for further development in Regensdorf near Zurich. This was followed mid-year by the purchase of the «West-Log» construction project in Zurich, the majority of which was already under lease. The foundation stone for this pioneering urban logistics property was laid in autumn. In Monthey (canton of Valais), Swiss Prime Site acquired land for the construction of a property for the Tertianum group company. A fully leased office property at Beethovenstrasse 33 in the heart of Zurich – near Paradeplatz and the lake – is a valuable new addition to the portfolio. The «Weltpost Park» residential project in Berne was sold as planned. The project will be handed over to the buyer ready for occupancy at the start of 2020. In the last quarter of 2018, Swiss Prime Site and the majority owner of the «Sihlcity» urban entertainment centre in Zurich agreed on a swap of the co-ownership share of 24.2% in exchange for three attractive properties. They are fully leased and complement the portfolio of existing properties perfectly. Two of the properties are located in Zurich, and one in Worblaufen in the canton of Berne, where Swiss Prime Site already held a co-ownership share of 49%. In addition, the Company divested itself of two smaller properties in Berne and Dietikon in December.

The Services segment, with Wincasa, Tertianum, Jelmoli – the House of Brands and Swiss Prime Site Solutions, comprises real estate-related services. Overall, the segment also performed well in the 2018 financial year. Wincasa is continuing to forge ahead with its transformation strategy. With its purchase of «streamnow», the Company completed an important step for the further development and digitalisation of the business model. Meanwhile, Tertianum introduced a new resource planning system and a care documentation system in German-speaking Switzerland and in Ticino. This allowed internal procedures to be optimised and customer service to be significantly upgraded. Jelmoli celebrated its 185th anniversary in 2018. The oldest premium department store in Switzerland held its ground well in a challenging environment. The strengthening of the business model by expanding the e-commerce offering and the opening of a second foothold at Zurich airport are progressing well. The management team at Swiss Prime Site Solutions was bolstered following the early extension of the mandate with Swiss Prime Investment Foundation, and the services portfolio was further refined.

Operating income

in CHF m	01.01.– 31.12.2017	01.01.– 31.12.2018	Change in %
Real Estate segment	478.4	509.2	6.4
Rental income from properties	424.4	434.4	2.4
Income from real estate developments	51.7	72.8	40.6
Other operating income	2.3	2.0	–11.0
Services segment	754.6	790.7	4.8
Rental income from properties	100.7	101.5	0.8
Income from real estate services	142.2	144.4	1.5
Income from retail	136.2	131.3	–3.6
Income from assisted living	360.1	396.9	10.2
Income from asset management	9.9	8.5	–14.4
Other operating income	5.6	8.2	45.1
Eliminations	–78.2	–85.7	9.6
Total group	1 154.8	1 214.1	5.1

The Swiss Prime Site Group increased its operating income by 5.1% to CHF 1 214.1 million in 2018. Both the Real Estate segment and the Services segment contributed to this pleasing growth. Real estate, the core business of Swiss Prime Site, continued to develop at a dynamic pace. The segment realised operating income of CHF 509.2 million. The increase of 6.4% or CHF 30.8 million can mainly be attributed to the increase in rental income and the development of properties and projects. Active vacancy rate management, acquisitions in the current and previous year, and successful new leasing and leasing renewal activities in particular contributed to the increase. At CHF 11.2 billion, the market value of the 190 properties [188 as at the end of 2017] rose by 5.4% or CHF 571.3 million. The profitability of the portfolio, with a net yield of 3.6%, remains at an attractive level. The vacancy rate, as a yardstick for the attractiveness of the building stock, stood at 4.8% and improved by 0.4 percentage points.

The income of the Services segment grew in the reporting period by 4.8% year-on-year, realising CHF 790.7 million [CHF 754.6 million]. Income from real estate services amounted to CHF 144.4 million [CHF 142.2 million]. Switzerland's leading real estate services provider was able to increase income slightly, thanks to the introduction of various services (e.g. construction management). The new mixed-use site management service introduced in 2017 is becoming established in the market and is already bearing fruit. Multi-use development sites require integrated services tailored to their specific needs. Wincasa recognised this market requirement early on. In addition to Zurich, it also opened a branch for these specific services in Western Switzerland (Geneva). In August 2018, ahead of schedule, the real estate service provider was able to extend a management contract with one of its most important customers for a further five years. The contract includes over 1 000 factory and office buildings with an area of approximately 1.4 million m². The market value of the portfolio managed by Wincasa amounts to around CHF 68 billion. Tertianum is implementing its growth strategy and now has 77 locations across Switzerland. Investment in processes and IT should increase the attractiveness of Tertianum's network of locations even further. Income from assisted living of CHF 396.9 million (+10.2%) was realised. Jelmoli – The House of Brands realised income from retail of CHF 131.3 million [CHF 136.2 million]. Despite a challenging year, with trading revenue falling across Switzerland, the premium department store is holding its own. The company invested in product lines, retail formats and the building in order to meet its customers' expectations. It also tackled the expansion of its online strategy. Swiss Prime Site Solutions generated earnings of CHF 8.5 million [CHF 9.9 million]. The new management invested in expanding the customer base and services, as well as in employees and infrastructure. The real estate assets of Swiss Prime Investment Foundation managed by Swiss Prime Site Solutions amount to around CHF 1.6 billion.

Operating result (EBIT)

in CHF m	01.01.– 31.12.2017	01.01.– 31.12.2018	Change in %
Real Estate segment	422.0	431.1	2.1
Services segment	48.6	47.6	-2.1
Total group	470.6	478.6	1.7

In 2018, Swiss Prime Site achieved an operating result (EBIT) of CHF 478.6 million [CHF 470.6 million]. The EBIT figure excluding revaluation gains was CHF 411.1 million [CHF 404.8 million]. The core real estate business (+2.1%) continued to contribute the lion's share to the result. This favourable result includes revaluation gains of CHF 68.3 million [CHF 65.9 million]. The weighted average real discount rate was 3.22% as at the end of 2018, which was 13 basis points under the previous year. The core real estate business once again demonstrated its operational strength with this impressive result, which was achieved thanks to increasing rental income and the successful divestment of projects. The part-sale of the «Espace Tourbillon» project in Geneva, the sale of the «Weltpost Park» project in Berne, two investment properties and one earn-out generated pre-tax gains totalling CHF 33.9 million. At CHF 165.1 million, the operating expenses of the Real Estate segment increased by CHF 40.5 million. This was mainly attributable to expenses from the real estate developments sold.

The Services segment generated EBIT of CHF 47.6 million [CHF 48.6 million]. Despite substantial investments in the future, the result was maintained at an almost stable level. Real estate service provider Wincasa intensified efforts to forge ahead with the digitalisation of the business model, in particular. The expansion of the network and optimisations of administrative processes contributed to improved results at Tertianum as planned. Jelmoli invested in the forward-looking projects mentioned above and is confident of meeting its medium-term business plan. An increase in operating expenses in the Services segment of CHF 742.6 million [CHF 705.7 million] was primarily due to rising personnel costs and depreciation. Swiss Prime Site Group employed a workforce totalling 6 295 persons [5 910] on the balance sheet date.

Profit

In 2018, Swiss Prime Site generated a profit of CHF 310.9 million [CHF 305.5 million], or CHF 287.8 million [CHF 307.4 million] excluding revaluations and deferred taxes. Operational improvements in the group companies and recurring profits achieved from the sale of real estate developments and properties offset increased investment well. Once again, financial expenses fell slightly year-on-year due to attractive refinancing. Earnings per share (EPS), both including and excluding revaluations and deferred taxes, exceed the forecast dividend distribution. In the 2018 financial year, EPS were CHF 4.27 [CHF 4.27]. EPS excluding revaluations and deferred taxes were CHF 3.95 [CHF 4.30].

in CHF m	01.01.– 31.12.2017	01.01.– 31.12.2018	Change in %
Operating result (EBIT)	470.6	478.6	1.7
Financial expenses	-77.8	-75.8	-2.7
Financial income	2.0	1.2	-42.8
Income tax expenses	-89.3	-93.1	4.2
Profit	305.5	310.9	1.8
Profit excluding revaluations and deferred taxes	307.4	287.8	-6.4

Balance sheet figures

In January 2018, Swiss Prime Site placed a seven-year convertible bond valued at CHF 300 million with a coupon of 0.325% on the market. In addition, CHF 190 million was borrowed in the third quarter by means of a six-year 1% straight bond. Swiss Prime Site also carried out a share capital increase at the end of September 2018. Shareholders' equity was increased by around CHF 323 million through the issue of 4 467 432 fully paid up registered shares. The capital raised is being used to finance the development pipeline and market opportunities. The weighted average interest rate on financial liabilities is 1.4% [1.5%] and once again fell year-on-year. At the same time, the weighted residual term to maturity of interest-bearing financial liabilities reduced slightly to 4.3 years [4.7 years]. Compared with the net yield of 3.6% realised on the property portfolio, this results in an attractive interest rate spread of 2.2% [2.2%].

	in	31.12.2017	31.12.2018	Change in %
Equity ratio	%	43.1	43.9	1.9
Return on equity (ROE)	%	6.4	6.4	–
Net property yield	%	3.7	3.6	–2.7
Weighted average interest rate on financial liabilities	%	1.5	1.4	–6.7
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.7	4.3	–8.5
Loan-to-value ratio of property portfolio (LTV)	%	45.6	45.3	–0.7
NAV before deferred taxes per share ¹	CHF	82.87	83.40	0.6
NAV after deferred taxes per share ¹	CHF	66.85	67.74	1.3

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

Swiss Prime Site exhibits sound financial strength. The equity ratio amounts to 43.9% as at year-end 2018. The loan-to-value ratio of the property portfolio stands at 45.3% [45.6%]. NAV after deferred taxes rose to CHF 67.74 per share, exceeding the previous year's figure by 1.3%. Swiss Prime Site's return on equity is 6.4%, placing it within the long-term target range.

Outlook

Swiss Prime Site anticipates that economic and political conditions will remain similar to 2018 and that this will therefore provide opportunities for the Company and the sector. Development projects in particular will have a positive effect on the earnings and profit of Swiss Prime Site over the medium term. For 2019, the Company expects stable results both at the earnings and profit level. Active asset, portfolio and vacancy management, recurring income from real estate development projects and the implementation of the project pipeline will all contribute to these results. The properties constructed will provide significant growth impetus for rental income and thus results, starting from the end of 2019. Swiss Prime Site anticipates contributions from the real estate-related Services segment as planned. The Company will maintain an attractive policy on dividend distribution to shareholders.

**VALUATION
EXPERT'S
REPORT**

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 2018.

Valuation standards and principles

The fair values determined as at the balance sheet date 31 December 2018 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 with 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 2019).

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 for 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 2018, seven properties and one 51% co-ownership interest in a property already in the portfolio were acquired, and five properties were divested. Swiss Prime Site Immobilien AG's total real estate portfolio therefore changed on a net basis by plus two properties and now comprises a total of 190 properties. Specifically, four existing properties and one plot of building land (Berne, Bahnhofplatz 9; Berne, Weltpoststrasse 1-3 «Weltpost Park»; Dietikon, Zentralstrasse 12; the condominium building at Ebnaterstrasse 45, Wattwil; and a co-ownership interest in Sihlcity, Zurich), with an aggregate fair value of CHF 227.140 million as at 31 December 2017 were divested in the reporting period. Eight acquisitions were carried out in the reporting period (five existing properties: «Iseli-Areal» at Riedthofstrasse 172-184 in Regensdorf, a 51% co-ownership interest in the existing property at «Alte Tiefenastrasse 6» in Worblaufen, the properties at «Beethovenstrasse 33», «Giesshübelstrasse 15» and «Müllerstrasse 16/20» in Zurich, and three project properties: «Rue de Venise 5-7/Avenue de la Plantaud 4» in Monthey, «Gartenstrasse 15» in Richterswil and «West-Log» at Vulkanstrasse 114, Juchstrasse 3 in Zurich), with an aggregate fair value of CHF 456.550 million as at 31 December 2018 (the value of «Alte Tiefenastrasse 6» in Worblaufen minus the previous year's value of CHF 79.810 million).

The total portfolio therefore comprises 171 existing investment properties, eight plots of building land and eleven development sites.

The following eleven development properties are currently in the construction phase:

- At Hochbergerstrasse 60 F-I in Basel, the existing office and laboratory space on the «Stückli Park A-E» property situated there will be expanded by roughly 27 000 square metres in two phases starting from 2018 to 2023.
- The «Schönburg» property at Viktoriastrasse 21, 21a, 21b in Berne consists of a conversion project and total renovation as well as a new building project with townhouses. This future residential and hotel complex should be completed in 2019.
- Construction of a commercial building is planned at «Alto Pont-Rouge», Esplanade de Pont-Rouge 5, 7, 9 in Lancy for 2023, as part of a development project with four construction sites.
- A residential and care centre is planned at «Rue de Venise 5-7/Avenue de la Plantaud 4» in Monthey, which is to be operated by Tertianum as the general tenant. The building is intended to house 50 geriatric care beds and 30 to 35 apartments for seniors. Construction is expected to be completed in 2021.
- For the Riva Paradiso «Du Lac» property, a new replacement building is envisaged on the shore of the lake. This future aged care facility is expected to be completed by the end of 2021.
- The Chemin des Aulx «Espace Tourbillon» development project in Plan-les-Ouates involves five buildings with office, commercial and retail space, two of which have already been divested. Construction of the property should be carried out in several phases by 2021.
- A project involving residences suitable for seniors (geriatric care centre and apartments for seniors), and possibly condominium units in the existing buildings, is planned for the two properties at Gartenstrasse 7/17 and 15 as part of the «Ezelblick» project in Richterswil. Construction is expected to be completed by spring 2021.
- The «JED» property at Zürcherstrasse 39 in Schlieren houses the former NZZ printing facility. It is to be converted, with the work expected to be completed by the end of 2020.
- The property located at Albisriederstrasse in Zurich comprises a commercial building with modular mezzanine levels that allow a flexible layout. The «YOND» project is set to be completed in spring 2019.
- The «West-Log» building under construction at Vulkanstrasse 114, Juchstrasse 3 is envisaged as a logistics and office building, with Elektro-Material AG leasing most of the space. Completion is planned for the middle of 2020.

The former development properties «Route de Pré-Bois 14 – Geneva Business Terminal» in Meyrin and «Chemin de Riantbosson 19 – Riantbosson Centre» in Meyrin were completed by the end of 2018 and are now classified as existing properties.

Valuation results as at 31 December 2018

As at 31 December 2018, the fair value of Swiss Prime Site Immobilien AG's total real estate portfolio (total 190 properties) amounted to CHF 11 204.418 million. The fair value of the portfolio therefore increased by CHF 571.368 million or 5.37% compared with the level at 31 December 2017. Details regarding the trend in value are depicted in the following table.

Changes in the real estate portfolio

in CHF m

Fair value as at 31.12.2017	10 633.05
+ changes in value of existing properties	159.39
+ changes in value of Initial valuation after completion	9.44
– changes in value of financial lease	–0.73
+ acquisitions of existing properties	410.65
+ acquisition of projects	45.89
– minus divestments	–219.58
– minus divestments of building land	–7.56
+ changes in value of building land	0.03
+ changes in value of projects	173.84
Fair value as at 31.12.2018	11 204.42

The change in value in existing properties amounted to +1.68% compared with the level at 01 January 2018. Of the 167 existing properties – excluding acquisitions (4), acquired building land (0), acquired projects (3), plots of building land (8) and properties under construction (8) totalling 23 properties – 108 properties were valued higher, no property was valued the same and 59 properties were valued lower than as at 1 January 2018.

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, a temporary rise in vacancies, newly concluded contracts at a lower level, adjusted revenue forecasts, vacancies or adjusted vacancy risks, as well as in some cases higher cost estimates for future repair work.

Economic outlook

In its December forecast for the year 2018, the State Secretariat for Economic Affairs (SECO) predicted strong GDP growth of 2.6%. Switzerland's real gross domestic product (GDP) in the third quarter of 2018 fell by 0.2% compared with the previous quarter, thus the economy did not perform as well relative to the strong growth of the preceding year and a half. Nevertheless, sentiment can still be described as positive.

The general climate can generally be expected to be promising for the coming year as well, although the Swiss economy is not likely to grow at its previous pace. SECO is predicting GDP growth of 1.5% for 2019. The KOF Economic Institute's economic barometer is also indicating a slight slowdown in growth: its reading of 99.1 points in November 2018 was 1.1 points lower than in the previous month, and thus slightly less than its long-term average.

Switzerland's strong economic performance in 2018 also boosted the labour market: 80 000 additional jobs were created between the third quarter of 2017 and the third quarter of 2018 (+1.6%), with 61 000 of those jobs in the services sector. The growth in jobs also resulted in lower unemployment: In October 2018, the seasonally adjusted number of persons registered as unemployed was 27 500 lower than in the previous month, and the seasonally adjusted unemployment rate was 2.5%. The future outlook remains positive: The employment outlook indicator published by the Federal Statistical Office was also pointing upwards in November 2018 (+1.0%), leading to the expectation that new jobs will continue to be added.

The net migration rate is reflecting the extent to which positive labour market conditions affect immigration and emigration. This figure increased by 0.7% between January and September 2018 compared with the previous year; however, this was attributable, according to the State Secretariat for Migration (SEM), to corrections in the registers of third-country nationals. By contrast, net migration from EU/EFTA countries continues to decline, and had fallen by 3.0% by the end of September 2018. This decline is attributable to a greater number of foreign nationals returning to their home country; immigration itself was higher in the first nine months of 2018 compared with the same period the year before. For 2018 and 2019, it is expected that population growth will not exceed the one percent mark. One reason for this is that the situation on labour markets in many European countries has also improved considerably, and therefore there is less of an incentive to emigrate to Switzerland. Each year between 2007 and 2016, annual growth had been more than 1.0%.

Consumer sentiment remains only slightly above average towards the end of 2018 because expectations surrounding the own budget are currently lower than average, despite the generally favourable economic outlook and the low unemployment rate. Nevertheless, private consumption could increase slightly in the coming year given the favourable starting position. The decline in population growth is also one of the reasons why private consumption is not growing faster.

