



**SWISS PRIME SITE**

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# **FINANCIAL REPORT**

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**2018**

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#### Reporting structure

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

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**SELECTED  
GROUP  
KEY FIGURES**

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# 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 <sup>1</sup>	CHF	82.87	83.40	0.6
NAV after deferred taxes per share <sup>1</sup>	CHF	66.85	67.74	1.3
Earnings per share (EPS)	CHF	4.27	4.27	-
<b>Financial figures excluding revaluations and deferred taxes</b>				
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
<b>Real estate portfolio</b>				
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 <sup>2</sup>	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
<b>Employees</b>				
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

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

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**ANNUAL REPORT  
FOR THE YEAR  
2018**

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# 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 m<sup>2</sup> (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 %
<b>Real Estate segment</b>	<b>478.4</b>	<b>509.2</b>	<b>6.4</b>
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
<b>Services segment</b>	<b>754.6</b>	<b>790.7</b>	<b>4.8</b>
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
<b>Eliminations</b>	<b>–78.2</b>	<b>–85.7</b>	<b>9.6</b>
<b>Total group</b>	<b>1 154.8</b>	<b>1 214.1</b>	<b>5.1</b>

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 m<sup>2</sup>. 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
<b>Total group</b>	<b>470.6</b>	<b>478.6</b>	<b>1.7</b>

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 <sup>1</sup>	CHF	82.87	83.40	0.6
NAV after deferred taxes per share <sup>1</sup>	CHF	66.85	67.74	1.3

<sup>1</sup> 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.

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**VALUATION  
EXPERT'S  
REPORT**

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

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

<b>Fair value as at 31.12.2017</b>	<b>10 633.05</b>
+ 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
<b>Fair value as at 31.12.2018</b>	<b>11 204.42</b>

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

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**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

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## 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
<b>Operating income</b>		<b>1 154 796</b>	<b>1 214 110</b>
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
<b>Operating expenses</b>		<b>–751 984</b>	<b>–822 586</b>
<b>Operating result (EBIT)</b>		<b>470 630</b>	<b>478 624</b>
Financial expenses	10	–77 843	–75 770
Financial income	10	2 021	1 157
<b>Profit before income taxes</b>		<b>394 808</b>	<b>404 011</b>
Income taxes	11	–89 325	–93 101
<b>Profit</b>		<b>305 483</b>	<b>310 910</b>
Attributable to shareholders of Swiss Prime Site AG		305 330	310 316
Attributable to non-controlling interests		153	594
<b>Earnings per share (EPS), in CHF</b>	<b>24</b>	<b>4.27</b>	<b>4.27</b>
<b>Diluted earnings per share, in CHF</b>	<b>24</b>	<b>4.16</b>	<b>4.02</b>

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
<b>Assets</b>			
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
<b>Total current assets</b>		<b>334 282</b>	<b>410 082</b>
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
<b>Total non-current assets</b>		<b>10 760 802</b>	<b>11 299 250</b>
<b>Total assets</b>		<b>11 095 084</b>	<b>11 709 332</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current financial liabilities</b>			
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
<b>Total current liabilities</b>		<b>943 323</b>	<b>1 262 471</b>
<b>Non-current financial liabilities</b>			
Deferred tax liabilities	11	1 145 331	1 188 787
<b>Total non-current liabilities</b>		<b>5 374 291</b>	<b>5 301 751</b>
<b>Total liabilities</b>		<b>6 317 614</b>	<b>6 564 222</b>
<b>Shareholders' equity</b>			
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
<b>Shareholders' equity attributable to shareholders of Swiss Prime Site AG</b>		<b>4 778 037</b>	<b>5 144 892</b>
Non-controlling interests	23	–567	218
<b>Total shareholders' equity</b>		<b>4 777 470</b>	<b>5 145 110</b>
<b>Total liabilities and shareholders' equity</b>		<b>11 095 084</b>	<b>11 709 332</b>