The Swiss Consumer Price Index climbed by 0.9% in November 2018 compared with the same month the previous year. For 2019 and 2020, the Swiss National Bank (SNB) estimates inflation rates of 0.5% and 1.0% respectively according to its conditional inflation forecast. These inflation rates do not compel the SNB to take immediate action. Thus in its baseline scenario, Wüest Partner does not anticipate a rapid and significant increase in benchmark interest rates, particularly since the SNB continues to describe the franc as «over-valued». The SNB's persistently negative interest rates are attributable to the prevailing very expansionary monetary policy pursued by the European Central Bank (ECB).

Government bond yields have been sitting at historically low levels for some time already, while the yield on Swiss ten-year government bonds in 2018 hovered around zero. Real interest rates are deep in negative territory after taking into account the current inflation rate. Amid this low interest rate environment, institutional investors continue to highly favour real estate investments.

Construction market

Continuing investment pressure resulted in large sums being invested in the real estate market again in 2018. A priority for many institutional investors was the construction of new investment properties. The volume of construction in the building construction industry as a whole is expected to have increased by 1.1% in 2018 – the estimated total amount invested is approximately CHF 50 billion.

The high level of construction activity was primarily noticeable in residential markets. For 2019, new construction is expected to create 53 000 residential housing units (including family dwellings), meaning that the number of new apartments coming onto the market is likely to be as high as in both previous years.

Based on the recent robust development of the Swiss economy, large sums are currently being invested again in the construction of commercial properties. On the one hand, expansion-driven investments are increasingly being made in the company's own properties. On the other, the development of new spaces for investment purposes is appealing given labour market trends and the resulting expected demand on the rental market. In the commercial properties segment, Wüest Partner is therefore expecting a rise in new construction and building renovation of 3.0% for 2018, which equates to a total investment of CHF 7 billion. Growth in commercial property construction is expected to continue at a similar level in 2019.

Office property market

The general environment in office property markets has been favourable recently, and the demand situation is promising: Despite declining slightly, GDP growth in 2019 should remain high, and employment prospects should continue to be positive. 61 000 new jobs were created in the services sector between the third quarter of 2017 and the third quarter of 2018. Despite the favourable outlook, office space letting over the past year proved increasingly challenging as a whole. One reason for this is the level of new construction in the office space segment, which is already high and is continuing to increase, and in turn tends to increase the selection of properties for lease. At the same time, the duration of marketing campaigns for office space climbed last year from an average of 63 to 75 days in the third quarter of 2018. Accordingly, advertised rent prices dropped by 1.4% year on year.

The most recent supply figures show, however, that supply has now fallen again. Due to solid market absorption, the volume of advertised space in the third quarter fell to 3.7 million square metres of office space, which thus represents a decline of 3.5% on the same quarter of the previous year. Nevertheless, it must be expected that it will be difficult to market office space in the future, given the trends in the construction market: Between the middle of 2017 and the middle of 2018, the approved volume of new construction was CHF 2.3 billion, which is 17.0% higher than in the preceding construction period. For 2019, Wüest Partner forecasts a minimal dip of 0.3% in advertised rent prices for office properties.

Retail property market

Rent prices for retail space remain under pressure. Many retail traders are feeling the pinch as regards the sustainability of current shop rents because of the predominantly lower take-up of space in retail sectors, which increases the risk of retail shops becoming vacant. There are two main reasons for this: Since the «franc shock», when the currency soared in value, more and more people have been choosing to shop in neighbouring countries. Although shopping tourism had stagnated to a large extent, given that the euro weakened again against the Swiss franc (from 1.20 per franc in April 2018 to 1.12 per franc in December 2018), the figures are likely to show that shopping outside Switzerland increased somewhat over the course of the previous year. The retail sector is also undergoing structural change. The challenges in managing this change include withstanding rapidly growing online competition and establishing a position that operates in parallel with the world of digital shopping. According to GfK Switzerland, e-commerce grew by an estimated 10.0% in 2018 compared with the previous year. E-commerce is already estimated to be worth around CHF 9 billion – it therefore generates almost 8.0% of Swiss-wide revenue potential. Orders from overseas online retailers also increased markedly – by 23.0% in 2017 according to GfK Switzerland.

In the case of small retail spaces, the quality of the location determines revenue potential. In this respect, the potential for passers-by and employment density, which are interrelated to a certain extent, have the greatest influence on the revenue level and therefore also on marketing opportunities. In addition, providers of retail floor space are demanding greater flexibility with regard to size and lease term. Thus, the proportion of short-term leases for terms of less than five years almost doubled between 2013 and 2018, while the execution of longer-term lease agreements with a term of five to ten years are becoming more and more rare by comparison.

In the third quarter of 2018, marketing tenders had been invited for 1.7% of the Swiss-wide portfolio. With 586 600 square metres of retail floor space being advertised, approximately one third more space is currently being advertised than on average over the past ten years. In addition, certain additional spaces should come onto the market in the coming year: The approved volume of new construction projects during the year was around CHF 450 million in the third quarter and therefore at a level not seen in almost five years. Wüest Partner anticipates that rent prices for retail floor space will remain under pressure in 2019 due to the large supply of space and structural challenges, and is therefore predicting a 2.5% decline in advertised rents.

Market for senior housing

Demographic change in Switzerland is becoming more and more apparent: In 2017, there were 1.55 million people in the 65 and over category – this equates to 18.3% of the population. That figure was 15.4% in the year 2000. Effectively, the number of people aged over 65 years has increased by almost 40.0% during this period, and further growth in the older population is expected in the coming years. The need for a comprehensive range of aged care options has grown accordingly, as has demand in the market for geriatric care.

The number of employees in the geriatric care sector has also increased over the past few years: According to employment statistics compiled by the Swiss Federal Statistical Office (SFSO), roughly 144 800 persons were employed in facilities in the healthcare industry in the third quarter of 2018 (on a full-time-equivalent basis). This corresponds to an increase of 1.5% year on year and growth of 31.0% compared with the level a decade ago. Wüest Partner counted 1 552 aged care and geriatric care facilities in 2016 based on the statistics published by social-medical institutes and the Swiss Federal Office of Public Health. Of those facilities, 479 are privately operated and 427 are public, while the remainder are primarily owned by foundations and associations. These homes provided 95 000 beds for long-term residency and generated income of approximately CHF 9.73 billion.

Hospitality

The trend in the hospitality industry has been strong again recently. This is reflected in the current tourism figures: Swiss hotels registered a total of 18.4 million overnight stays in the first half of 2018, equating to an increase of 3.8% compared with the same period of last year. The largest absolute gains were recorded in the Zurich region, followed by the tourist regions and the more traditional holiday destinations of Grisons, Valais, Berne and Lucerne/Lake Lucerne. After a few difficult years, tourism has picked up again in Switzerland's alpine region, not least because of favourable economic developments in many significant home markets, which has led to increased tourism spending. The positive trend is also due to the price moderation strategy employed by Swiss destinations, which has improved their competitiveness again. In the summer of 2018, the pleasant weather and the easing of the exchange rate also had a favourable effect on tourism in Switzerland. The rise in the value of the franc since the middle of the year should subdue demand from Europe somewhat in the coming winter season, but not interrupt growth.

The pleasing trends in the Swiss tourism sector may also continue for some time into the future. In its forecast of October 2018, the KOF Economic Institute predicts a 2.7% rise in overnight stays in 2019 and a 2.4% rise in 2020. The growth impetus provided by foreign guests and, in particular, from foreign markets, should continue to have the greatest influence.

The current upbeat momentum in the tourism industry is also manifested in the employment statistics. Roughly 63 100 persons were employed in the hospitality industry in the third quarter of 2018 (on a full-time-equivalent basis). This corresponds to an increase of 1.3% year on year, but a decrease of 12.3% versus the level of the comparable quarter ten years ago. The construction market should also revive further in the future – for example, the total amount invested in floor space approved for hospitality purposes in the third quarter of 2018 (CHF 625 million) is almost 30.0% higher than the previous year's figure.

Investor market for commercial properties

The continuing investment crisis is resulting in large sums continuing to be invested in the real estate market across Switzerland. Given the improved economic situation and employment prospects, investor interest in the commercial property sector in particular has been somewhat higher than previously. From a yield perspective, investments in commercial properties and multiple-family buildings currently appear more profitable as alternative, stable investment categories. Accordingly, investors are willing to pay high prices for suitable investment properties, while yield expectations remain correspondingly low. The lowest net initial returns on commercial properties were realised on transactions in Zurich City in the third quarter of 2018, which amounted to 2.2% and 2.6% of office and retail properties, respectively. Peak returns in Geneva amounted to 2.8% for retail property and 2.5% for office property.

In the event that interest rates go up again, institutional investors would again have greater investment opportunities, which would ease investment pressure. An expected consequence would be less investment in the construction of new rental apartments and commercial properties, which would contribute to the stability of the real estate market.

Wüest Partner AG
Zurich, 17 January 2019

Andreas Ammann
Partner

Gino Fiorentin
Partner

Further real estate information is available in note 17 (page 44) and in the property details (page 93).

Annex:

Valuation assumptions

Valuation assumptions as at 31 December 2018

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 3.22% in the current valuation. Assuming an inflation rate of 0.5%, this rate corresponds to a nominal discount rate of 3.75%. The lowest real discount rate applied to a particular property is 2.1%, while the highest is 5.1%.

The valuations are based on the rental tables of the property managers as at 1 January 2019, 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 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 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, 17 January 2019

**CONSOLIDATED
FINANCIAL
STATEMENTS**

Consolidated income statement

in CHF 1 000	Notes	01.01.– 31.12.2017	01.01.– 31.12.2018
Rental income from properties	5	469 858	479 404
Income from real estate developments	5	51 748	72 763
Income from real estate services	5	120 033	116 714
Income from retail	5	136 158	131 259
Income from assisted living	5	359 933	396 860
Income from asset management	5	9 878	8 452
Other operating income	5	7 188	8 658
Operating income		1 154 796	1 214 110
Revaluation of investment properties, net	17	65 879	67 551
Result from investments in associates		2 039	1 148
Result from investment property sales, net	6	262	18 401
Result from sale of participations, net		–362	–
Real estate costs	7	–132 518	–134 636
Cost of real estate developments		–24 266	–57 289
Cost of goods sold		–101 708	–103 288
Personnel costs	8	–415 788	–442 651
Depreciation on tangible assets	18	–13 781	–15 341
Amortisation on intangible assets	18	–2 695	–7 271
Other operating expenses	9	–61 228	–62 110
Operating expenses		–751 984	–822 586
Operating result (EBIT)		470 630	478 624
Financial expenses	10	–77 843	–75 770
Financial income	10	2 021	1 157
Profit before income taxes		394 808	404 011
Income taxes	11	–89 325	–93 101
Profit		305 483	310 910
Attributable to shareholders of Swiss Prime Site AG		305 330	310 316
Attributable to non-controlling interests		153	594
Earnings per share (EPS), in CHF	24	4.27	4.27
Diluted earnings per share, in CHF	24	4.16	4.02

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

Consolidated balance sheet

in CHF 1 000	Notes	31.12.2017	31.12.2018
Assets			
Cash	12	159 148	184 534
Securities		483	487
Accounts receivable	13	81 927	83 004
Other current receivables		9 685	11 163
Inventories	14	31 013	33 412
Real estate developments	15	–	7 511
Accrued income and prepaid expenses		36 802	32 263
Assets held for sale	16/17	15 224	57 708
Total current assets		334 282	410 082
Investment properties	17	10 617 826	11 146 710
Tangible assets	18	63 855	69 589
Investments in associates		53 976	53 159
Deferred income tax assets	11	9 169	5 553
Other financial investments		3 374	8 395
Intangible assets	18	12 602	15 844
Total non-current assets		10 760 802	11 299 250
Total assets		11 095 084	11 709 332
Liabilities and shareholders' equity			
Current financial liabilities			
Accounts payable		17 938	12 607
Other current liabilities		154 889	142 851
Real estate developments	15	13 252	–
Accrued expenses and deferred income	20	135 659	143 573
Total current liabilities		943 323	1 262 471
Non-current financial liabilities			
Deferred tax liabilities	11	1 145 331	1 188 787
Total non-current liabilities		5 374 291	5 301 751
Total liabilities		6 317 614	6 564 222
Shareholders' equity			
Share capital	23	1 093 627	1 161 979
Capital reserves	23	624 201	608 218
Treasury shares	23	–3	–47
Retained earnings	23	3 060 212	3 374 742
Shareholders' equity attributable to shareholders of Swiss Prime Site AG		4 778 037	5 144 892
Non-controlling interests	23	–567	218
Total shareholders' equity		4 777 470	5 145 110
Total liabilities and shareholders' equity		11 095 084	11 709 332

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

Consolidated cash flow statement

in CHF 1 000	Notes	01.01.– 31.12.2017	01.01.– 31.12.2018
Profit		305 483	310 910
Depreciation		16 476	22 612
Revaluation of investment properties, net	17	-65 879	-67 551
Result from investment property sales, net	6	-262	-18 401
Result from sales of participations, net		362	-
Result from investments in associates		-2 039	-1 148
Other non-cash items affecting net income		3 374	3 099
Financial expenses	10	77 843	75 770
Financial income	10	-2 021	-1 157
Income tax expenses	11	89 325	93 101
Change in accounts receivable		13 201	1 500
Change in inventories and real estate developments		10 781	-23 027
Change in other receivables and accrued income and prepaid expenses		8 708	4 871
Change in accounts payable		251	-7 206
Change in other current liabilities and accrued expenses and deferred income		30 834	-22 331
Income tax payments		-28 349	-36 636
Cash flow from operating activities		458 088	334 406
Investments in investment properties	17	-317 051	-515 478
Divestments of investment properties	17	13 623	61 943
Investments in tangible assets	18	-14 589	-14 920
Acquisitions of group companies, less acquired cash	3	-72 646	-14 433
Divestments of group companies, less disposed cash	3	777	-
Investments in financial investments		-965	-6 460
Divestments of financial investments		951	414
Investments in intangible assets	18	-7 730	-9 188
Interest payments received		718	243
Dividends received		2 298	2 246
Cash flow from investing activities		-394 614	-495 633
Distribution from capital contribution reserves	23	-264 471	-271 618
Purchase of treasury shares	23	-2 783	-2 255
Issue of bond		249 050	189 859
Redemption of bond		-	-115 000
Issue of convertible bond		-	296 615
Issuance/repayment of current financial liabilities		-105 788	-204 071
Issuance/repayment of non-current financial liabilities		136 158	44 026
Interest paid		-76 818	-74 042
Share capital increase	23	-	323 099
Cash flow from financing activities		-64 652	186 613
Change in cash		-1 178	25 386
Cash at beginning of period		160 326	159 148
Cash at end of period		159 148	184 534

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	Retained earnings	Shareholders' equity attributable to shareholders of Swiss Prime Site AG	Non-controlling interests	Total shareholders' equity
Total as at 01.01.2017		1 093 627	888 187	- 109	2 765 295	4 747 000	- 720	4 746 280
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
Total as at 31.12.2017		1 093 627	624 201	- 3	3 060 212	4 778 037	- 567	4 777 470
Profit		-	-	-	310 316	310 316	594	310 910
Acquisition of a majority shareholding with non-controlling interests	23	-	-	-	-	-	191	191
Compensation of positive and negative goodwill from acquisitions of group companies		-	-	-	4 214	4 214	-	4 214
Distribution from capital contribution reserves on 05.04.2018	23	-	- 271 618	-	-	- 271 618	-	- 271 618
Capital increase on 28.09.2018	23	68 352	254 747	-	-	323 099	-	323 099
Share-based compensation	23	-	888	2 211	-	3 099	-	3 099
Purchase of treasury shares	23	-	-	- 2 255	-	- 2 255	-	- 2 255
Total as at 31.12.2018		1 161 979	608 218	- 47	3 374 742	5 144 892	218	5 145 110

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

Notes to the consolidated financial statements

1 Business activities

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations, primarily with commercially utilised floor space, as well as in development projects. The investment focal point is aimed at properties and projects with sustainable, attractive returns and long-term value-boosting potential. The real estate portfolio is actively managed. Swiss Prime Site also operates in real estate-related business fields aimed at strengthening and broadening the earnings base, in addition to diversifying risks 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 were prepared in accordance with Swiss GAAP FER (Generally Accepted Accounting Principles FER) 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 2.6 to 2.38. 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, have been 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 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 [].

2.3 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 29 [33] 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 2018, which were 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.

2.4 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. Any negative goodwill is offset against shareholders' equity (retained earnings). 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.

2.5 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.

2.6 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.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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». Depending on how the project is structured, the percentage of completion is determined based on the cost-to-cost method or based on building assessments and project planning (milestone approach). The method applied in each case is the method by which the percentage of completion can be determined most reliably. The cumulative costs and realised sales proceeds according to the percentage-of-completion method are reported in the income statement on an ongoing basis.

Advance payments received are recognised in the balance sheet. They are offset against the relevant long-term contracts for which the advance payment was made. 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, the expected losses are immediately recorded as expense and provision, respectively.

2.13 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».

2.14 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.

2.15 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 2.7 «Securities»).

2.16 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 17 «Investment properties».

2.17 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.

If all of 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.

2.18 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.

2.19 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).

2.20 Depreciation and amortisation

Useful life of assets

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

2.21 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 affecting net income.

2.22 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.

2.23 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 corresponding 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.

2.24 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.

2.25 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».

2.26 Liabilities

Liabilities are recorded at nominal values.

2.27 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.

2.28 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 the 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.

2.29 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. Any negative goodwill is offset against shareholders' equity (retained earnings). All other changes in capital are recorded in capital reserves.

2.30 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 offset directly against capital reserves.

2.31 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.

2.32 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.

2.33 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.

2.34 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 2.12 «Real estate developments»).

2.35 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 revaluation 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.

2.36 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».

2.37 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.

2.38 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 ZF Iseli Immobilien AG (Real Estate segment)

The group acquired 100% of the shares of ZF Iseli Immobilien AG, Regensdorf, as at 1 January 2018. The company's assets include a commercial property with an area of approximately 25 000 square metres. Located on the property are eight multi-purpose trade halls housing specialist skilled trade businesses and service businesses from the construction and engineering sector. The site is intended for commercial use and offers considerable potential for higher density development. The purchase price amounts to CHF 14.509 million and includes properties valued at CHF 26.930 million, other assets of CHF 0.551 million, mortgages of CHF 5.600 million, other liabilities of CHF 2.953 million and negative goodwill of CHF 4.419 million. The differing assessments of potential by the buyer and the seller resulted in negative goodwill, which was offset directly against shareholders' equity. The figures have been adjusted since the semi-annual report based on definitive valuations. ZF Iseli Immobilien AG was merged into Swiss Prime Site Immobilien AG, Olten, as at 1 January 2018.

3.2 Acquisition of Zentrum Schönberg AG (Services segment)

The group acquired 51% of the shares of Zentrum Schönberg AG, Berne, as at 12 January 2018. Zentrum Schönberg was established by Spitex Bern and the tilia Stiftung für Langzeitpflege as a specialist institution providing care, dementia care and palliative care. The Tertianum Group replaced tilia as a result of the acquisition. The common goal of Spitex Bern and the Tertianum Group is to consolidate the activities of Zentrum Schönberg and to establish the integrated knowledge centre as a beacon for practical care research. Zentrum Schönberg was acquired for a symbolic purchase price of CHF 1. The company's balance sheet includes assets of CHF 11.061 million and liabilities of CHF 10.672 million. The negative goodwill of CHF 0.198 million resulting from the acquisition was offset directly against shareholder's equity. The figures have been adjusted since the semi-annual report based on definitive valuations.

3.3 Acquisition of streamnow ag (Services segment)

The group acquired a 100% stake in streamnow ag, Zurich, on 19 October 2018. The acquisitions underpin Wincasa AG's market position as the leading integrated real estate services provider in Switzerland. The balance sheet total amounted to CHF 1.358 million as at the date of acquisition. The goodwill of CHF 0.403 million resulting from the acquisition was offset directly against shareholder's equity.

3.4 Group internal mergers during the reporting year

In the Services segment, SENIOcare AG, Zurich, and Perlavita Rosenau AG, Kirchberg, were merged into Tertianum AG, Zurich, while La Résidence des Marronniers SA, Martigny, and Résidence les Sources Saxon SA, Saxon, were merged into Les Tourelles S.à r.l., Martigny, as at 1 January 2018. In addition, Home Médicalisé Vert-Bois SA, Val-de-Ruz, was merged into Les Tourelles S.à r.l., Martigny, with retrospective effect from 1 April 2018. In the Real Estate segment, Bellevue-Bau AG, Winterthur, was merged into Swiss Prime Site Immobilien AG, Olten, as at 1 January 2018.

3.5 Acquisition of Bellevue-Bau AG (Real Estate segment)

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 with 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, and 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 the 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.

3.6 Acquisition of Résidence Gottaz Senior S.A. (Real Estate and Services segments)

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 with an area 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 identified 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 were 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 into Swiss Prime Site Immobilien AG, Olten, as at 1 October 2017.

3.7 Founding of Swiss Prime Site Solutions AG (Services segment)

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.

3.8 Divestment of Clos Bercher SA (Services segment)

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.

3.9 Group internal mergers during the previous year

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

4 Segment reporting

Swiss Prime Site is a group that primarily operates a real estate business (core business) comprising buying and selling, managing and developing properties. Swiss Prime Site also operates in real estate-related business fields.

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

- Real Estate 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. – 31.12.2018

in CHF 1 000	Real Estate segment	Services segment	Total segments	Eliminations	01.01.– 31.12.2018 Total group
Rental income from properties	434 382	101 502	535 884	–56 480	479 404
thereof from third parties	377 902	101 502	479 404	–	479 404
thereof from other segments	56 480	–	56 480	–56 480	–
Income from real estate developments	72 763	–	72 763	–	72 763
Income from real estate services	–	144 404	144 404	–27 690	116 714
Income from retail	–	131 268	131 268	–9	131 259
Income from assisted living	–	396 860	396 860	–	396 860
Income from asset management	–	8 452	8 452	–	8 452
Other operating income	2 006	8 193	10 199	–1 541	8 658
Operating income	509 151	790 679	1 299 830	–85 720	1 214 110
Revaluation of investment properties, net	68 281	–730	67 551	–	67 551
Result from investments in associates	1 148	–	1 148	–	1 148
Result from investment property sales, net	17 564	184	17 748	653	18 401
Real estate costs	–63 696	–155 010	–218 706	84 070	–134 636
Cost of real estate developments	–57 289	–	–57 289	–	–57 289
Cost of goods sold	–	–103 288	–103 288	–	–103 288
Personnel costs	–23 171	–419 533	–442 704	53	–442 651
Depreciation on tangible assets	–905	–14 436	–15 341	–	–15 341
Amortisation on intangible assets	–2 780	–4 491	–7 271	–	–7 271
Other operating expenses	–17 247	–45 807	–63 054	944	–62 110
Operating expenses	–165 088	–742 565	–907 653	85 067	–822 586
Operating result (EBIT)	431 056	47 568	478 624	–	478 624
Financial expenses					–75 770
Financial income					1 157
Profit before income taxes					404 011

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
Operating income	478 398	754 641	1 233 039	–78 243	1 154 796
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
Operating expenses	–124 565	–705 662	–830 227	78 243	–751 984
Operating result (EBIT)	422 024	48 606	470 630	–	470 630
Financial expenses					–77 843
Financial income					2 021
Profit before income taxes					394 808

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

5 Operating income

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Target rental income from investment properties	430 700	438 382
Rental income from additionally leased properties	61 498	62 136
Rent loss from vacancies	–22 340	–21 114
Rental income from properties	469 858	479 404
Income from real estate developments	51 748	72 763
Income from real estate services	120 033	116 714
Income from retail, gross	150 173	144 512
Rebates	–14 015	–13 253
Income from retail	136 158	131 259
Income from assisted living	359 933	396 860
Income from asset management	9 878	8 452
Other operating income	7 188	8 658
Total operating income	1 154 796	1 214 110

Swiss Prime Site's primary business activity is leasing investment properties. Net rental income from properties as well as land lease income totalled CHF 479.404 million [CHF 469.858 million], including CHF 15.452 million [CHF 15.541 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 2018 [1 January 2017].

Total utilised floor space as at 31 December 2018 amounted to 1 567 288 m² [1 575 102 m²]. This total was subdivided into 1 554 119 m² [1 561 699 m²] of commercial floor space and 13 169 m² [13 403 m²] of residential floor space.

Rent losses from vacancies amounted to CHF 21.114 million [CHF 22.340 million], corresponding to a vacancy rate of 4.8% [5.2%]. Rent losses from vacancies were deducted from target rental income. In the case of existing properties, neither target rental income nor rent loss from vacancies includes areas that are not usable on account of their complete refurbishment. Detailed information can be found under «Property details» starting from page 93.

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 completed sale of the «Weltpost Park» development project, which occurred in the reporting year, and the partial sale of the «Espace Tourbillon» development project the previous year. 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 15 «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 2018:

End of contract	31.12.2017 Future rental income in CHF 1 000	Share in %	31.12.2018 Future rental income in CHF 1 000	Share in %
Under 1 year ¹	54 026	12.2	46 097	10.5
Over 1 year	45 911	10.4	44 096	10.1
Over 2 years	28 195	6.4	66 101	15.1
Over 3 years	59 071	13.3	44 006	10.0
Over 4 years	44 307	10.0	30 789	7.0
Over 5 years	22 730	5.1	30 109	6.9
Over 6 years	18 701	4.2	20 022	4.6
Over 7 years	20 338	4.6	27 194	6.2
Over 8 years	22 551	5.1	16 238	3.7
Over 9 years	8 452	1.9	7 924	1.8
Over 10 years	118 439	26.8	106 071	24.1
Total	442 721	100.0	438 647	100.0

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

Future rental income has been presented from the Real Estate segment perspective and is based on the rental agreements of the group's properties as at 31 December 2018 [31 December 2017].

Largest external tenants

As at the balance sheet date, the five largest external tenants accounted for 21.8% [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 %	31.12.2017	31.12.2018
Coop	6.2	5.8
Migros	5.3	5.8
Swisscom	3.3	5.2
Inditex S.A.	2.7	2.5
Zurich Insurance Group	2.6	2.5

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 ² to 2 839 m ²
Residual terms to maturity	6 to 67 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.– 31.12.2017	01.01.– 31.12.2018
Land lease income up to 1 year	846	846
Land lease income from 1 year up to 5 years	3 321	3 384
Land lease income after 5 years	6 545	6 593
Total future land lease income	10 712	10 823

6 Result from investment property sales

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Gains from sales of properties	–	11 247
Gains from sales of properties held for sale	262	7 154
Total result from investment property sales, net	262	18 401

Five [one] properties were sold in the reporting year. The result includes, among other things, the sale of the Weltpost Park apartment complex in Berne. Weltpost Park is under construction and will be transferred to the buyer in turnkey condition in 2020. The sale comprises two transactions. The first transaction involves the property with the land lease, the incurred project costs and the excavation and construction activities up until the transfer of ownership. It was recognised as the sale of investment properties (Swiss GAAP FER 18). The second transaction involves a construction contract with the general contractor for the construction of the apartment complex to the point of handover in turnkey condition in 2020. It was recognised in the consolidated financial statements as real estate development based on the POC method (long-term contract in accordance with Swiss GAAP FER 22).

The proceeds of sale also include retrospective, conditional purchase price payments from transactions executed in previous years.

7 Real estate costs

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Property expenses	–49 880	–43 347
Third-party rents	–68 388	–75 849
Expenses for third-party services	–5 297	–6 221
Expenses for real estate services	–3 331	–3 703
Land lease expenses	–5 622	–5 516
Total real estate costs	–132 518	–134 636

Property expenses included maintenance and repair costs of CHF 11.865 million [CHF 14.968 million], ancillary costs borne by the owner of CHF 9.260 million [CHF 12.479 million] and property-related insurance costs and fees of CHF 7.622 million [CHF 7.516 million] as well as costs for cleaning, energy and water of CHF 14.600 million [CHF 14.917 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 0.723 million [CHF 0.666 million] was incurred as costs for the revaluation of properties by Wüest Partner AG and CHF 5.498 million [CHF 4.631 million] was related to leasing expenses and other administrative costs for third parties.

8 Personnel costs

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Wages and salaries	–344 686	–360 550
Social security expenses	–31 735	–33 471
Pension plan expenses	–26 475	–30 410
Other personnel expenses	–12 892	–18 220
Total personnel costs	–415 788	–442 651
Number of employees as at 31.12.	5 910	6 295
Number of full-time equivalents as at 31.12.	4 868	5 115

9 Other operating expenses

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Expenses for tangible assets and IT	–20 777	–22 011
Non-life insurance, fees	–2 489	–2 245
Capital taxes	–2 824	–2 984
Administrative expenses	–16 365	–15 010
Audit and consultancy costs	–5 886	–8 517
Advertising	–11 476	–8 385
Collection- and bad-debt-related losses	–1 411	–2 958
Total other operating expenses	–61 228	–62 110

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 7.566 million [CHF 4.899 million] and audit fees of CHF 0.951 million [CHF 0.987 million].

10 Financial result

Financial expenses

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Interest expenses	–77 857	–75 531
Other financial expenses	14	–239
Total financial expenses	–77 843	–75 770

Financial income

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Interest income	702	225
Dividend income on securities and financial investments	240	281
Fair value changes of financial instruments	1 079	651
Total financial income	2 021	1 157

11 Income taxes

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Current income taxes of the reporting period	–20 370	–47 377
Adjustments for current income taxes of other accounting periods	–1 209	–1 320
Total current income taxes	–21 579	–48 697
Deferred taxes resulting from revaluation and depreciation	–59 246	–60 621
Deferred taxes resulting from real estate developments (long-term contracts)	–6 640	–3 624
Deferred taxes resulting from the sale of investment properties	1 168	23 301
Deferred taxes resulting from tax rate changes and reductions from duration of ownership deductions	–139	181
Deferred taxes resulting from losses carried forward	–2 889	–3 641
Total deferred taxes	–67 746	–44 404
Total income taxes	–89 325	–93 101

The increase in current income taxes is particularly due to taxes on profit and property gains taxes in connection with the sale of investment properties during the reporting period. 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.

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.– 31.12.2017	01.01.– 31.12.2018
Profit before income taxes	394 808	404 011
Income taxes at average tax rate of 23%	–90 806	–92 923
Taxes at other rates (including property gains taxes)	2 802	275
Adjustment for current income taxes for other accounting periods	–1 209	–1 320
Effect of unrecognised losses carried forward	–112	867
Total income taxes	–89 325	–93 101

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 17.7%] 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 5.0% 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 44.404 million [CHF 67.746 million] was debited from the consolidated income statement. This expense primarily resulted from the recognition of deferred tax liabilities or deferred tax assets on account of revaluations and statutory depreciation, and from the reversal of deferred tax liabilities on account of the sale of investment properties. 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 15 «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	31.12.2017	31.12.2018
Taxable losses carried forward of group companies	65 360	34 149
Possible tax effect on taxable losses carried forward at expected tax rate	10 627	6 145
Losses carried forward which can in all probability be offset with future profits	-58 696	-31 138
Total recognised deferred tax assets at expected tax rate	-9 094	-5 453
Total deferred tax assets not recognised at expected tax rate	1 533	692
Recognised deferred tax assets on losses carried forward	9 094	5 453
Other deferred income tax assets	75	100
Total deferred income tax assets	9 169	5 553

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	31.12.2017	31.12.2018
After 1 year	-	45
After 2 years	34	51
After 3 years	-	11
After 4 years	67	5
After 5 years	1 638	1 674
After 6 years	4 120	251
After 7 or more years	805	974
Total expiring taxable losses carried forward	6 664	3 011

Deferred tax liabilities

in CHF 1 000	31.12.2017	31.12.2018
Deferred tax liabilities as at 01.01.	1 065 637	1 145 331
Increase due to acquisitions of group companies	14 837	2 774
Increase due to real estate developments (long-term contracts)	6 640	3 624
Increase through revaluation and depreciation	59 246	60 621
Change through property disposals	-1 168	-23 301
Tax rate changes and reductions from duration of ownership deductions	139	-181
Other changes	-	-81
Deferred tax liabilities as at 31.12.	1 145 331	1 188 787

Deferred tax liabilities resulted from differences in valuation between the 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 2.4% higher. Given a reduction of the holding period to ten years, deferred tax liabilities would have been around 3.9% higher.

Information about the status and changes in revaluations can be found in note 17 «Investment properties».

12 Cash

in CHF 1 000	31.12.2017	31.12.2018
Cash on hand	2 780	2 372
Sight deposits	156 368	182 162
Total cash	159 148	184 534

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

13 Accounts receivable

in CHF 1 000	31.12.2017	31.12.2018
Accounts receivable, gross	85 755	89 378
Impairments	-3 828	-6 374
Total accounts receivable	81 927	83 004

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	31.12.2017	31.12.2018
Impairment at beginning of period	4 431	3 828
Increase of impairment based on individual valuation	2 765	7 230
Release of impairment based on individual valuation	-3 368	-4 684
Total impairment at end of period	3 828	6 374

Impairment changes were recognised in other operating expenses.

Maturities of receivables

in CHF 1 000	31.12.2017 Gross receivables	Impairments	31.12.2018 Gross receivables	Impairments
Not yet due	60 024		51 232	
Due between 0 and 30 days	12 253		15 245	
Due between 31 and 90 days	5 453		8 562	
Due between 91 and 120 days	1 751		2 445	
Due for more than 120 days	6 274		11 894	
Total gross receivables and impairments	85 755	-3 828	89 378	-6 374

14 Inventories

in CHF 1 000	31.12.2017	31.12.2018
Merchandise	28 945	31 201
Other inventories	2 566	2 665
Impairments	-498	-454
Total inventories	31 013	33 412

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.

15 Real estate developments

in CHF 1 000	31.12.2017	31.12.2018
Income from current projects since start of construction	51 748	124 511
Advance payments received	-65 000	-117 000
Real estate developments, net	-13 252	7 511
of which real estate developments, assets	-	7 511
of which real estate developments, liabilities	-13 252	-
Income from real estate developments of the period	51 748	72 763

The accruals stem from two yet-to-be completed real estate developments. Firstly, when the «Espace Tourbillon» development project in Geneva was partially sold, two of the total of five buildings under construction were sold. The turnkey transfer of the two buildings will be carried out in the years 2020 and 2021, respectively, following completion. Secondly, the «Weltpost Park» apartment complex currently under construction in Berne was sold in the reporting year. The three-building complex is expected to be transferred to the buyer in the first quarter of 2020.

16 Assets held for sale

in CHF 1 000	31.12.2017	31.12.2018
Berne, Weltpoststrasse 1–3, Weltpost Park	7 563	-
Dietikon, Zentralstrasse 12	6 900	-
Wattwil, Ebnaterstrasse 45	761	-
Buchs, St. Gallerstrasse 5	-	6 142
Dübendorf, Bahnhofstrasse 1	-	6 109
Horgen, Zugerstrasse 22	-	10 930
Rapperswil-Jona, Rathausstrasse 8	-	19 870
Thalwil, Gotthardstrasse 40	-	5 989
Zurich, Schaffhauserstrasse 339	-	8 668
Total assets held for sale	15 224	57 708

The properties in Berne, Dietikon and Wattwil were sold in the reporting year.

17 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
Total as at 01.01.2017	35 898	9 735 871	307 331	10 079 100	13 000	10 092 100
Purchases	–	–	124 684	124 684	–	124 684
Follow-up investments ¹	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
Fair value adjustment	–3 524	14 900	54 503	65 879	–	65 879
Total as at 31.12.2017	25 447	10 179 529	412 850	10 617 826	15 224	10 633 050
Purchases	–	360 568	31 452	392 020	–	392 020
Follow-up investments	379	144 553	166 158	311 090	12 202	323 292
Capitalised borrowing costs	–	–	2 619	2 619	109	2 728
Additions from acquisitions	–	26 930	–	26 930	–	26 930
Reclassifications	–	7 459	–65 167	–57 708	57 708	–
Disposal by sale	–	–213 618	–	–213 618	–27 535	–241 153
Positive fair value adjustment	2	200 764	37 469	238 235	–	238 235
Negative fair value adjustment	–355	–161 735	–8 594	–170 684	–	–170 684
Fair value adjustment	–353	39 029	28 875	67 551	–	67 551
Total as at 31.12.2018	25 473	10 544 450	576 787	11 146 710	57 708	11 204 418
Actual costs as at 31.12.2017	16 732	7 502 701	382 110	7 901 543	16 518	7 918 061
Actual costs as at 31.12.2018	17 111	7 884 725	523 544	8 425 380	49 749	8 475 129
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
Difference between fair value and actual costs as at 31.12.2018	8 362	2 659 725	53 243	2 721 330	7 959	2 729 289

¹ buildings C and D of the «Espace Tourbillon» development project were sold in the financial year 2017 and accordingly the book value was reclassified in the balance sheet position «property developments». Reclassification of the book value of CHF 8.407 million is included in the position «follow-up investments»

The change in investment properties includes purchases and disposals by sale which did not affect the cash position, with each amounting to CHF 197.018 million. This resulted from a real estate exchange completed in the reporting year, whereby three properties in Zurich and Worblaufen were purchased, while a co-ownership interest on Sihlcity was sold.