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

## Consolidated cash flow statement

in CHF 1 000	Notes	01.01.– 31.12.2017	01.01.– 31.12.2018
<b>Profit</b>		<b>305 483</b>	<b>310 910</b>
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
<b>Cash flow from operating activities</b>		<b>458 088</b>	<b>334 406</b>
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
<b>Cash flow from investing activities</b>		<b>–394 614</b>	<b>–495 633</b>
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
<b>Cash flow from financing activities</b>		<b>–64 652</b>	<b>186 613</b>
<b>Change in cash</b>		<b>–1 178</b>	<b>25 386</b>
Cash at beginning of period		160 326	159 148
<b>Cash at end of period</b>		<b>159 148</b>	<b>184 534</b>

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



## Consolidated statement of changes in shareholders' equity

in CHF 1 000	Notes	Share capital	Capital reserves	Treasury shares	Retained earnings	Shareholders' equity attributable to shareholders of Swiss Prime Site AG	Non-controlling interests	Total shareholders' equity
<b>Total as at 01.01.2017</b>		<b>1 093 627</b>	<b>888 187</b>	<b>- 109</b>	<b>2 765 295</b>	<b>4 747 000</b>	<b>- 720</b>	<b>4 746 280</b>
Profit		-	-	-	305 330	305 330	153	305 483
Compensation of goodwill from acquisitions of group companies		-	-	-	- 11 544	- 11 544	-	- 11 544
Goodwill charged to income on sale of group companies		-	-	-	1 131	1 131	-	1 131
Distribution from capital contribution reserves on 20.04.2017	23	-	- 264 471	-	-	- 264 471	-	- 264 471
Share-based compensation	23	-	485	2 889	-	3 374	-	3 374
Purchase of treasury shares	23	-	-	- 2 783	-	- 2 783	-	- 2 783
<b>Total as at 31.12.2017</b>		<b>1 093 627</b>	<b>624 201</b>	<b>- 3</b>	<b>3 060 212</b>	<b>4 778 037</b>	<b>- 567</b>	<b>4 777 470</b>
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
<b>Total as at 31.12.2018</b>		<b>1 161 979</b>	<b>608 218</b>	<b>- 47</b>	<b>3 374 742</b>	<b>5 144 892</b>	<b>218</b>	<b>5 145 110</b>

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

# Notes to the consolidated financial statements

## 1 Business activities

Swiss Prime Site's strategy is based on investments in high-quality properties situated in prime locations, primarily with commercially utilised floor space, as well as 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
<b>Operating income</b>	<b>509 151</b>	<b>790 679</b>	<b>1 299 830</b>	<b>–85 720</b>	<b>1 214 110</b>
<b>Revaluation of investment properties, net</b>	<b>68 281</b>	<b>–730</b>	<b>67 551</b>	<b>–</b>	<b>67 551</b>
<b>Result from investments in associates</b>	<b>1 148</b>	<b>–</b>	<b>1 148</b>	<b>–</b>	<b>1 148</b>
<b>Result from investment property sales, net</b>	<b>17 564</b>	<b>184</b>	<b>17 748</b>	<b>653</b>	<b>18 401</b>
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
<b>Operating expenses</b>	<b>–165 088</b>	<b>–742 565</b>	<b>–907 653</b>	<b>85 067</b>	<b>–822 586</b>
<b>Operating result (EBIT)</b>	<b>431 056</b>	<b>47 568</b>	<b>478 624</b>	<b>–</b>	<b>478 624</b>
Financial expenses					–75 770
Financial income					1 157
<b>Profit before income taxes</b>					<b>404 011</b>

Segment income statement 01.01.–31.12.2017

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

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
<b>Rental income from properties</b>	<b>469 858</b>	<b>479 404</b>
<b>Income from real estate developments</b>	<b>51 748</b>	<b>72 763</b>
<b>Income from real estate services</b>	<b>120 033</b>	<b>116 714</b>
Income from retail, gross	150 173	144 512
Rebates	–14 015	–13 253
<b>Income from retail</b>	<b>136 158</b>	<b>131 259</b>
<b>Income from assisted living</b>	<b>359 933</b>	<b>396 860</b>
<b>Income from asset management</b>	<b>9 878</b>	<b>8 452</b>
<b>Other operating income</b>	<b>7 188</b>	<b>8 658</b>
<b>Total operating income</b>	<b>1 154 796</b>	<b>1 214 110</b>