The book value of the investment properties recognised through finance leases amounts to CHF 15.270 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
Fire insurance values¹						
On 01.01.2017	1 975	6 637 432	311 068	6 950 475	19 423	6 969 898
On 01.01.2018	2 067	6 781 310	237 513	7 020 890	12 694	7 033 584
On 31.12.2018	1 956	6 846 615	467 697	7 316 268	79 705	7 395 973
Net rental income²						
01.01.– 31.12.2017	133	407 116	683	407 932	428	408 360
01.01.– 31.12.2018	133	413 995	81	414 209	3 059	417 268
Vacancy rate in %						
01.01.– 31.12.2017	–	5.2	0.1	5.2	12.6	5.2
01.01.– 31.12.2018	–	4.8	–	4.8	3.9	4.8

¹ there were no building insurance values for properties under construction. For building projects, respective builders' liability insurance policies were concluded

² generated with own investment properties

The properties are valued 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. 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 seven [six] properties, the highest and best use did not correspond to the effective use.

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

Properties 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 31.12.2018

	in	Undeveloped properties	Commercial properties (continuation of use) ¹	Commercial properties (highest and best use) ²	Properties under construction/development sites
Fair value as at balance sheet date	CHF m	25.473	9 596.668	1 005.490	576.787
Unobservable input factors					
Average discount rate	%	4.12	3.25	3.15	3.17
Maximum discount rate	%	4.95	4.95	5.10	4.20
Minimum discount rate	%	3.60	2.10	2.60	3.05
Residential	CHF per m ² p.a.	–	91 to 685	118 to 192	270 to 320
Offices	CHF per m ² p.a.	–	84 to 892	90 to 855	187 to 245
Retail/gastro	CHF per m ² p.a.	–	58 to 7 350	213 to 1 154	211 to 375
Commercial	CHF per m ² p.a.	–	28 to 543	95 to 272	115 to 228
Storage	CHF per m ² p.a.	–	35 to 582	48 to 175	86 to 166
Parking inside	CHF per piece and month	–	48 to 644	80 to 760	55 to 238
Parking outside	CHF per piece and month	–	35 to 384	36 to 114	57 to 143

¹ commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale

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

Applicable unobservable input factors as at 31.12.2017

	in	Undeveloped properties	Commercial properties (continuation of use) ¹	Commercial properties (highest and best use) ²	Properties under construction/development sites
Fair value as at balance sheet date	CHF m	33.010	9 293.040	894.150	412.850
Unobservable input factors					
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 ² p.a.	–	100 to 692	120 to 121	215 to 339
Offices	CHF per m ² p.a.	–	90 to 920	120 to 900	140 to 510
Retail/gastro	CHF per m ² p.a.	–	77 to 7 500	70 to 1 300	200 to 600
Commercial	CHF per m ² p.a.	–	30 to 565	100 to 280	200 to 320
Storage	CHF per m ² 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

¹ commercial properties for which the valuation was based on the assumption of continuation of current use, as well as investment properties held for sale

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

Additional information on valuation assumptions

Rental income

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

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

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 condominiums.

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 10 602.200 million (fair value of overall portfolio CHF 11 204.418 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
2.92%	10.4%	1 100 400	11 702 600
3.02%	6.7%	708 300	11 310 500
3.12%	3.2%	342 300	10 944 500
3.22% (valuation as at 31.12.2018)	–	–	10 602 200
3.32%	–3.0%	–320 900	10 281 300
3.42%	–5.9%	–622 700	9 979 500
3.52%	–8.6%	–906 800	9 695 400
3.62%	–11.1%	–1 174 800	9 427 400
3.72%	–13.5%	–1 428 200	9 174 000
3.82%	–15.7%	–1 668 100	8 934 100

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.

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%	6.1%	645 000	11 247 200
4.0%	4.1%	430 400	11 032 600
2.0%	2.0%	215 500	10 817 700
0.0% (valuation as at 31.12.2018)	–	–	10 602 200
-2.0%	–2.0%	–217 000	10 385 200
-4.0%	–4.1%	–433 700	10 168 500
-6.0%	–6.1%	–650 500	9 951 700
-8.0%	–8.2%	–867 000	9 735 200
-10.0%	–10.2%	–1 083 600	9 518 600

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»

Project description	In the north of Basel city, a new centre will be developed by 2023 for innovation, leisure, health, gastronomy and shopping: a holistic concept to meet the needs of over 4 000 people who will be working at the site, living in the neighbourhood, or simply visiting during their leisure time. The current «business park» is being extended laterally with four new buildings. With 27 000 square metres of new space, there will be over 60 000 square metres of office and laboratory areas. In the building complex on Hochbergerstrasse 70, where the mall currently stands, the retail space is being reduced and added value provided in the form of attractive service and leisure options, such as a multiplex cinema. Completion of the first construction phase in autumn 2018 saw the opening of the «Village in Stücki Park» – a meeting zone with an enticing variety of services, offices and practices. A pedestrian bridge over the Badenstrasse is being constructed in order to connect the business zone with the services, shops and entertainment zone. The «Stücki Park» will represent a future-oriented attraction with radiance for the entire Basel region.
Project status	Construction of the four new buildings will be carried out in two phases (2020/2023). The first phase – with an office building and a laboratory building – is already under construction.
Occupancy rate ¹	Discussions with various interested tenants regarding office floor and laboratory space as well as contract negotiations for an entire laboratory building with a single tenant are ongoing.
Completion	The individual buildings will be ready for occupancy according to scattered dates in two phases by autumn 2020 and summer 2023, respectively.

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

Project description	The former headquarters of Swiss Post impresses with its prominent location with a view of Berne's Old Town and the Alps. The property is being redeveloped for new future-oriented utilisation. 142 high-quality rental apartments are being constructed, spanning eight upper floors. The apartments will be ready for occupancy in late summer 2019. The German design hotel «prizeotel» will establish its Swiss market entry in Schönburg with 180 rooms and Coop opens a store and presents «update Fitness» – a new fitness concept. The hotel, the retail floor space and the fitness facilities will go into operation a few months later due to tenant expansion.
Project status	The demolition and shell construction work will be completed in the first quarter of 2019. Work has already commenced on the façade and the interior.
Occupancy rate ¹	A rental agreement for a state-of-the-art business hotel has been concluded with Hamburg-based hotel operator «prizeotel», as well as with Coop for a retail store comprising roughly 1 000 square metres, in addition to an «update Fitness» brand fitness studio. Interest in the attractive apartments is so great that more than 100 apartments have already been leased.
Completion	From autumn 2019, the apartments will be handed over to the tenants. The retail floor space, the fitness centre and the hotel will then be put into operation in stages by the end of the year.

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

Project description	The Esplanade 4 plot in the «Esplanade de Pont-Rouge» urban development area, situated next to Lancy station, Geneva is to have a 15-storey-high modern services building erected on it between 2020 and 2023. The building will have around 30 000 square metres of innovative, flexible spaces. Pont-Rouge station is the first major construction stage in Geneva's significant development project «Praille-Acacias-Vernets» (PAV), where a new district is emerging across an area of 230 hectares. In 20 years' time, around 50 000 people will be living and working here. The new «Lancy Pont-Rouge» railway station was inaugurated in December 2017, laying the foundation stone for the regeneration of this area. The Lemman Express will add the station as a calling point in 2019, offering a direct train service five times per hour – to Geneva central station in one direction, and France in the other. It takes just six minutes to reach the centre of Geneva. As part of the «Esplanade de Pont-Rouge» project, the former industrial area will also be converted into a mixed-use urban centre.
Project status	The underlying design plan is legally validated. The building application for the building on the plot of Swiss Prime Site Immobilien was submitted in mid-November 2018. The legally validated building permit is expected by the end of 2019, so that construction activity can commence at the beginning of 2020. Following completion in 2022, the superstructure 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.

¹ occupancy rate and sales status as at 31.12.2018

Monthey, Rue de Venise 5-7/Avenue de la Plantaud 4

Project description	In Monthey in the canton of Valais, Swiss Prime Site Immobilien is planning to build a mixed-use building. It will comprise a residential and care centre and be operated by assisted living specialists Tertianum Group. The new construction, located in central Monthey, will have over 50 beds plus 30 to 35 apartments.
Project status	The building permission is expected for the second quarter of 2019.
Occupancy rate ¹	Fully leased (Tertianum)
Completion	Completion is scheduled for 2021.

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

Project description	The total of five plots of land are situated directly on the lake shore in a location roughly 1.5 kilometres from the historic old city centre of Lugano. The plot on the lake side is the site of the «Hotel du Lac», which closed down operations in 2011. On the mountain side of the lake separated by the Seestrasse stands a villa without any retainable structure. Both buildings will be demolished within the course of the new construction project. Swiss Prime Site Immobilien and Tertianum Group will develop the site to create exclusive accommodation for senior residents, with a comprehensive range of services. Two new buildings will be constructed (on the mountain side and the lake side) comprising a total of 60 apartments and a geriatric care facility with 40 beds. The lakeside building will offer high-end apartments with views of the lake. This building will also house a restaurant with its own terrace, various meeting areas, the reception and a wellness area. The mountain-side building will house the geriatric care centre, additional apartments, a doctor's practice and underground car park. The two buildings will be linked by a subterranean corridor.
Project status	The building application was submitted at end-June 2017, but not published by the municipality until 31.10.2018 due to required revisions and subsequent submissions. Within the scope of the lake shore design plan, parts of the property must be assigned to the municipality. The hill-side section will be used for a public road. Four objections were received during the approval procedure. If these can be eliminated, the building permit is expected in May 2019.
Occupancy rate ¹	The two buildings are fully leased to the Tertianum Group.
Completion	Due to the delay in the building permit approval process on the part of the municipality, demolition is expected to begin in spring 2019. Occupancy of the residence is envisaged for autumn 2021.

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

Project description	Swiss Prime Site Immobilien's largest real estate development project at present, «Espace Tourbillon», is characterised by five above-ground building structures that are to be constructed on a common, three-floor subterranean level. The flexible commercial buildings featuring a subterranean optimal logistics infrastructure for trucks are oriented toward the needs of major industrial and retail tenants. The upper floor is ideally suitable for high-tech firms, biotechnology and clean-tech companies, as well as for R&D and commercial, retail or office use. Total rentable floor space amounts to 95 000 square metres. Two buildings were sold to the Hans Wilsdorf Foundation. Swiss Prime Site Immobilien will transfer ownership of the buildings to the Hans Wilsdorf Foundation in fully developed and turnkey condition. The buyer will provide the floor space to the canton of Geneva for important social institutions. The «Espace Tourbillon» major development project enables Swiss Prime Site Immobilien to provide the rapidly growing Geneva region with space for an additional 4 000 workplaces.
Project status	Construction is currently in full swing and proceeding according to plan.
Occupancy rate ¹	Two buildings were sold to the Hans-Wilsdorf-Foundation in October 2017. Swiss Prime Site Immobilien 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 for the remaining three buildings are in full swing, and several rental contracts have been concluded. Swiss Prime Site Immobilien is offering additional buildings or floor units for sale and is thus responding to the demand of commercial space.
Completion	Completion is scheduled for 2021.

Richterswil, Gartenstrasse 7/17, 15 «Tertianum residential and care centre Etzelblick»

Project description	In Richterswil, a new building replaces the current residential and care centre. The new residential and care centre Tertianum Etzelblick comprises 26 age-adapted apartments and 64 care places including dementia care on the ground floor. The redesign will create attractive meeting zones as well as a practical and modern infrastructure for residents, guests and neighbours. The services and nursing care for the municipality of Richterswil will remain provided by the Tertianum Group. Hence, Swiss Prime Site Immobilien together with Tertianum Group have guaranteed coverage of the additional need for geriatric care facilities in the Richterswil community.
Project status	Submission of the building application took place in autumn 2018. The project is expected to be completed in the first half of 2021.
Occupancy rate ¹	The properties are fully leased to the Tertianum Group.
Completion	Completion is planned in spring 2021.

¹ occupancy rate and sales status as at 31.12.2018

Schlieren, Zürcherstrasse 39 «JED»

Project description	«JED» becomes a centre for knowledge transfer, innovation and entrepreneurship. In Schlieren, medium-sized and large companies are brought together to create a variety of synergies. This unique location combines attractive industrial architecture with modern workplaces. With its special atmosphere and generous spatial experience, «JED» also offers the right environment for the workspace of the future. People from various industries are brought together to form an own ecosystem. Co-working spaces, permeable and private working environments, meeting zones in the interior and exterior spaces, combined with a large event location and a catering and leisure area will round off the offer. The location and structure of the former printing centre of the NZZ are excellently suited for this purpose.
Project status	In September 2018, the reconstruction began with the dismantling work. The existing buildings will be preserved as far as possible, rebuilt or partly extended or raised. In the former printing hall, the existing volume is recomparted by means of intermediate floors.
Occupancy rate ¹	In addition to the internationally active company Zühlke, another well-known anchor tenant, Halter, was acquired for the project in September 2018. This means that around 70% of the available floor space has already been successfully leased.
Completion	Conversion of existing building: starting from second quarter of 2020 New building: starting from first quarter of 2022

Zurich, Albisriederstrasse/Rütiwiesweg «YOND»

Project description	The «YOND» development project creates an atmosphere for small-, medium- and large-scale service providers and business owners. With its versatile building structure, «YOND» sets new standards in terms of 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 spatial 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 legally valid building permit for the project was issued in mid-2017. The topping out ceremony was celebrated at the end of June 2018 and since mid-October 2018 the sample module can be viewed on site.
Occupancy rate ¹	Discussions with various interested tenants are taking place on an ongoing basis.
Completion	Completion is scheduled for the end of the first quarter of 2019.

Zurich, Vulkanstrasse 114, Juchstrasse 3 «West-Log»

Project description	The «West-Log» project in Zurich Altstetten is developing a new urban logistics building. The total usable area of the property is around 17 500 square metres. «West-Log» is located right by the Zurich Altstetten railway station, the tram line and the A1 motorway. On the first floor and immediately above it, two extra-high storeys are being built, which will become home to various automated storage facilities, retail spaces and showrooms. The upper levels have been designated as office space. The topmost floor has an area of around 2 400 square metres and has been marketed since autumn 2018. There will be 102 parking spaces in an underground car park. At ground level, four lorry bays, twelve delivery vehicle loading points and 24 visitor parking spaces are under construction.
Project status	The construction activities commenced in June 2018.
Occupancy rate ¹	More than 85% of the floor space is leased on a long-term basis. The still-free third-party floor space amounting to nearly 2 000 square metres are the object of marketing activities since autumn 2018.
Completion	The building will be ready for turnkey transfer in October 2020.

¹ occupancy rate and sales status as at 31.12.2018

18 Tangible assets and intangible assets

in CHF 1 000	Equipment	Furniture/ tenants' improve- ments	Total tangible assets	Software	Total intangible assets
Cost as at 01.01.2018	14 535	122 034	136 569	29 415	29 415
Additions	357	14 563	14 920	9 188	9 188
Additions from acquisitions	–	6 155	6 155	1 325	1 325
Disposals	–	– 723	– 723	–	–
Reclassifications	– 2 012	2 012	–	–	–
Cost as at 31.12.2018	12 880	144 041	156 921	39 928	39 928
Cumulative depreciation and impairment as at 01.01.2018	3 557	69 157	72 714	16 813	16 813
Depreciation	706	14 635	15 341	7 271	7 271
Disposals	–	– 723	– 723	–	–
Cumulative depreciation and impairment as at 31.12.2018	4 263	83 069	87 332	24 084	24 084
Total as at 31.12.2018	8 617	60 972	69 589	15 844	15 844

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

19 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	2017	2018
Cost as at 01.01.	441 302	451 715
Additions	11 544	-4 214
Disposals from divestments	-1 131	-
Cost as at 31.12.	451 715	447 501
Cumulative amortisation as at 01.01.	250 466	319 798
Additions	69 784	57 262
Disposals from divestments	-452	-
Cumulative amortisation as at 31.12.	319 798	377 060
Theoretical net book value as at 31.12.	131 917	70 441

The negative additions in the reporting year are attributable to negative goodwill associated with the acquisitions described in note 3 «Changes in scope of consolidation». The theoretical release to the income statement over five years is included in amortisation.

Theoretical effect on shareholders' equity

in CHF 1 000	31.12.2017	31.12.2018
Shareholders' equity according to balance sheet	4 777 470	5 145 110
Theoretical recognition of net book value of goodwill in the balance sheet	131 917	70 441
Theoretical shareholders' equity including net book value of goodwill	4 909 387	5 215 551

Theoretical effect on profit

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Profit according to income statement	305 483	310 910
Theoretical amortisation of goodwill	-69 784	-57 262
Adjustment result from sale of participations, net	452	-
Theoretical profit including amortisation of goodwill	236 151	253 648

20 Accrued expenses and deferred income

in CHF 1 000	31.12.2017	31.12.2018
Renovation and project costs	53 861	55 528
Cost of goods sold	14 731	10 481
Other operating expenses	47 428	42 435
Current income and capital taxes	19 639	35 129
Total accrued expenses and deferred income	135 659	143 573

21 Financial liabilities

in CHF 1 000	31.12.2017	31.12.2018
Mortgage-backed loans	505 800	762 000
Bonds	114 947	199 769
Other loans	838	1 671
Total current financial liabilities	621 585	963 440
Mortgage-backed loans	2 643 200	2 233 000
Convertible bonds	244 287	542 411
Bonds	1 326 541	1 317 544
Non-current loans	12 533	17 085
Other non-current financial liabilities	2 399	2 924
Total non-current financial liabilities	4 228 960	4 112 964
Total financial liabilities	4 850 545	5 076 404

Swiss Prime Site AG issued a bond as at 16 July 2018, amounting to CHF 190.000 million with a term to maturity of six years and an interest rate of 1.0%.

Non-current financial liabilities of CHF 4 112.964 million [CHF 4 228.960 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 0.538 million [CHF 0.517 million] and non-current lease obligations of CHF 8.569 million [CHF 9.111 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 amount of 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 planning.

As at the balance sheet date, the loan-to-value ratio of the real estate portfolio amounted to 45.3% [45.6%].

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
Book value as at 31.12.2018	CHF m	0.000	199.769	229.759	299.255
Book value as at 31.12.2017	CHF m	114.947	199.524	229.626	298.930
Interest rate	%	1.125	1.0	2.0	1.75
Term to maturity	years	5	5	7	7
Maturity	date	11.07.2018	10.12.2019	21.10.2020	16.04.2021
Securities number		21 564 566 (SPS13)	25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)
Fair value as at 31.12.2018	CHF m	0.000	201.680	236.670	309.150
Fair value as at 31.12.2017	CHF m	115.656	204.900	241.615	316.050

Bonds

		CHF 190 m 2024	CHF 100 m 2024	CHF 250 m 2025	CHF 250 m 2026
Issuing volume, nominal	CHF m	190.000	100.000	250.000	250.000
Book value as at 31.12.2018	CHF m	189.870	99.505	249.932	249.223
Book value as at 31.12.2017	CHF m	0.000	99.422	249.922	249.117
Interest rate	%	1.0	2.0	0.5	0.825
Term to maturity	years	6	10	9	9
Maturity	date	16.07.2024	10.12.2024	03.11.2025	11.05.2026
Securities number		39 863 325 (SPS181)	25 704 217 (SPS142)	33 764 553 (SPS161)	36 067 729 (SPS17)
Fair value as at 31.12.2018	CHF m	190.475	105.150	240.250	241.875
Fair value as at 31.12.2017	CHF m	0.000	109.500	249.250	252.000

Bonds are redeemed at their nominal value.

Convertible bonds

		CHF 250 m 2023	CHF 300 m 2025
Issuing volume, nominal	CHF m	250.000	300.000
Nominal value as at 31.12.2018	CHF m	250.000	300.000
Book value as at 31.12.2018	CHF m	245.334	297.077
Book value as at 31.12.2017	CHF m	244.287	0.000
Conversion price	CHF	104.41	100.67
Interest rate	%	0.25	0.325
Term to maturity	years	7	7
Maturity	date	16.06.2023	16.01.2025
Securities number		32 811 156 (SPS16)	39 764 277 (SPS18)
Fair value as at 31.12.2018	CHF m	244.250	285.900
Fair value as at 31.12.2017	CHF m	251.625	0.000

No conversions took place either in the reporting or in the previous year.

Swiss Prime Site AG issued a convertible bond as at 16 January 2018, amounting to CHF 300.000 million with a term to maturity of seven years and an interest rate of 0.325%. Each individual bond with a nominal value of CHF 0.005 million can be converted at any time between 26 February 2018 and 13 November 2024. Bond holders who exercise their conversion right will receive the nominal value of the convertible bond in cash and any additional amount in the form of registered shares of the Company, subject to Swiss Prime Site AG exercising its right to choose, at its discretion, any combination of cash and shares to settle the bond conversions. Based on the Company's option right, no conditional capital is reserved for potential conversions. Due to the structure of the conversion option, it does not constitute an equity instrument and is therefore not separated.

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

	31.12.2017 Conversion price in CHF	Number of possible shares	31.12.2018 Conversion price in CHF	Number of possible shares
Convertible bonds				
0.25%-convertible bond 16.06.2016–16.06.2023, CHF 250.000 million	105.38	2 372 366	104.41	2 394 406
0.325%-convertible bond 16.01.2018–16.01.2025, CHF 300.000 million	–	–	100.67	2 980 033
Total number of possible shares		2 372 366		5 374 439

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

	Surplus/deficit	Economical part of the group	Contributions concerning the reporting period	Pension benefit expenses within personnel costs	
	31.12.2018	31.12.2018		01.01.–31.12.2017	01.01.–31.12.2018
in CHF 1 000					
Pension institutions without surplus/deficit	–	–	– 10 941	– 23 305	– 10 941
Pension institutions with surplus	7 140	–	– 19 349	– 3 050	– 19 349
Pension institutions with deficit	– 810	–	– 120	– 120	– 120
Total	6 330	–	– 30 410	– 26 475	– 30 410

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 01.01.2017	71 478 917	15.30	1 093 627
Share capital as at 31.12.2017	71 478 917	15.30	1 093 627
Share capital increase on 28.09.2018	4 467 432	15.30	68 352
Share capital as at 31.12.2018	75 946 349	15.30	1 161 979

The 539 [39] treasury shares held as at 31 December 2018 were not entitled to dividends. As at the balance sheet date, the dividend-entitled share capital of CHF 1 161.971 million [CHF 1 093.627 million] therefore comprised 75 945 810 [71 478 878] registered shares.

Authorised and conditional capital

	Number of registered shares	Nominal value in CHF	in CHF 1 000
Authorised and conditional capital as at 01.01.2017	4 172 617	15.30	63 841
Authorised and conditional capital as at 31.12.2017	4 172 617	15.30	63 841
Approval of increase by Annual General Meeting of 27.03.2018 ¹	2 827 383	15.30	43 259
Share capital increase on 28.09.2018	– 4 467 432	15.30	– 68 352
Authorised and conditional capital as at 31.12.2018 ²	2 532 568	15.30	38 748

¹ according to the resolution by the Annual General Meeting of 27 March 2018, share capital from authorised and conditional capital can be increased by a total maximum of CHF 107.100 million respectively 7 000 000 registered shares

² due to the issue of a convertible bond, 2 394 406 shares (CHF 36.634 million) from conditional capital have been reserved for potential conversions. According to article 3a of the Articles of Association, the amount of approprable authorised capital is therefore only CHF 2.114 million as at 31 December 2018, corresponding to 138 162 shares

The Board of Directors is authorised to increase the share capital to the extent mentioned above at any time until 27 March 2020.

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

Capital reserves

	in CHF 1 000
Capital reserves as at 01.01.2017	888 187
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
Capital reserves as at 31.12.2017	624 201
Distribution from capital contribution reserves on 05.04.2018	-271 618
Capital increase on 28.09.2018	254 747
Share-based compensation	886
Income from delivery of treasury shares relating to share-based compensation	2
Capital reserves as at 31.12.2018	608 218

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 232.396 million [CHF 218.725 million].

Treasury shares

	in CHF 1 000
Treasury shares as at 01.01.2017	- 109
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
Treasury shares as at 31.12.2017	-3
Share-based compensation, 25 018 shares, CHF 88.43 average transaction price	2 213
Purchase of treasury shares, 25 518 shares, CHF 88.37 average transaction price	-2 255
Income from delivery of treasury shares relating to share-based compensation	-2
Treasury shares as at 31.12.2018	-47

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 539 shares [39 shares] and 220 087 shares [169 200 shares] of Swiss Prime Site AG, respectively.

Retained earnings

	in CHF 1 000
Retained earnings as at 01.01.2017	2 765 295
Profit	305 330
Compensation of goodwill from acquisitions of group companies	-11 544
Goodwill charged to income on sale of group companies	1 131
Retained earnings as at 31.12.2017	3 060 212
Profit	310 316
Compensation of positive and negative goodwill from acquisitions of group companies	4 214
Retained earnings as at 31.12.2018	3 374 742

Non-controlling interests

	in CHF 1 000
Non-controlling interests as at 01.01.2017	- 720
Profit, attributable to non-controlling interests	153
Non-controlling interests as at 31.12.2017	- 567
Acquisition of shareholding with non-controlling interests	191
Profit, attributable to non-controlling interests	594
Non-controlling interests as at 31.12.2018	218
Shareholders' equity as at 31.12.2018	5 145 110
Shareholders' equity as at 31.12.2017	4 777 470

Distributions

The Annual General Meeting of 27 March 2018 [11 April 2017] passed the following resolution: A distribution from capital contribution reserves of CHF 3.80 [CHF 3.70] per share.

The share capital on which the distribution was based consisted of 71 478 324 [71 478 716] shares. The distribution from capital contribution reserves amounting to CHF 271.618 million [CHF 264.471 million] was carried out on 5 April 2018 [20 April 2017].

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.– 31.12.2017	01.01.– 31.12.2018
Profit attributable to shareholders of Swiss Prime Site AG	305 330	310 316
Interests on convertible bonds, amortisation of proportional costs and tax effects	1 671	3 068
Relevant profit for calculation of diluted earnings per share	307 001	313 384

Weighted average number of shares

	01.01.– 31.12.2017	01.01.– 31.12.2018
Shares issued as at 01.01.	71 478 917	71 478 917
Weighted number of shares on capital increase on 28.09.2018	–	1 141 677
Average number of treasury shares (360 days)	- 980	- 377
Total weighted average number of shares 01.01.–31.12. (360 days)	71 477 937	72 620 217
Highest possible number of shares that can be issued on conversions	2 372 366	5 374 439
Basis for calculation of diluted earnings per share	73 850 303	77 994 656

Earnings and net asset value (NAV) per share

in CHF	01.01.– 31.12.2017	01.01.– 31.12.2018
Earnings per share (EPS)	4.27	4.27
Diluted earnings per share	4.16	4.02
Shareholders' equity per share (NAV) before deferred taxes ¹	82.87	83.40
Shareholders' equity per share (NAV) after deferred taxes ¹	66.85	67.74

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

25 Future obligations and contingent liabilities

in CHF 1 000	31.12.2017	31.12.2018
2018	169 754	–
2019	134 616	371 419
2020	59 455	155 763
2021	14 738	37 724
Total future obligations based on total contractor agreements	378 563	564 906

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	31.12.2017 Outstanding payments in CHF 1 000	31.12.2018 Outstanding payments in CHF 1 000
Basel, Hochbergerstrasse 60/Stücki Park A-E	2023	1 535	57 334
Basel, Hochbergerstrasse 70/Stücki Park (Shopping)	2020	–	39 575
Berne, Viktoriastrasse 21, 21a, 21b/Schönburg	2019	101 878	73 938
Berne, Weltpoststrasse 1–3/Weltpost Park	2020	55 927	30 844
Meyrin, Chemin de Riantbosson 19/Riantbosson Centre	2018	7 581	–
Meyrin, Route de Pré-Bois 14/Geneva Business Terminal	2018	1 340	–
Oftringen, Spitalweidstrasse 1/shopping centre a1	2021	–	53 000
Plan-les-Ouates, Chemin des Aulx/Espace Tourbillon	2021	209 747	171 683
Schlieren, Zürcherstrasse 39/JED	2020	–	57 254
Zurich, Albisriederstrasse/Rütiwiesweg/YOND	2019	–	37 448
Zurich, Etzelstrasse 14	2017	555	–
Zurich, Vulkanstrasse 114, Juchstrasse 3/West-Log	2020	–	43 830
Total future obligations based on total contractor agreements		378 563	564 906

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	31.12.2017	31.12.2018
Lease expenses up to 1 year	78 380	82 349
Lease expenses from 1 year up to 5 years	306 552	318 809
Lease expenses over 5 years	844 693	814 737
Total future lease expenses	1 229 625	1 215 895

In the reporting period, CHF 81.365 million [CHF 74.011 million] in real estate costs including land lease expense as well as CHF 0.228 million [CHF 0.862 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, nor were there securities or guarantees.

26 Pledged assets

in CHF 1 000	31.12.2017	31.12.2018
Fair value of affected investment properties	9 079 235	8 648 646
Nominal value of pledged mortgage notes	4 293 373	4 099 803
Current claim (nominal)	3 149 000	2 995 000

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 is 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 90.00 [CHF 83.35], less 10% discount to CHF 81.00 [CHF 75.02]. The shares are subject to blocking for a period of four years. In the reporting year, 7 651 shares [8 860 shares] at a market value of CHF 0.633 million [CHF 0.767 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, 14 369 [15 201] performance share units were allocated to the Executive Board. The amount was recorded in the consolidated financial statements at the current price of CHF 91.74 [CHF 88.15] (stock exchange 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 0.886 million [CHF 0.447 million].

Compensation to the Board of Directors and Executive Board

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Fixed compensation in cash, gross	3 965	3 919
Variable compensation in cash, gross	1 552	1 453
Share-based compensation	1 214	1 519
Other compensation components	57	65
Pension fund contributions	550	564
Other social security contributions	501	381
Total compensation to the Board of Directors and Executive Board	7 839	7 901
Expense allowance	155	150

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 current accounts payable to various pension funds and the SPS and Jelmoli welfare foundation of CHF 0.643 million [CHF 3.949 million]. Accounts receivable from the foundation Fondation Espace amounted to CHF 6.193 million [CHF 2.592 million]. CHF 1.926 million [CHF 0.792 million] was allocated for the provision of real estate services as well as other services for related pension fund foundations. Expenses in respect of related foundations amounted to CHF 0.125 million [CHF 0.196 million].

Accounts receivable from Swiss Prime Investment Foundation amounted to CHF 0.366 million [CHF 1.648 million]. Income from asset management with Swiss Prime Investment Foundation amounted to CHF 8.292 million [CHF 9.878 million]. Income from other real estate services amounted to CHF 0.483 million [CHF 1.758 million] in the reporting year. The result from investment property sales includes a retrospective, conditional purchase price payment of CHF 4.945 million from the real estate package sale in 2015. Swiss Prime Investment Foundation booked rent costs for properties utilised by the Swiss Prime Site Group of CHF 4.555 million [CHF 4.776 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	31.12.2017 Capital in CHF 1 000	Shareholding in %	31.12.2018 Capital in CHF 1 000	Shareholding in %
Bellevue-Bau AG, Winterthur ¹	Real estate	6 000	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz ²	Assisted living	100	100.0	n/a	n/a
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 ³	Assisted living	100	100.0	n/a	n/a
Leben im Alter AG, Zurich	Assisted living	100	100.0	100	100.0
Le Manoir AG, Gampelen	Assisted living	100	100.0	100	100.0
Leora S.à r.l., Villeneuve	Assisted living	140	100.0	140	100.0
Les Tourelles S.à r.l., Martigny ^{2,3}	Assisted living	20	100.0	20	100.0
Perlavit Rosenau AG, Kirchberg ⁴	Assisted living	300	100.0	n/a	n/a
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 ³	Assisted living	100	100.0	n/a	n/a
SENIOfcare AG, Zurich ⁴	Assisted living	2 400	100.0	n/a	n/a
SPS Beteiligungen Alpha AG, Olten	Investments	450 000	100.0	450 000	100.0
streamnow ag, Zurich ⁵	Real estate services	–	–	100	100.0
Swiss Prime Site Fund Advisory AG II, Olten	Collective investments	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten ¹	Real estate	50 000	100.0	50 000	100.0
Swiss Prime Site Management AG, Olten	Services	100	100.0	100	100.0
Swiss Prime Site Solutions AG, Zurich	Asset management	1 500	100.0	1 500	100.0
Tertianum AG, Zurich ⁴	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
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
Zentrum Schönberg AG, Berne ⁶	Assisted living	–	–	1 000	51.0

¹ merger of Bellevue-Bau AG in Swiss Prime Site Immobilien AG as at 01.01.2018

² merger of Home Médicalisé Vert-Bois SA in Les Tourelles S.à r.l. as at 01.04.2018

³ merger of La Résidence des Marronniers SA and Résidence les Sources Saxon SA in Les Tourelles S.à r.l. as at 01.01.2018

⁴ merger of Perlavit Rosenau AG and SENIOcare AG in Tertianum AG as at 01.01.2018

⁵ acquisition as at 19.10.2018

⁶ acquisition as at 12.01.2018

Investments in associates valued according to the equity method

		31.12.2017 Capital in CHF 1 000	Shareholding in %	31.12.2018 Capital in CHF 1 000	Shareholding in %
Parkgest Holding SA, Geneva	Parking	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	Parking	5 160	27.1	5 160	27.1

29 Major shareholders

Major shareholders (shareholding interest >3%)	31.12.2017 Shareholding interest in %	31.12.2018 Shareholding interest in %
BlackRock Inc., New York	>5.0	>10.0
Credit Suisse Funds AG, Zurich	3.2	4.1
State Street Corporation, Boston	3.9	3.6
UBS Fund Management (Switzerland) AG, Basel	n/a	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 categories and groups

Swiss Prime Site's business is subject to specific risks, which can be divided into the following categories (external, strategic, compliance, financial, operational) and groups:

Group

- Market risk and diversification
- Interest, credit, refinancing and liquidity risks
- Regulatory and fiscal risks
- Risks associated with litigation
- Risks in dealing with technological change

Real Estate segment

- Valuation risks
- Environmental risks and risks associated with contamination
- Risks associated with construction activities

Services segment

- Risks associated with the real estate services business
- Asset management-specific risks
- Retail business-specific risks
- Risks associated with the assisted living sector

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 %	31.12.2017	31.12.2018
Loan-to-value ratio of the real estate portfolio (LTV) ¹	45.6	45.3
Non-current financial liabilities relative to real estate portfolio ¹	39.7	36.7
Current financial liabilities relative to overall financial liabilities	12.8	19.0
Current assets relative to current liabilities	35.4	32.5
Equity ratio	43.1	43.9
Borrowed capital ratio	56.9	56.1
Return on equity (ROE)	6.4	6.4
Return on invested capital (ROIC)	3.5	3.4

¹ without derivatives

To minimise refinancing risk on the part of lenders and to avoid cluster risks, particular attention is paid to the diversification of lenders and financial instruments 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	31.12.2018 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	963 440	974 414	5 916	416 247	4 827	547 424	–	–	–	–	–	–
Accounts payable	12 607	12 607	–	12 607	–	–	–	–	–	–	–	–
Other current liabilities	142 851	142 851	–	142 851	–	–	–	–	–	–	–	–
Non-current financial liabilities (without derivatives)	4 110 040	4 377 112	28 632	–	28 632	–	53 952	564 869	86 258	1 415 666	59 552	2 139 551
Total non-derivative financial liabilities	5 228 938	5 506 984	34 548	571 705	33 459	547 424	53 952	564 869	86 258	1 415 666	59 552	2 139 551
Derivatives with negative fair value	2 924	3 205	–	486	–	453	–	847	–	366	–	1 053
Total derivative financial liabilities	2 924	3 205	–	486	–	453	–	847	–	366	–	1 053
Total financial liabilities	5 231 862	5 510 189	34 548	572 191	33 459	547 877	53 952	565 716	86 258	1 416 032	59 552	2 140 604

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
Total non-derivative financial liabilities	5 020 973	5 341 447	35 553	592 054	34 597	202 411	64 208	660 999	105 675	1 653 030	71 216	1 921 704
Derivatives with negative fair value	2 399	2 597	–	402	–	409	–	810	–	976	–	–
Total derivative financial liabilities	2 399	2 597	–	402	–	409	–	810	–	976	–	–
Total financial liabilities	5 023 372	5 344 044	35 553	592 456	34 597	202 820	64 208	661 809	105 675	1 654 006	71 216	1 921 704

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.3 [4.7] years due to the contractual maturities.