Swiss Prime Site's primary business activity is leasing investment properties. Net rental income from properties as well as land lease income totalled CHF 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 m<sup>2</sup> [1 575 102 m<sup>2</sup>]. This total was subdivided into 1 554 119 m<sup>2</sup> [1 561 699 m<sup>2</sup>] of commercial floor space and 13 169 m<sup>2</sup> [13 403 m<sup>2</sup>] 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 <sup>1</sup>	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
<b>Total</b>	<b>442 721</b>	<b>100.0</b>	<b>438 647</b>	<b>100.0</b>

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

Future rental income has been presented from the Real Estate segment perspective and is based on the rental agreements of the group's properties as at 31 December 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 <sup>2</sup> to 2 839 m <sup>2</sup>
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
<b>Total future land lease income</b>	<b>10 712</b>	<b>10 823</b>

## 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
<b>Total result from investment property sales, net</b>	<b>262</b>	<b>18 401</b>

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
<b>Total real estate costs</b>	<b>–132 518</b>	<b>–134 636</b>

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
<b>Total personnel costs</b>	<b>–415 788</b>	<b>–442 651</b>
<b>Number of employees as at 31.12.</b>	<b>5 910</b>	<b>6 295</b>
<b>Number of full-time equivalents as at 31.12.</b>	<b>4 868</b>	<b>5 115</b>

## 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
<b>Total other operating expenses</b>	<b>–61 228</b>	<b>–62 110</b>

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

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

Audit and consultancy expenses comprised consulting fees of CHF 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
<b>Total financial expenses</b>	<b>–77 843</b>	<b>–75 770</b>

## 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
<b>Total financial income</b>	<b>2 021</b>	<b>1 157</b>

## 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
<b>Total current income taxes</b>	<b>–21 579</b>	<b>–48 697</b>
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
<b>Total deferred taxes</b>	<b>–67 746</b>	<b>–44 404</b>
<b>Total income taxes</b>	<b>–89 325</b>	<b>–93 101</b>

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
<b>Total income taxes</b>	<b>–89 325</b>	<b>–93 101</b>

### Deferred taxes

Where the revaluations according to Swiss GAAP FER versus the fiscal values were due to recaptured depreciation, the taxes were allocated per property after deduction of any applicable property gains tax and taken into account separately. In this case, tax rates of between 4.9% and 17.7% [4.9% and 17.7%] 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
<b>Possible tax effect on taxable losses carried forward at expected tax rate</b>	<b>10 627</b>	<b>6 145</b>
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
<b>Total deferred tax assets not recognised at expected tax rate</b>	<b>1 533</b>	<b>692</b>
Recognised deferred tax assets on losses carried forward	9 094	5 453
Other deferred income tax assets	75	100
<b>Total deferred income tax assets</b>	<b>9 169</b>	<b>5 553</b>

#### Expiring taxable losses carried forward

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

in CHF 1 000	31.12.2017	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
<b>Total expiring taxable losses carried forward</b>	<b>6 664</b>	<b>3 011</b>

#### Deferred tax liabilities

in CHF 1 000	31.12.2017	31.12.2018
<b>Deferred tax liabilities as at 01.01.</b>	<b>1 065 637</b>	<b>1 145 331</b>
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
<b>Deferred tax liabilities as at 31.12.</b>	<b>1 145 331</b>	<b>1 188 787</b>

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
<b>Total cash</b>	<b>159 148</b>	<b>184 534</b>

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
<b>Total accounts receivable</b>	<b>81 927</b>	<b>83 004</b>

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

### Development of impairment

in CHF 1 000	31.12.2017	31.12.2018
<b>Impairment at beginning of period</b>	<b>4 431</b>	<b>3 828</b>
Increase of impairment based on individual valuation	2 765	7 230
Release of impairment based on individual valuation	-3 368	-4 684
<b>Total impairment at end of period</b>	<b>3 828</b>	<b>6 374</b>

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	
<b>Total gross receivables and impairments</b>	<b>85 755</b>	<b>-3 828</b>	<b>89 378</b>	<b>-6 374</b>

## 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
<b>Total inventories</b>	<b>31 013</b>	<b>33 412</b>

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

## 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
<b>Real estate developments, net</b>	<b>-13 252</b>	<b>7 511</b>
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
<b>Total assets held for sale</b>	<b>15 224</b>	<b>57 708</b>

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
<b>Total as at 01.01.2017</b>	<b>35 898</b>	<b>9 735 871</b>	<b>307 331</b>	<b>10 079 100</b>	<b>13 000</b>	<b>10 092 100</b>
Purchases	–	–	124 684	124 684	–	124 684
Follow-up investments <sup>1</sup>	14 386	108 194	79 154	201 734	–	201 734
Capitalised borrowing costs	–	99	2 228	2 327	–	2 327
Additions from acquisitions	–	159 710	–	159 710	–	159 710
Reclassifications	–21 313	161 139	–155 050	–15 224	15 224	–
Disposal by sale	–	–384	–	–384	–13 000	–13 384
Positive fair value adjustment	902	159 504	59 209	219 615	–	219 615
Negative fair value adjustment	–4 426	–144 604	–4 706	–153 736	–	–153 736
<b>Fair value adjustment</b>	<b>–3 524</b>	<b>14 900</b>	<b>54 503</b>	<b>65 879</b>	<b>–</b>	<b>65 879</b>
<b>Total as at 31.12.2017</b>	<b>25 447</b>	<b>10 179 529</b>	<b>412 850</b>	<b>10 617 826</b>	<b>15 224</b>	<b>10 633 050</b>
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
<b>Fair value adjustment</b>	<b>–353</b>	<b>39 029</b>	<b>28 875</b>	<b>67 551</b>	<b>–</b>	<b>67 551</b>
<b>Total as at 31.12.2018</b>	<b>25 473</b>	<b>10 544 450</b>	<b>576 787</b>	<b>11 146 710</b>	<b>57 708</b>	<b>11 204 418</b>
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

<sup>1</sup> 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
<b>Fire insurance values<sup>1</sup></b>						
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
<b>On 31.12.2018</b>	<b>1 956</b>	<b>6 846 615</b>	<b>467 697</b>	<b>7 316 268</b>	<b>79 705</b>	<b>7 395 973</b>
<b>Net rental income<sup>2</sup></b>						
01.01.– 31.12.2017	133	407 116	683	407 932	428	408 360
<b>01.01.– 31.12.2018</b>	<b>133</b>	<b>413 995</b>	<b>81</b>	<b>414 209</b>	<b>3 059</b>	<b>417 268</b>
<b>Vacancy rate in %</b>						
01.01.– 31.12.2017	–	5.2	0.1	5.2	12.6	5.2
<b>01.01.– 31.12.2018</b>	<b>–</b>	<b>4.8</b>	<b>–</b>	<b>4.8</b>	<b>3.9</b>	<b>4.8</b>

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

<sup>2</sup> generated with own investment properties

The 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) <sup>1</sup>	Commercial properties (highest and best use) <sup>2</sup>	Properties under construction/development sites
Fair value as at balance sheet date	CHF m	25.473	9 596.668	1 005.490	576.787
<b>Unobservable input factors</b>					
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 <sup>2</sup> p.a.	–	91 to 685	118 to 192	270 to 320
Offices	CHF per m <sup>2</sup> p.a.	–	84 to 892	90 to 855	187 to 245
Retail/gastro	CHF per m <sup>2</sup> p.a.	–	58 to 7 350	213 to 1 154	211 to 375
Commercial	CHF per m <sup>2</sup> p.a.	–	28 to 543	95 to 272	115 to 228
Storage	CHF per m <sup>2</sup> 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

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

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

Applicable unobservable input factors as at 31.12.2017

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

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

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

### 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
<b>3.22% (valuation as at 31.12.2018)</b>	–	–	<b>10 602 200</b>
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
<b>0.0% (valuation as at 31.12.2018)</b>	–	–	<b>10 602 200</b>
-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 <sup>1</sup>	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 <sup>1</sup>	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.