Currency risks

Currency risk is the risk that exchange rate fluctuations 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	31.12.2017	31.12.2018
Sight deposits	156 368	182 162
Securities	483	487
Accounts receivable	81 927	83 004
Other current receivables	9 685	11 163
Non-current financial investments	3 374	8 395
Maximum credit risk	251 837	285 211

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	31.12.2017	31.12.2018
Fixed interest-bearing financial instruments		
Financial assets	1 012	4 460
Financial liabilities	4 857 371	5 083 757
Surplus of fixed interest-bearing financial liabilities	4 856 359	5 079 297
Variable interest-bearing financial instruments		
Financial assets	158 730	186 097
Surplus of variable interest-bearing financial assets	158 730	186 097

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 maintaining 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 21 «Financial liabilities».

Current and non-current financial liabilities categorised by interest rate

in CHF 1 000	31.12.2017 Total nominal value	31.12.2018 Total nominal value
Financial liabilities up to 1.00%	1 308 800	1 562 396
Financial liabilities up to 1.50%	1 006 000	1 131 000
Financial liabilities up to 2.00%	874 800	874 600
Financial liabilities up to 2.50%	1 164 400	1 057 400
Financial liabilities up to 3.00%	481 564	431 068
Financial liabilities up to 3.50%	–	–
Financial liabilities up to 4.00%	20 076	20 079
Financial liabilities up to 4.50%	589	6 176
Financial liabilities up to 5.00%	1 142	1 038
Total financial liabilities	4 857 371	5 083 757

The weighted average interest rate for all interest-bearing financial liabilities amounted to 1.4% [1.5%]. 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	2017	2018
Change of interest result with increase of interest rate by 0.50%	200	225
Change of interest result with decrease of interest rate by 0.50%	–200	–225

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 the 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 0.049 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 21 February 2019 and are subject to the approval of the Annual General Meeting of Swiss Prime Site AG of 26 March 2019.

There were no other events occurring between 31 December 2018 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 2018, 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 2018, 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 22 to 68, 94 to 100) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, 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 11'146'710 as at 31 December 2018.

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 17 "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 2018, deferred tax liabilities amounted to TCHF 1'188'787.

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 11 "Income taxes" 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, 21 February 2019

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

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5

FINANCIAL STATEMENTS OF SWISS PRIME SITE AG

Income statement

in CHF 1 000	Notes	01.01.– 31.12.2017	01.01.– 31.12.2018
Dividend income	2.1	24 600	21 500
Other financial income	2.2	59 493	60 556
Other operating income		2	239
Total operating income		84 095	82 295
Financial expenses	2.3	–77 067	–74 590
Personnel costs		–1 799	–1 626
Other operating expenses	2.4	–5 132	–6 004
Total operating expenses		–83 998	–82 220
Result before taxes		97	75
Direct taxes		–8	–6
Profit	4	89	69

Balance sheet

in CHF 1 000	Notes	31.12.2017	31.12.2018
Assets			
Cash		758	512
Securities with market price		225	237
Other current receivables	2.5	24 778	21 699
Accrued income and prepaid expenses		1 573	2 173
Total current assets		27 334	24 621
Financial investments	2.6	3 060 714	3 336 130
Investments in subsidiaries	2.7	4 029 071	4 029 071
Accrued income and prepaid expenses		4 526	5 743
Total non-current assets		7 094 311	7 370 944
Total assets		7 121 645	7 395 565
Liabilities and shareholders' equity			
Current interest-bearing liabilities	2.8	620 800	962 000
Other current liabilities	2.9	7 980	8 966
Accrued expenses and deferred income		710	1 621
Total current liabilities		629 490	972 587
Non-current interest-bearing liabilities	2.10	4 147 200	4 027 000
Other non-current liabilities		2 398	1 889
Total non-current liabilities		4 149 598	4 028 889
Total liabilities		4 779 088	5 001 476
Share capital	2.11	1 093 627	1 161 979
Statutory reserves			
Statutory reserves from capital contributions		605 202	588 331
Legal retained earnings			
Reserves for treasury shares		–	25
Other legal retained earnings		147 378	147 378
Voluntary retained earnings			
Balance sheet profit	4	335 328	335 397
Other voluntary retained earnings		161 025	161 000
Treasury shares	2.12	–3	–21
Total shareholders' equity		2 342 557	2 394 089
Total liabilities and shareholders' equity		7 121 645	7 395 565

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 21.500 million [CHF 24.600 million] for the financial year 2018. 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.– 31.12.2017	01.01.– 31.12.2018
Interests on loans from group companies	58 219	60 020
Valuation of financial instruments	940	510
Other financial income	334	26
Total	59 493	60 556

2.3 Financial expenses

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Interests on loans	–57 087	–52 293
Interest expenses on bonds and convertible bonds	–18 336	–20 173
Amortisation of cost of bonds and convertible bonds	–1 406	–1 869
Other financial expenses	–238	–255
Total	–77 067	–74 590

2.4 Other operating expenses

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Administration costs	–3 501	–4 290
Capital taxes	–211	–194
Other operating expenses	–1 420	–1 520
Total	–5 132	–6 004

2.5 Other current receivables

in CHF 1 000	31.12.2017	31.12.2018
Other current receivables from third parties	178	199
Other current receivables from group companies	24 600	21 500
Total	24 778	21 699

2.6 Financial investments

in CHF 1 000	31.12.2017	31.12.2018
Loans to group companies	3 060 714	3 336 130
Total	3 060 714	3 336 130

2.7 Investments

Direct investments

	31.12.2017 Capital in CHF 1 000	Shareholding interest in %	31.12.2018 Capital in CHF 1 000	Shareholding interest in %
SPS Beteiligungen Alpha AG, Olten	450 000	100.0	450 000	100.0

Indirect investments

	31.12.2017 Capital in CHF 1 000	Shareholding interest in %	31.12.2018 Capital in CHF 1 000	Shareholding interest in %
Bellevue-Bau AG, Winterthur ¹	6 000	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz ²	100	100.0	n/a	n/a
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 ³	100	100.0	n/a	n/a
Leben im Alter AG, Zurich	100	100.0	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 ^{2,3}	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 Rosenau AG, Kirchberg ⁴	300	100.0	n/a	n/a
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 ³	100	100.0	n/a	n/a
SENIOfcare AG, Zurich ⁴	2 400	100.0	n/a	n/a
streamnow ag, Zurich ⁵	–	–	100	100.0
Swiss Prime Site Fund Advisory AG II, Olten	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten ¹	50 000	100.0	50 000	100.0
Swiss Prime Site Management AG, Olten	100	100.0	100	100.0
Swiss Prime Site Solutions AG, Zurich	1 500	100.0	1 500	100.0
Tertianum AG, Zurich ⁴	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
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
Zentrum Schönberg AG, Berne ⁶	–	–	1 000	51.0

¹ merger of Bellevue-Bau AG in Swiss Prime Site Immobilien AG as at 01.01.2018

² merger of Home Médicalisé Vert-Bois SA in Les Tourelles S.à r.l. as at 01.04.2018

³ merger of La Résidence des Marronniers SA and Résidence les Sources Saxon SA in Les Tourelles S.à r.l. as at 01.01.2018

⁴ merger of Perlavita Rosenau AG and SENIOcare AG in Tertianum AG as at 01.01.2018

⁵ acquisition as at 19.10.2018

⁶ acquisition as at 12.01.2018

2.8 Current interest-bearing liabilities

in CHF 1 000	31.12.2017	31.12.2018
Bonds	115 000	200 000
Other current interest-bearing liabilities	505 800	762 000
Total	620 800	962 000

2.9 Other current liabilities

in CHF 1 000	31.12.2017	31.12.2018
Other current liabilities to group companies	455	213
Other current liabilities to shareholders	172	192
Other current liabilities to third parties	7 353	8 561
Total	7 980	8 966

2.10 Non-current interest-bearing liabilities

in CHF 1 000	31.12.2017	31.12.2018
Convertible bonds	250 000	550 000
Bonds	1 330 000	1 320 000
Other non-current interest-bearing liabilities	2 567 200	2 157 000
Total	4 147 200	4 027 000

Maturity structure of non-current interest-bearing liabilities

in CHF 1 000	31.12.2017	31.12.2018
Up to five years	2 235 200	1 901 600
Over five years	1 912 000	2 125 400
Total	4 147 200	4 027 000

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

2.11 Share capital and capital contribution reserves

A capital increase of CHF 323.099 million was implemented on 28 September 2018 (nominal value CHF 68.352 million, capital contribution reserves CHF 254.747 million). As at the balance sheet date, the share capital comprised 75 946 349 [71 478 917] registered shares with a nominal value of CHF 15.30 per share.

2.12 Treasury shares

Swiss Prime Site AG held 260 [39] treasury shares on the balance sheet date. As at the balance sheet date, the group companies held an additional 279 [0] shares of Swiss Prime Site AG. Purchases and sales were carried out at the respective daily market rates.

	Volume-weighted average share price in CHF	2017 Number of treasury shares	Volume-weighted average share price in CHF	2018 Number of treasury shares
Change in number of treasury shares				
Holdings of treasury shares on 01.01.	–	1 336	–	39
Purchases at the volume-weighted average share price	86.58	8 698	81.67	7 872
Share-based compensation	86.62	–8 860	82.73	–7 651
Sales at the volume-weighted average share price ¹	87.70	–1 135	–	–
Holdings of treasury shares on 31.12.	–	39	–	260

¹ sales to group companies for share-based compensation

3 Additional information

3.1 Full-time employees

Swiss Prime Site AG has no employees.

3.2 Convertible bonds

		CHF 250 m 2023	CHF 300 m 2025
Issuing volume, nominal	CHF m	250.000	300.000
Book value as at 31.12.2018	CHF m	250.000	300.000
Book value as at 31.12.2017	CHF m	250.000	0.000
Conversion price	CHF	104.41	100.67
Interest rate	%	0.25	0.325
Term to maturity	years	7	7
Maturity	date	16.06.2023	16.01.2025
Securities number		32 811 156 (SPS16)	39 764 277 (SPS18)

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
Book value as at 31.12.2018	CHF m	0.000	200.000	230.000	300.000
Book value as at 31.12.2017	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 190 m 2024	CHF 100 m 2024	CHF 250 m 2025	CHF 250 m 2026
Issuing volume, nominal	CHF m	190.000	100.000	250.000	250.000
Book value as at 31.12.2018	CHF m	190.000	100.000	250.000	250.000
Book value as at 31.12.2017	CHF m	0.000	100.000	250.000	250.000
Interest rate	%	1.0	2.0	0.5	0.825
Term to maturity	years	6	10	9	9
Maturity	date	16.07.2024	10.12.2024	03.11.2025	11.05.2026
Securities number		39 863 325 (SPS181)	25 704 217 (SPS142)	33 764 553 (SPS161)	36 067 729 (SPS17)

3.4 Shareholding rights for Board of Directors and Executive Board

Number of shares	31.12.2017	31.12.2018
Board of Directors		
Prof. Dr. Hans Peter Wehrli, Chairman of the BoD	38 465	41 652
Mario F. Seris, Vice-Chairman of the BoD	11 004	12 864
Dr. Elisabeth Bourqui, member of the BoD ¹	2 048	n/a
Christopher M. Chambers, member of the BoD	48 000	41 486
Dr. Barbara Frei-Spreiter, member of the BoD ²	n/a	833
Dr. Rudolf Huber, member of the BoD	25 366	17 500
Thomas Studhalter, member of the BoD ²	n/a	833
Klaus R. Wecken, member of the BoD	380 000	180 000
Executive Board		
René Zahnd, member of the Executive Board (CEO)	3 327	4 535
Markus Meier, member of the Executive Board (CFO)	6 073	6 451
Peter Lehmann, member of the Executive Board and CEO of Swiss Prime Site Immobilien AG	10 000	12 375
Oliver Hofmann, member of the Executive Board and CEO of Wincasa AG	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	2 157	1 387
Total share ownership	526 515	319 916

¹ until 23.04.2018

² since 27.03.2018

3.5 Major shareholders

Major shareholders (shareholding interest >3%)	31.12.2017 Shareholding interest in %	31.12.2018 Shareholding interest in %
BlackRock Inc., New York	>5.0	>10.0
Credit Suisse Funds AG, Zurich	3.2	4.1
State Street Corporation, Boston	3.9	3.6
UBS Fund Management (Switzerland) AG, Basel	n/a	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 2018 of CHF 335.397 million as follows:

in CHF 1 000	31.12.2017	31.12.2018
Retained earnings brought forward	335 239	335 328
Profit	89	69
Total balance sheet profit	335 328	335 397
Dividend payment	–	–
Balance brought forward to new account	335 328	335 397

The Board of Directors proposes to the Annual General Meeting of 26 March 2019 a withholding tax-exempt distribution of CHF 3.80 per share from capital contribution reserves. Based on the total 75 946 349 shares issued as at 21 February 2019, this distribution is equivalent to a reduction in the capital contribution reserves of CHF 288.596 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 2018, 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 75 to 83) for the year ended 31 December 2018 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, 21 February 2019

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

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3

EPRA KEY FIGURES

EPRA key figures (European Public Real Estate Association)

EPRA earnings and EPRA earnings per share

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
Earnings per consolidated income statement	305 483	310 910
Excluding:		
Revaluations of investment properties	–65 879	–67 551
Result from real estate developments	–27 482	–15 474
Result from investment property sales	–262	–18 401
Tax on profits on disposals	49	9 290
Negative goodwill/goodwill impairment	n/a	n/a
Changes in fair value of financial instruments	–1 229	–651
Transaction costs on acquisitions of group companies and associated companies	342	35
Deferred taxes in respect of EPRA adjustments	21 130	18 750
Adjustments in respect of associated companies	n/a	n/a
Adjustments in respect of non-controlling interests	n/a	n/a
EPRA earnings	232 152	236 908
Average number of outstanding shares	71 477 937	72 620 217
EPRA earnings per share in CHF	3.25	3.26

EPRA net asset value (NAV)

in CHF 1 000	31.12.2017	31.12.2018
NAV as per consolidated balance sheet	4 778 037	5 144 892
Dilution effects from exercise of options, convertibles and other equity instruments	244 287	542 411
Diluted NAV, after the exercise of options, convertibles and other equity instruments	5 022 324	5 687 303
Including:		
Revaluation of investment properties ¹	n/a	n/a
Revaluation of properties under construction ¹	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	2 399	2 924
Deferred taxes	1 136 162	1 183 234
Goodwill as a result of deferred taxes	n/a	n/a
Adjustments in respect of associated companies	n/a	n/a
EPRA NAV	6 160 885	6 873 461
Number of outstanding shares (diluted)	73 851 244	81 320 249
EPRA NAV per share in CHF	83.42	84.52

¹ if FER 18 cost option is used

EPRA triple net asset value (NNNAV)

in CHF 1 000	31.12.2017	31.12.2018
EPRA NAV	6 160 885	6 873 461
Excluding:		
Fair value of derivative financial instruments	-2 399	-2 924
Revaluation of financial debts	-139 280	-74 355
Deferred taxes	-1 126 412	-1 178 029
EPRA NNNAV	4 892 794	5 618 153
Number of outstanding shares (diluted)	73 851 244	81 320 249
EPRA NNNAV per share in CHF	66.25	69.09

EPRA net yield on rental income (NIY)

in CHF 1 000	31.12.2017	31.12.2018
Investment properties - wholly owned	10 633 050	11 204 418
Investment properties - share of joint ventures/funds	n/a	n/a
Less properties under construction and development sites, building land and trading properties	-445 860	-602 260
Value of completed property portfolio	10 187 190	10 602 158
Allowance for estimated purchasers' costs	n/a	n/a
Gross up value of completed property portfolio	A 10 187 190	10 602 158
Annualised rental income	442 378	450 373
Property outgoings	-59 847	-59 961
Annualised net rental income	B 382 531	390 412
Add: notional rent expiration of rent-free periods or other lease incentives	7 965	4 227
Topped-up net annualised rental income	C 390 496	394 639
EPRA NIY	B/A 3.8%	3.7%
EPRA topped-up NIY	C/A 3.8%	3.7%

EPRA vacancy rate

in CHF 1 000	31.12.2017	31.12.2018
Estimated rental value of vacant space	22 513	20 513
Estimated rental value of the whole portfolio	466 626	473 783
EPRA vacancy rate	4.8%	4.3%

**FIVE-YEAR
SUMMARY OF
KEY FIGURES**

Five-year summary of key figures

	in	IFRS		Swiss GAAP FER		
		31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018
Fair value of real estate portfolio	CHF m	9 785.0	9 686.6	10 092.1	10 633.1	11 204.4
Rental income from properties	CHF m	443.1	445.9	453.0	469.9	479.4
Vacancy rate	%	6.6	6.7	6.1	5.2	4.8
Net property yield	%	4.1	3.9	3.7	3.7	3.6
Income from sale of trading properties	CHF m	–	105.1	–	–	–
Income from real estate developments	CHF m	–	–	–	51.7	72.8
Income from real estate services	CHF m	100.1	109.0	115.6	120.0	116.7
Income from retail	CHF m	151.9	136.8	133.6	136.2	131.3
Income from assisted living	CHF m	153.3	184.2	328.2	359.9	396.9
Income from asset management	CHF m	–	7.9	13.2	9.9	8.5
Total operating income	CHF m	852.7	995.2	1 049.5	1 154.8	1 214.1
Operating result before depreciation and amortisation (EBITDA)	CHF m	497.9	582.6	483.4	487.1	501.2
Operating result (EBIT)	CHF m	462.8	553.4	459.4	470.6	478.6
Profit	CHF m	286.7	355.1	311.1	305.5	310.9
Shareholders' equity	CHF m	4 201.8	4 956.0	4 746.3	4 777.5	5 145.1
Equity ratio	%	39.6	46.4	45.0	43.1	43.9
Borrowed capital	CHF m	6 400.3	5 734.6	5 811.7	6 317.6	6 564.2
Borrowed capital ratio	%	60.4	53.6	55.0	56.9	56.1
Total shareholders' equity and borrowed capital	CHF m	10 602.1	10 690.6	10 558.0	11 095.1	11 709.3
Interest-bearing financial liabilities	CHF m	4 963.7	4 261.6	4 480.1	4 848.1	5 073.5
Interest-bearing financial liabilities in % of balance sheet total	%	46.8	39.9	42.4	43.7	43.3
Loan-to-value ratio of property portfolio (LTV)	%	50.7	44.0	44.4	45.6	45.3
Weighted average interest rate on financial liabilities	%	2.2	2.1	1.8	1.5	1.4
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.7	4.4	4.5	4.7	4.3
Return on equity (ROE)	%	7.0	7.6	6.6	6.4	6.4
Return on invested capital (ROIC)	%	3.7	4.3	3.8	3.5	3.4
Cash flow from operating activities	CHF m	729.7	388.4	277.7	458.1	334.4
Cash flow from investing activities	CHF m	–280.4	100.4	–365.5	–394.6	–495.6
Cash flow from financing activities	CHF m	–395.8	–511.1	13.2	–64.7	186.6
Key financial figures excluding revaluations and deferred taxes						
Operating result (EBIT)	CHF m	349.6	428.9	390.1	404.8	411.1
Profit	CHF m	236.0	280.8	275.6	307.4	287.8
Return on equity (ROE)	%	5.9	6.1	5.9	6.4	5.9
Return on invested capital (ROIC)	%	3.2	3.6	3.5	3.6	3.2

Five-year summary of key figures

Key figures per share	in	IFRS			Swiss GAAP FER	
		31.12.2014	31.12.2015	31.12.2016	31.12.2017	31.12.2018
Share price at end of period	CHF	73.00	78.50	83.35	90.00	79.55
Share price, highest	CHF	76.00	87.80	90.65	91.00	94.30
Share price, lowest	CHF	68.95	70.65	74.95	82.25	77.45
Earnings per share (EPS)	CHF	4.72	5.30	4.41	4.27	4.27
Earnings per share (EPS) excluding revaluations and deferred taxes	CHF	3.90	4.20	3.91	4.30	3.95
NAV before deferred taxes ¹	CHF	84.77	85.83	81.32	82.87	83.40
NAV after deferred taxes ¹	CHF	69.06	71.15	66.41	66.85	67.74
Distribution from capital contribution reserves ²	CHF	3.70	3.70	3.70	3.80	3.80
Cash yield on closing price of the previous year ²	%	5.1	4.7	4.4	4.2	4.8
Share performance (TR) p.a. in the last 12 months	%	10.9	13.7	10.9	12.6	-7.1
Share performance (TR) p.a. in the last 3 years	%	6.5	6.2	12.0	11.6	5.1
Share performance (TR) p.a. in the last 5 years	%	10.3	7.8	8.8	8.4	7.9
Market capitalisation	CHF m	4439.9	5467.6	5957.8	6433.1	6041.5
Employees						
Number of employees	people	3097	4446	5621	5910	6295
Full-time equivalents	FTE	2370	3311	4558	4868	5115
Share statistics						
Shares issued	number	60 820 602	69 651 534	71 478 917	71 478 917	75 946 349
Average treasury shares held	number	-6 458	-6 506	-2 098	-980	-377
Average outstanding shares	number	60 512 651	67 127 792	70 781 230	71 477 937	72 620 217
Treasury shares held	number	-2 682	-2 780	-1 336	-39	-539
Outstanding shares	number	60 817 920	69 648 754	71 477 581	71 478 878	75 945 810

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

² 31.12.2018, according to proposal to Annual General Meeting

PROPERTY DETAILS

Investment properties

Property details as at 31.12.2018

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 ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Aarau, Bahnhofstrasse 23	12 090	657	33.8	sole ownership	1946	1986	685	2 159	58.3	11.8	–	–	29.9	–
Amriswil, Weinfelderstrasse 74	7 050	431	0.3	sole ownership	2004		3 672	2 772	46.8	0.4	46.0	–	5.4	1.4
Baar, Grabenstrasse 17, 19	32 670	1 208	–	sole ownership	2015		2 084	3 685	–	95.8	–	–	4.2	–
Baar, Zugerstrasse 57, 63	65 920	2 414	–	sole ownership	2009		6 029	8 999	–	89.8	–	–	6.7	3.5
Baden, Bahnhofstrasse 2	9 468	405	–	sole ownership	1927	1975	212	979	93.4	–	–	–	6.6	–
Baden, Weite Gasse 34, 36	7 860	431	28.0	sole ownership	1953	1975	366	1 565	37.7	40.4	–	–	9.8	12.1
Basel, Aeschenvorstadt 2–4	48 070	2 060	–	sole ownership	1960	2005	1 362	6 219	17.3	63.6	–	–	18.6	0.5
Basel, Barfüsserplatz 3 ¹	38 140	1 223	13.0	sole ownership	1874	1993	751	2 038	–	73.7	–	–	26.2	0.1
					1870/									
Basel, Centralbahnplatz 9/10	22 790	836	–	sole ownership	2005	2005	403	1 445	8.5	37.9	21.0	–	11.8	20.8
Basel, Elisabethenstrasse 15	29 620	1 304	1.8	sole ownership	1933	1993	953	4 266	20.9	72.4	–	–	6.7	–
Basel, Freie Strasse 26/ Falknerstrasse 3	39 700	1 273	4.4	sole ownership	1854	1980	471	2 870	43.6	50.3	–	–	6.1	–
Basel, Freie Strasse 36	48 510	1 689	–	sole ownership	1894	2003	517	2 429	59.3	13.6	–	–	11.5	15.6
						2015/								
Basel, Freie Strasse 68	70 970	2 844	–	sole ownership	1930	2016	1 461	8 200	19.5	1.2	4.8	58.1	15.9	0.5
Basel, Henric Petri-Strasse 9/ Elisabethenstrasse 19	31 430	1 533	8.5	sole ownership	1949	1985	2 387	6 700	4.3	74.6	–	–	21.1	–
Basel, Hochbergerstrasse 40/ parking	4 698	590	7.9	sole ownership land lease	1976		4 209	–	–	–	–	–	–	–
Basel, Hochbergerstrasse 60/ building 805	4 059	301	–	sole ownership	1958	2006	5 420	4 782	–	23.4	–	–	10.5	66.1
Basel, Hochbergerstrasse 60/ building 860	2 537	153	11.8	sole ownership	1990		980	897	–	84.1	–	–	14.1	1.8
Basel, Hochbergerstrasse 60/ Stücki Park	127 580	6 660	2.7	sole ownership	2008		8 343	37 455	–	85.2	1.1	–	5.3	8.4
Basel, Hochbergerstrasse 62	9 368	424	–	sole ownership	2005		2 680	–	–	–	–	–	–	–
Basel, Hochbergerstrasse 70/ Stücki Park (Shopping) ²	215 600	6 858	7.0	sole ownership	2009		46 416	28 082	29.1	14.9	41.5	–	12.3	2.2
				sole ownership partial land lease	2003		2 137	24 093	0.7	54.2	41.7	–	3.2	0.2
Basel, Messeplatz 12/Messeturm	213 010	9 754	3.7	freehold property	1999		19 214	9 109	–	85.3	–	–	14.7	–
Basel, Peter Merian-Strasse 80	54 250	2 602	2.6	sole ownership	1973	1998	3 713	9 061	46.5	11.3	13.9	–	26.6	1.7
Basel, Rebgrasse 20	40 250	2 560	0.3	sole ownership	1991		5 863	9 356	–	74.8	5.3	–	17.8	2.1
Belp, Aemmenmattstrasse 43	8 875	1 611	52.6	sole ownership	1991		5 863	9 356	–	74.8	5.3	–	17.8	2.1
Berlingen, Seestrasse 83, 88, 101, 154	32 880	1 972	–	sole ownership	1998		10 321	8 650	–	–	–	100.0	–	–
Berlingen, Seestrasse 110	1 359	154	31.6	sole ownership	1992		1 293	1 882	–	100.0	–	–	–	–
Berne, Bahnhofplatz 9	–	627	–	sold 19.12.2018										
Berne, Genfergasse 14	116 790	4 262	–	sole ownership	1905	1998	4 602	15 801	4.1	85.0	–	–	0.7	10.2
Berne, Laupenstrasse 6	12 560	595	–	sole ownership	1911	1998	503	2 067	41.4	49.8	–	–	0.3	8.5
Berne, Mingerstrasse 12–18/ PostFinance Arena	117 660	6 611	–	sole ownership land lease	1969/ 2009	2009	29 098	46 348	0.2	17.8	–	–	0.1	81.9
Berne, Schwarztorstrasse 48	52 840	2 803	–	sole ownership	1981	2011	1 959	8 148	–	75.7	–	–	23.0	1.3
Berne, Wankdorffallee 4/ EspacePost	182 890	8 150	–	sole ownership land lease	2014		5 244	33 647	–	94.2	–	–	4.9	0.9
					1975/									
Berne, Weltpoststrasse 5	80 260	5 591	5.4	sole ownership land lease	1985	2013	19 374	25 480	–	68.2	4.3	–	20.1	7.4
				sole ownership land lease	1961	1993	3 885	3 319	74.9	2.7	–	–	15.3	7.1
Biel, Solothurnstrasse 122	8 486	511	0.2	sole ownership	1958	2000	3 364	4 210	60.5	4.1	3.5	–	30.4	1.5
Brugg, Hauptstrasse 2	15 660	1 014	8.9	sole ownership	1995		2 192	1 784	13.2	60.1	–	–	18.3	8.4
Buchs, St. Gallerstrasse 5	6 142	422	10.9	sole ownership	1972	1998	1 845	2 129	48.9	39.9	–	–	9.6	1.6
Burgdorf, Emmentalstrasse 14	7 894	532	56.9	sole ownership	1972	1998	1 845	2 129	48.9	39.9	–	–	9.6	1.6

¹ 1 826 m² cannot be used due to total refurbishment and are therefore not included in the type of use overview² 26 250 m² cannot be used due to total refurbishment and are therefore not included in the type of use overview

Investment properties

Property details as at 31.12.2018

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 ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Burgdorf, Industrie Buchmatt	13 620	783	-	sole ownership partial land lease	1973		15 141	11 967	2.9	5.4	-	-	89.3	2.4
Carouge,														
Avenue Cardinal-Mermillod 36-44	151 820	9 104	3.0	sole ownership	1956	2002	14 372	35 065	23.7	56.9	3.5	-	14.8	1.1
Cham, Dorfplatz 2	4 949	259	0.1	sole ownership	1992		523	1 067	11.4	61.5	-	-	27.1	-
Conthey, Route Cantonale 2	6 998	377	-	sole ownership	1989		3 057	2 481	71.6	4.6	-	-	19.8	4.0
Conthey, Route Cantonale 4	13 820	1 161	10.8	sole ownership land lease	2009		7 444	4 979	86.1	-	3.0	-	6.1	4.8
Conthey, Route Cantonale 11	26 810	1 781	3.3	sole ownership land lease	2002		10 537	7 323	79.9	1.3	0.7	-	14.3	3.8
Dietikon, Bahnhofplatz 11/ Neumattstrasse 24	10 600	543	1.0	sole ownership	1989		1 004	1 783	19.5	56.1	-	-	24.4	-
Dietikon, Kirchstrasse 20	13 110	594	0.1	sole ownership	1988		1 087	1 894	23.5	65.0	-	-	11.5	-
Dietikon, Zentralstrasse 12	-	492	-	sold 31.12.2018										
Dübendorf, Bahnhofstrasse 1	6 109	441	-	sole ownership land lease	1988		1 308	1 671	17.7	59.3	-	-	23.0	-
Eyholz, Kantonsstrasse 79	2 586	284	-	sole ownership land lease	1991		2 719	1 319	92.3	5.6	-	-	-	2.1
Frauenfeld,														
St. Gallerstrasse 30-30c	37 180	1 711	-	sole ownership	1991		8 842	9 528	-	-	-	100.0	-	-
Frauenfeld, Zürcherstrasse 305	8 756	585	32.2	sole ownership	1982	2006	3 866	4 201	39.3	34.5	-	-	22.0	4.2
Frick, Hauptstrasse 132/ Fricktal Centre A3	22 310	1 124	4.5	sole ownership	2007		13 365	4 983	64.6	-	3.2	-	15.6	16.6
Geneva, Centre Rhône-Fusterie	115 860	3 075	-	freehold property	1990		2 530	11 186	76.2	0.3	-	-	23.5	-
Geneva, Place du Molard 2-4	268 870	8 406	9.7	sole ownership	1690	2002	1 718	7 203	39.0	56.2	-	-	4.0	0.8
Geneva, Route de Malagnou 6/ Rue Michel-Chauvet 7	16 550	778	7.4	sole ownership	1960/ 1969	1989	1 321	1 617	-	47.7	11.6	-	3.8	36.9
Geneva, Route de Meyrin 49	60 680	3 860	8.3	sole ownership	1987		9 890	10 144	-	85.5	-	-	13.0	1.5
Geneva, Rue Céard 14/ Croix-d'Or 11	30 420	1 259	-	sole ownership	1974/ 1985	1981	285	1 677	66.0	-	-	-	34.0	-
Geneva, Rue de la Croix-d'Or 7/ Rue Neuve-du-Molard 4-6	69 240	2 288	6.5	sole ownership	1974/ 1985	1994	591	3 472	38.4	24.3	-	-	3.6	33.7
Geneva, Rue des Alpes 5	27 970	913	8.3	sole ownership	1860		515	2 689	10.8	45.3	-	-	0.6	43.3
Geneva, Rue du Rhône 48-50	567 880	18 883	6.1	sole ownership	1921	2002	5 166	33 319	44.5	33.7	7.2	-	9.0	5.6
Gossau, Wilerstrasse 82	19 530	1 118	-	sole ownership	2007		13 064	4 688	78.1	2.1	-	-	10.7	9.1
Grand-Lancy,														
Route des Jeunes 10/CCL La Praille	266 140	15 922	1.5	sole ownership land lease	2002		20 597	36 107	51.9	0.9	28.5	-	16.6	2.1
Grand-Lancy,														
Route des Jeunes 12	49 400	3 159	4.6	sole ownership land lease	2003		5 344	12 740	3.3	37.9	43.0	-	13.7	2.1
Heimberg, Gurnigelstrasse 38	8 257	528	0.1	sole ownership land lease	2000		7 484	1 544	83.6	2.8	-	-	7.0	6.6
Horgen, Zugerstrasse 22, 24	10 930	619	-	sole ownership	1990		868	2 408	11.0	75.5	-	-	13.5	-
La Chaux-de-Fonds,														
Boulevard des Eplatures 44	6 652	432	-	sole ownership	1972		3 021	2 506	94.7	1.7	-	-	3.0	0.6
Lachen, Seidenstrasse 2	6 414	347	-	sole ownership	1993		708	1 532	13.9	67.6	-	-	18.5	-
Lausanne, Rue de Sébeillon 9/ Sébeillon Centre	13 090	970	0.5	sole ownership	1930	2001	2 923	10 116	8.4	54.1	-	-	24.7	12.8
Lausanne, Rue du Pont 5	138 870	6 815	1.7	sole ownership	1910	2004	3 884	20 805	50.5	23.3	9.2	-	10.1	6.9
Lutry,														
Route de l'Ancienne Cibleterie 2	31 670	1 603	2.0	freehold property	2006		13 150	3 233	75.2	2.8	1.9	-	14.8	5.3
Lucerne, Kreuzbuchstrasse 33/35	23 210	1 883	-	sole ownership land lease	2010		14 402	10 533	-	-	-	100.0	-	-
Lucerne, Langensandstrasse 23/ Schönbühl	52 210	2 793	6.2	sole ownership	1969	2007	20 150	10 528	63.7	8.2	1.7	-	15.5	10.9
Lucerne, Pilatusstrasse 4/Flora	72 330	2 670	-	freehold property	1979	2008	4 376	9 906	69.5	12.1	-	-	9.6	8.8
Lucerne, Schwanenplatz 3	18 400	731	1.3	sole ownership	1958	2004	250	1 512	10.8	62.6	-	-	18.7	7.9