<sup>1</sup> 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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	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 <sup>1</sup>	The properties are fully leased to the Tertianum Group.
Completion	Completion is planned in spring 2021.

<sup>1</sup> 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 <sup>1</sup>	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/Rütliwiesweg «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 <sup>1</sup>	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 <sup>1</sup>	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.

<sup>1</sup> 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
<b>Cost as at 01.01.2018</b>	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	–	–	–
<b>Cost as at 31.12.2018</b>	12 880	144 041	156 921	39 928	39 928
<b>Cumulative depreciation and impairment as at 01.01.2018</b>	3 557	69 157	72 714	16 813	16 813
Depreciation	706	14 635	15 341	7 271	7 271
Disposals	–	– 723	– 723	–	–
<b>Cumulative depreciation and impairment as at 31.12.2018</b>	4 263	83 069	87 332	24 084	24 084
<b>Total as at 31.12.2018</b>	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
<b>Cost as at 01.01.2017</b>	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	–	–
<b>Cost as at 31.12.2017</b>	14 535	122 034	136 569	29 415	29 415
<b>Cumulative depreciation and impairment as at 01.01.2017</b>	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	–	–
<b>Cumulative depreciation and impairment as at 31.12.2017</b>	3 557	69 157	72 714	16 813	16 813
<b>Total as at 31.12.2017</b>	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
<b>Cost as at 01.01.</b>	<b>441 302</b>	<b>451 715</b>
Additions	11 544	-4 214
Disposals from divestments	-1 131	-
<b>Cost as at 31.12.</b>	<b>451 715</b>	<b>447 501</b>
<b>Cumulative amortisation as at 01.01.</b>	<b>250 466</b>	<b>319 798</b>
Additions	69 784	57 262
Disposals from divestments	-452	-
<b>Cumulative amortisation as at 31.12.</b>	<b>319 798</b>	<b>377 060</b>
<b>Theoretical net book value as at 31.12.</b>	<b>131 917</b>	<b>70 441</b>

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
<b>Theoretical shareholders' equity including net book value of goodwill</b>	<b>4 909 387</b>	<b>5 215 551</b>

### 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	-
<b>Theoretical profit including amortisation of goodwill</b>	<b>236 151</b>	<b>253 648</b>

## 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
<b>Total accrued expenses and deferred income</b>	<b>135 659</b>	<b>143 573</b>

## 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
<b>Total current financial liabilities</b>	<b>621 585</b>	<b>963 440</b>
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
<b>Total non-current financial liabilities</b>	<b>4 228 960</b>	<b>4 112 964</b>
<b>Total financial liabilities</b>	<b>4 850 545</b>	<b>5 076 404</b>

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
<b>Book value as at 31.12.2018</b>	<b>CHF m</b>	<b>0.000</b>	<b>199.769</b>	<b>229.759</b>	<b>299.255</b>
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)
<b>Fair value as at 31.12.2018</b>	<b>CHF m</b>	<b>0.000</b>	<b>201.680</b>	<b>236.670</b>	<b>309.150</b>
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
<b>Book value as at 31.12.2018</b>	<b>CHF m</b>	<b>189.870</b>	<b>99.505</b>	<b>249.932</b>	<b>249.223</b>
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)
<b>Fair value as at 31.12.2018</b>	<b>CHF m</b>	<b>190.475</b>	<b>105.150</b>	<b>240.250</b>	<b>241.875</b>
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
<b>Book value as at 31.12.2018</b>	<b>CHF m</b>	<b>245.334</b>	<b>297.077</b>
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)
<b>Fair value as at 31.12.2018</b>	<b>CHF m</b>	<b>244.250</b>	<b>285.900</b>
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
<b>Total number of possible shares</b>		<b>2 372 366</b>		<b>5 374 439</b>