Investment properties

Property details as at 31.12.2018

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 ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Lucerne, Schweizerhofquai 6/ Gotthardgebäude	78 200	2 108	-	sole ownership	1889	2002	2 479	7 261	6.8	87.9	-	-	5.3	-
Lucerne, Weggisgasse 20, 22	19 980	727	-	sole ownership	1982		228	1 285	76.8	-	-	-	23.2	-
Meilen, Seestrasse 545	7 023	510	-	sole ownership land lease	2008		1 645	2 458	-	-	-	100.0	-	-
Meyrin, Chemin de Riantbosson 19/ Riantbosson Centre ¹	45 680	1 533	37.4	sole ownership	2018		4 414	7 652	33.2	38.6	9.7	-	15.5	3.0
Meyrin, Route de Meyrin 210	2 491	247	-	sole ownership partial land lease	1979	1999	3 860	1 116	65.7	4.3	-	-	15.7	14.3
Meyrin, Route de Pré-Bois 14/ Geneva Business Terminal¹	19 560	500	82.8	sole ownership land lease	2003/ 2018		2 156	3 112	5.7	88.6	-	-	5.7	-
Morges, Les Vergers-de-la-Gottaz 1	23 910	1 204	-	sole ownership	1795/ 2003	1995	11 537	3 698	-	-	-	100.0	-	-
Neuchâtel, Avenue J.-J. Rousseau 7	7 278	517	13.6	sole ownership	1991	1992	1 020	3 102	-	69.7	-	-	22.7	7.6
Neuchâtel, Rue de l'Ecluse 19/ parking	713	42	0.1	sole ownership	1960	1997	715	-	-	-	-	-	-	-
Neuchâtel, Rue du Temple-Neuf 11	5 453	286	-	sole ownership	1953	1993	262	1 155	18.8	57.2	-	-	13.9	10.1
Neuchâtel, Rue du Temple-Neuf 14	44 060	2 330	1.3	sole ownership	1902/ 2014		1 928	6 896	47.7	15.7	-	-	11.0	25.6
Niederwangen b. Bern, Riedmoosstrasse 10	40 930	2 304	1.1	sole ownership	1985	2006	12 709	12 926	33.2	13.1	-	-	45.7	8.0
Oberbüren, Buchental 2	12 930	752	-	sole ownership	1980	2007	6 401	6 486	34.3	1.8	-	-	62.4	1.5
Oberbüren, Buchental 3	3 096	303	0.3	sole ownership	1964		4 651	2 342	20.7	32.6	-	-	31.5	15.2
Oberbüren, Buchental 3a	3 139	236	-	sole ownership	1964		3 613	2 464	-	-	-	-	100.0	-
Oberbüren, Buchental 4	26 580	1 475	-	sole ownership	1990		4 963	9 547	38.5	20.3	-	-	41.2	-
Oberbüren, Buchental 5	936	65	16.7	sole ownership	1920		3 456	1 649	-	12.1	-	-	-	87.9
Oberwil, Mühlemattstrasse 23	2 954	311	-	freehold property land lease	1986		6 200	1 652	75.9	4.2	-	-	16.3	3.6
Oftringen, Spitalweidstrasse 1/ shopping centre a¹	66 310	2 971	59.7	sole ownership	2006		42 031	6 660	72.1	9.0	-	-	10.9	8.0
Olten, Bahnhofquai 18	29 480	1 585	0.7	sole ownership	1996		2 553	5 134	-	93.6	-	-	6.4	-
Olten, Bahnhofquai 20	41 750	2 034	-	sole ownership	1999		1 916	7 423	-	84.8	-	-	14.4	0.8
Olten, Frohburgstrasse 1	7 123	110	9.8	sole ownership	1899	2009	379	1 196	-	78.3	-	-	21.7	-
Olten, Frohburgstrasse 15	11 530	555	15.4	sole ownership	1961	1998	596	1 884	-	79.3	-	-	11.9	8.8
Olten, Solothurnerstrasse 201	6 778	333	-	sole ownership	2006		5 156	1 592	62.3	-	-	-	31.5	6.2
Olten, Solothurnerstrasse 231-235/Usego	31 466	2 068	15.6	sole ownership	1907	2011	12 922	11 515	4.9	58.6	-	-	10.0	26.5
Opfikon, Müllackerstrasse 2, 4/ Bubenholz	47 490	2 003	-	sole ownership	2015		6 169	10 802	-	-	-	100.0	-	-
Ostermundigen, Mitteldorfstrasse 16	35 340	1 597	-	sole ownership	2009		7 503	10 925	-	-	-	100.0	-	-
Otelfingen, Industriestrasse 19/21	96 310	7 297	16.4	sole ownership	1965	2000	101 933	80 440	-	16.6	-	-	78.1	5.3
Otelfingen, Industriestrasse 31	18 150	1 480	25.3	sole ownership	1986	1993	12 135	11 828	-	36.1	0.4	-	56.0	7.5
Payerne, Route de Bussy 2	24 300	1 214	-	sole ownership	2006		12 400	6 017	84.0	4.4	-	-	7.1	4.5
Petit-Lancy, Route de Chancy 59	119 100	7 873	15.4	sole ownership	1990		13 052	22 147	2.0	66.1	6.5	-	21.9	3.5
Pfäffikon SZ, Huobstrasse 5	64 600	2 802	-	sole ownership	2004		7 005	11 660	-	-	-	100.0	-	-
Rapperswil-Jona, Rathausstrasse 8	19 870	959	0.4	sole ownership	1992	2008	1 648	3 143	23.6	50.6	-	-	25.6	0.2
Regensdorf, Riedthofstrasse 172-184/Iseli Areal	26 970	1 349	1.5	sole ownership bought 29.01.2018	1962/ 2009		25 003	10 453	-	19.5	-	-	71.1	9.4

¹ reclassified from properties under construction to investment properties after new construction² 13 308 m² cannot be used due to total refurbishment and are therefore not included in the type of use overview

Investment properties

Property details as at 31.12.2018								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 ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Romanel, Chemin du Marais 8	15 680	1 227	–	sole ownership	1973	1995	7 264	6 790	88.3	0.2	–	–	10.4	1.1
Schwyz, Oberer Steisteg 18, 20	9 285	541	–	sole ownership	1988	2004	1 039	2 669	8.7	58.3	–	–	32.6	0.4
Solothurn, Amthausplatz 1	13 320	840	2.1	sole ownership	1955	1988	1 614	3 353	17.8	57.9	–	–	24.3	–
Spreitenbach,														
Industriestrasse/Tivoli	10 840	502	–	freehold property	1974	2010	25 780	980	87.2	–	–	–	12.8	–
Spreitenbach, Müslistrasse 44	4 176	223	–	sole ownership	2002		2 856	516	–	6.9	30.3	–	4.0	58.8
Spreitenbach, Pfadackerstrasse 6/														
Limmatpark	63 560	5 570	16.8	sole ownership	1972	2003	10 318	28 207	62.4	27.3	–	–	7.4	2.9
St. Gallen, Spisergasse 12	11 400	492	1.4	sole ownership	1900	1998	208	1 070	82.7	–	–	–	–	17.3
St. Gallen, Spisergasse 12	5 643	226	3.4	sole ownership	1423	1984	165	617	31.6	17.7	–	–	24.1	26.6
St. Gallen,														
Zürcherstrasse 462–464/ Shopping Arena	293 670	15 588	1.3	sole ownership parking 73/100 co-ownership	2008		33 106	39 653	58.0	9.6	11.4	–	19.5	1.5
Stadel b. Niederglatt,														
Buechenstrasse 80 ¹	15 270	–	–	financial lease	2008		3 947	2 674	–	–	–	100.0	–	–
Sursee, Moosgasse 20	9 000	640	5.6	sole ownership	1998		4 171	2 409	77.3	–	6.8	–	15.9	–
Thalwil, Gotthardstrasse 40	5 989	278	–	sole ownership	1958	2004	541	986	9.1	57.8	13.2	–	19.9	–
Thônex, Rue de Genève 104–108	92 660	4 743	1.2	sole ownership	2008		9 224	11 680	56.0	0.4	3.5	–	8.2	31.9
Thun, Bälliz 67	16 420	792	10.8	sole ownership	1953	2001	875	3 173	32.4	51.2	2.0	–	10.7	3.7
Thun, Göttibachweg 2–2e, 4, 6, 8	47 820	2 224	–	sole ownership land lease	2003		14 520	11 556	–	–	–	100.0	–	–
Uster, Poststrasse 10	8 377	374	–	sole ownership	1972	2012	701	1 431	17.1	61.3	–	–	21.6	–
Uster, Poststrasse 14/20	11 950	696	0.9	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	91 660	4 817	18.2	sole ownership	2007		10 170	13 681	–	82.2	–	–	17.1	0.7
Vevey, Rue de la Clergère 1	13 340	713	–	sole ownership	1927	1994	717	3 055	15.7	73.1	–	–	11.2	–
Wabern, Nesslerenweg 30	17 860	1 011	–	sole ownership	1990		4 397	6 288	–	–	–	100.0	–	–
Wattwil, Ebnaterstrasse 45	–	–	–	sold 21.06.2018										
Wil, Obere Bahnhofstrasse 40	18 740	818	–	sole ownership	1958	2008	1 105	2 877	80.4	8.6	–	–	7.2	3.8
Winterthur,														
Theaterstrasse 15a-c, 17	193 730	8 620	14.7	sole ownership	2004		15 069	37 238	–	71.1	0.5	–	15.4	13.0
Winterthur, Untertor 24	9 700	243	53.3	sole ownership	1960	2006	290	1 364	69.9	–	–	–	30.1	–
Worblaufen,														
Alte Tiefenastrasse 6	164 870	4 578	–	sole ownership additional bought of 51/100 01.10.2018	1999		21 804	37 170	–	87.4	–	–	12.0	0.6
Zollikon, Bergstrasse 17, 19	11 580	622	9.1	sole ownership	1989	2004	1 768	2 126	26.1	44.1	–	–	29.8	–
Zollikon, Forchstrasse 452–456	16 970	327	93.5	sole ownership	1998		2 626	2 251	–	68.4	–	–	31.6	–
Zuchwil, Dorfackerstrasse 45/ Birchi Centre	25 930	2 215	21.8	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	140 960	5 873	1.7	sole ownership	2002		7 400	15 817	–	90.3	–	–	9.7	–
Zug, Zählerweg 8, 10/ Dammstrasse 21, 23/Opus 2	179 950	6 609	2.8	sole ownership	2003		8 981	20 125	–	91.2	–	–	8.8	–
Zurich, Affolternstrasse 52/ MFO building	13 960	692	–	sole ownership	1889	2012	1 367	2 776	–	53.1	25.8	–	21.1	–
Zurich, Affolternstrasse 54, 56/ Cityport	183 740	8 687	–	sole ownership	2001		9 830	23 547	–	91.9	–	–	7.8	0.3

¹ property included in Services segment

Investment properties

Property details as at 31.12.2018

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 ²	Overview of type of use						
								Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Zurich, Albisriederstrasse 203, 207, 243	38 480	2 201	29.3	sole ownership	1942–2003		13 631	12 281	–	64.3	21.5	–	7.5	6.7
Zurich, Bahnhofstrasse 42	139 890	2 049	–	sole ownership	1968	1990	482	2 003	42.7	44.6	–	–	12.7	–
Zurich, Bahnhofstrasse 69	62 070	1 496	7.8	sole ownership	1898	2007	230	1 124	10.8	77.9	–	–	11.0	0.3
Zurich, Bahnhofstrasse 106	54 670	1 571	–	sole ownership	1958		200	1 210	11.7	53.6	–	–	31.7	3.0
Zurich, Beethovenstrasse 33, Dreikönigstrasse 24	135 720	1 898	2.6	sole ownership bought 01.07.2018	1966–1968	2013–2016	1 347	5 801	9.8	77.9	–	–	12.3	–
Zurich, Brandschenkestrasse 25	179 610	4 878	–	sole ownership	1910	2017	3 902	17 164	–	–	–	70.6	20.4	9.0
Zurich, Carl-Spitteler-Strasse 68/70	102 820	4 052	–	sole ownership	1993		11 732	19 343	–	–	–	100.0	–	–
Zurich, Etzelstrasse 14	31 490	1 193	–	sole ownership	2017		1 809	2 135	–	–	–	100.0	–	–
Zurich, Flurstrasse 55/Medienpark	147 720	6 142	6.3	sole ownership	1979	2013–2015	8 270	24 139	1.7	70.2	4.1	–	22.1	1.9
Zurich, Flurstrasse 89	7 895	469	–	sole ownership	1949	2003	2 330	3 331	–	12.0	–	–	11.3	76.7
Zurich, Fraumünsterstrasse 16	147 570	5 142	13.5	sole ownership	1901	1990	2 475	8 462	15.6	75.1	–	–	9.3	–
Zurich, Giesshübelstrasse 15	36 290	331	–	sole ownership bought 01.10.2018	1956	1999	1 713	2 827	–	89.0	–	–	11.0	–
Zurich, Hagenholzstrasse 60/SkyKey	309 200	11 132	–	sole ownership	2014		9 573	41 251	0.3	85.7	9.8	–	4.2	–
Zurich, Hardstrasse 201/Prime Tower	653 330	20 486	0.1	sole ownership	2011		10 416	48 138	0.7	87.3	5.5	–	6.4	0.1
Zurich, Hardstrasse 219/Eventblock Maag	16 630	1 115	2.8	sole ownership	1929–1978		8 002	7 183	–	21.7	–	–	19.1	59.2
Zurich, Josefstrasse 53, 59	84 370	3 918	4.9	sole ownership	1962/1972	2001	2 931	12 114	8.5	75.4	1.4	–	14.7	–
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	24 290	932	–	sole ownership	1900/1995	1996	1 630	1 829	–	–	–	100.0	–	–
Zurich, Kappenhühlweg 9, 11/Holbrigstrasse 10/Regensdorferstrasse 18a	71 510	2 993	–	sole ownership	1991		9 557	14 790	–	–	–	100.0	–	–
Zurich, Maagplatz 1/Platform	188 220	7 036	–	sole ownership	2011		5 942	20 310	2.1	91.1	0.5	–	4.9	1.4
Zurich, Manessestrasse 85	55 500	2 723	12.0	sole ownership	1985	2012	3 284	8 270	4.5	66.7	–	–	24.9	3.9
Zurich, Müllerstrasse 16, 20	126 610	1 651	–	sole ownership bought 01.10.2018	1980	2006	3 864	13 692	–	93.1	–	–	5.8	1.1
Zurich, Nansenstrasse 5/7	51 150	2 523	0.2	sole ownership	1985		1 740	5 864	39.1	27.0	–	–	6.1	27.8
Zurich, Ohmstrasse 11, 11a	34 730	2 201	–	sole ownership	1927	2007	1 970	6 010	54.9	23.5	2.2	–	14.4	5.0
Zurich, Querstrasse 6	4 658	179	–	sole ownership	1927	1990	280	563	13.3	–	–	–	–	86.7
Zurich, Restelbergstrasse 108	10 290	352	–	sole ownership	1936	1997	1 469	672	–	–	–	100.0	–	–
Zurich, Schaffhauserstrasse 339	8 668	463	15.7	sole ownership	1957	1997	307	1 726	12.7	69.3	–	–	18.0	–
Zurich, Schulstrasse 34, 36	14 290	542	–	sole ownership	1915	1995	697	1 721	–	36.1	–	–	7.8	56.1
Zurich, Seidengasse 1/Jelmoli – The House of Brands	824 170	28 141	–	sole ownership	1898	2010	6 514	36 770	64.6	3.7	13.3	–	12.8	5.6
Zurich, Siewerdstrasse 8	22 950	1 343	–	sole ownership	1981		1 114	3 687	–	91.1	–	–	8.9	–
Zurich, Sihlcity	–	8 056	–	sold 01.10.2018										
Zurich, Sihlstrasse 24/St. Annagasse 16	43 770	1 755	–	sole ownership	1885	2007	1 155	2 858	3.9	71.2	13.6	–	6.5	4.8
Zurich, Stadelhoferstrasse 18	30 210	1 045	–	sole ownership	1983	2004	1 046	1 906	19.6	48.9	11.9	–	19.0	0.6
Zurich, Stadelhoferstrasse 22	37 000	1 512	0.1	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	106 840	3 757	0.3	sole ownership	1957	1999	1 534	6 214	10.9	64.2	2.1	–	19.6	3.2
Zurich, Steinmühleplatz/Jelmoli parking	40 580	3 222	0.7	sole ownership with concession	1972	2009	1 970	84	100.0	–	–	–	–	–
Zurich, Talacker 21, 23	76 260	2 966	0.2	sole ownership	1965	2008	1 720	4 904	9.6	64.2	–	–	26.2	–
Total I	10 602 158	455 282	4.6				1 083 873	15 419 959	18.7	43.2	4.8	9.4	16.7	7.2

Properties under construction and development sites

Property details as at 31.12.2018								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 ²	Total m ² commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Basel, Hochbergerstrasse 60/ Stückli Park	29 860	-	-	sole ownership			5 440	-	-	-	-	-	-	-
Berne, Viktoriastrasse 21, 21a, 21b/Schönburg	106 700	1	-	sole ownership	1970		14 036	-	-	-	-	-	-	-
Lancy, Esplanade de Pont-Rouge 5, 7, 9/Alto Pont Rouge	121 380	-	-	sole ownership with 14/100 co-ownership			5 170	-	-	-	-	-	-	-
Monthey, Rue de Venise 5-7/ Avenue de la Plantaud 4	4 394	1	-	sole ownership bought 16.03.2018			1 785	-	-	-	-	-	-	-
Paradiso, Riva Paradiso 3 & 20/ Du Lac	24 360	15	-	sole ownership partial land lease			3 086	-	-	-	-	-	-	-
Plan-les-Ouates, Chemin des Aulx/ Espace Tourbillon	123 910	-	-	sole ownership			17 768	-	-	-	-	-	-	-
Richterswil, Gartenstrasse 7, 17/ Etzelblick	13 180	8	-	sole ownership			5 197	-	-	-	-	-	-	-
Richterswil, Gartenstrasse 15/ Etzelblick	4 423	-	-	sole ownership bought 01.12.2018			1 553	-	-	-	-	-	-	-
Schlieren, Zürcherstrasse 39/JED	50 040	56	-	sole ownership	1992/ 2003		26 684	-	-	-	-	-	-	-
Zurich, Albisriederstrasse/ Rütiwiesweg/Yond	61 460	-	-	sole ownership			9 114	-	-	-	-	-	-	-
Zurich, Vulkanstrasse 114, Juchstrasse 3/West-Log	37 080	-	-	sole ownership bought 21.06.2018			7 733	-	-	-	-	-	-	-
Total III	576 787	81	-				97 566	-	-	-	-	-	-	-
Overall total	11 204 418	455 496					1 247 568	1 567 288	18.4	42.7	4.7	9.2	16.4	8.6
Rent losses from vacancies		-21 114												
Consolidated subtotal segment, excluding leased properties		434 382	4.6											
Intercompany eliminations		-56 480												
Rental income from third parties, Services segment		39 366												
Consolidated subtotal, excluding leased properties		417 268	4.8											
Rental income from leased properties, Services segment		62 136												
Consolidated overall total, including leased properties		479 404												

Imprint

The original of this report is written in German.
The original German text is the effective official version.

Overall responsibility | Editing

Swiss Prime Site AG
Markus Waeber, Head of Investor Relations & Communications
Mladen Tomic, Head of Corporate Communications
Frohburgstrasse 1
CH-4601 Olten
info@sps.swiss
www.sps.swiss

Concept | design | realisation

Therefore GmbH, Zurich

Advisory sustainability and integrated reporting

Sustainserv GmbH, Zurich and Boston

Translation

Supertext AG, Zurich

Image material

Swiss Prime Site AG, Olten

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Headquarters

Swiss Prime Site AG
Frohburgstrasse 1
CH-4601 Olten

Zurich Office

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

Geneva Office

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

Phone +41 58 317 17 17 | info@sps.swiss | www.sps.swiss