## 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
<b>Total</b>	<b>6 330</b>	<b>–</b>	<b>– 30 410</b>	<b>– 26 475</b>	<b>– 30 410</b>

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

## 23 Shareholders' equity

### Share capital

	Number of registered shares issued	Nominal value in CHF	in CHF 1 000
Share capital as at 01.01.2017	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 <sup>1</sup>	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 <sup>2</sup>	2 532 568	15.30	38 748

<sup>1</sup> 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

<sup>2</sup> 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
<b>Capital reserves as at 01.01.2017</b>	<b>888 187</b>
Distribution from capital contribution reserves on 20.04.2017	-264 471
Share-based compensation	447
Income from delivery of treasury shares relating to share-based compensation	38
<b>Capital reserves as at 31.12.2017</b>	<b>624 201</b>
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
<b>Capital reserves as at 31.12.2018</b>	<b>608 218</b>

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

As at the balance sheet date, Swiss Prime Site AG's reserves consisted of a non-distributable amount (legal reserves) of CHF 232.396 million [CHF 218.725 million].

## Treasury shares

	in CHF 1 000
<b>Treasury shares as at 01.01.2017</b>	<b>- 109</b>
Share-based compensation, 33 495 shares, CHF 87.37 average transaction price	2 927
Purchase of treasury shares, 32 198 shares, CHF 86.45 average transaction price	-2 783
Income from delivery of treasury shares relating to share-based compensation	-38
<b>Treasury shares as at 31.12.2017</b>	<b>-3</b>
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
<b>Treasury shares as at 31.12.2018</b>	<b>-47</b>

Treasury shares are valued at acquisition cost and reported in shareholders' equity as a debit item. Income from delivery of treasury shares relating to share-based compensation is set off directly against capital reserves. As at the balance sheet date, the group companies and the group's employee pension fund foundations held 539 shares [39 shares] and 220 087 shares [169 200 shares] of Swiss Prime Site AG, respectively.

## Retained earnings

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

## Non-controlling interests

	in CHF 1 000
<b>Non-controlling interests as at 01.01.2017</b>	- 720
Profit, attributable to non-controlling interests	153
<b>Non-controlling interests as at 31.12.2017</b>	- 567
Acquisition of shareholding with non-controlling interests	191
Profit, attributable to non-controlling interests	594
<b>Non-controlling interests as at 31.12.2018</b>	218
<b>Shareholders' equity as at 31.12.2018</b>	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

	01.01.– 31.12.2017	01.01.– 31.12.2018
in CHF 1 000		
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
<b>Relevant profit for calculation of diluted earnings per share</b>	<b>307 001</b>	<b>313 384</b>

### 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
<b>Total weighted average number of shares 01.01.–31.12. (360 days)</b>	<b>71 477 937</b>	<b>72 620 217</b>
Highest possible number of shares that can be issued on conversions	2 372 366	5 374 439
<b>Basis for calculation of diluted earnings per share</b>	<b>73 850 303</b>	<b>77 994 656</b>

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

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

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

## 25 Future obligations and contingent liabilities

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

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

Properties	Planned completion	31.12.2017 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
<b>Total future obligations based on total contractor agreements</b>		<b>378 563</b>	<b>564 906</b>

### Operating lease agreements

As at the balance sheet date, the following future obligations relating to land lease payments, leasing of office equipment as well as renting office, retail and residential floor space as well as properties in the assisted living sector were in effect:

in CHF 1 000	31.12.2017	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
<b>Total future lease expenses</b>	<b>1 229 625</b>	<b>1 215 895</b>

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
<b>Total compensation to the Board of Directors and Executive Board</b>	<b>7 839</b>	<b>7 901</b>
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 <sup>1</sup>	Real estate	6 000	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz <sup>2</sup>	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 <sup>3</sup>	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 <sup>2,3</sup>	Assisted living	20	100.0	20	100.0
Perlavit Rosenau AG, Kirchberg <sup>4</sup>	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 <sup>3</sup>	Assisted living	100	100.0	n/a	n/a
SENIOfcare AG, Zurich <sup>4</sup>	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 <sup>5</sup>	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 <sup>1</sup>	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 <sup>4</sup>	Assisted living	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich	Investments	50 000	100.0	50 000	100.0
Tertianum Management AG, Zurich	Services	500	100.0	500	100.0
Tertianum Romandie Management SA, Crissier	Services	100	100.0	100	100.0
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 <sup>6</sup>	Assisted living	–	–	1 000	51.0

<sup>1</sup> merger of Bellevue-Bau AG in Swiss Prime Site Immobilien AG as at 01.01.2018

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

<sup>3</sup> 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

<sup>4</sup> merger of Perlavit Rosenau AG and SENIOcare AG in Tertianum AG as at 01.01.2018

<sup>5</sup> acquisition as at 19.10.2018

<sup>6</sup> 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

	31.12.2017 Shareholding interest in %	31.12.2018 Shareholding interest in %
<b>Major shareholders (shareholding interest &gt;3%)</b>		
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) <sup>1</sup>	45.6	45.3
Non-current financial liabilities relative to real estate portfolio <sup>1</sup>	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

<sup>1</sup> 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
<b>Total non-derivative financial liabilities</b>	<b>5 228 938</b>	<b>5 506 984</b>	<b>34 548</b>	<b>571 705</b>	<b>33 459</b>	<b>547 424</b>	<b>53 952</b>	<b>564 869</b>	<b>86 258</b>	<b>1 415 666</b>	<b>59 552</b>	<b>2 139 551</b>
Derivatives with negative fair value	2 924	3 205	–	486	–	453	–	847	–	366	–	1 053
<b>Total derivative financial liabilities</b>	<b>2 924</b>	<b>3 205</b>	<b>–</b>	<b>486</b>	<b>–</b>	<b>453</b>	<b>–</b>	<b>847</b>	<b>–</b>	<b>366</b>	<b>–</b>	<b>1 053</b>
<b>Total financial liabilities</b>	<b>5 231 862</b>	<b>5 510 189</b>	<b>34 548</b>	<b>572 191</b>	<b>33 459</b>	<b>547 877</b>	<b>53 952</b>	<b>565 716</b>	<b>86 258</b>	<b>1 416 032</b>	<b>59 552</b>	<b>2 140 604</b>

in CHF 1 000	31.12.2017 Book value	Contractual cash flows	<6 months		6 to 12 months		1 to 2 years		2 to 5 years		>5 years	
			Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation	Interest	Amorti- sation
Current financial liabilities	621 585	624 832	2 075	419 227	1 119	202 411	–	–	–	–	–	–
Accounts payable	17 938	17 938	–	17 938	–	–	–	–	–	–	–	–
Other current liabilities	154 889	154 889	–	154 889	–	–	–	–	–	–	–	–
Non-current financial liabilities (without derivatives)	4 226 561	4 543 788	33 478	–	33 478	–	64 208	660 999	105 675	1 653 030	71 216	1 921 704
<b>Total non-derivative financial liabilities</b>	<b>5 020 973</b>	<b>5 341 447</b>	<b>35 553</b>	<b>592 054</b>	<b>34 597</b>	<b>202 411</b>	<b>64 208</b>	<b>660 999</b>	<b>105 675</b>	<b>1 653 030</b>	<b>71 216</b>	<b>1 921 704</b>
Derivatives with negative fair value	2 399	2 597	–	402	–	409	–	810	–	976	–	–
<b>Total derivative financial liabilities</b>	<b>2 399</b>	<b>2 597</b>	<b>–</b>	<b>402</b>	<b>–</b>	<b>409</b>	<b>–</b>	<b>810</b>	<b>–</b>	<b>976</b>	<b>–</b>	<b>–</b>
<b>Total financial liabilities</b>	<b>5 023 372</b>	<b>5 344 044</b>	<b>35 553</b>	<b>592 456</b>	<b>34 597</b>	<b>202 820</b>	<b>64 208</b>	<b>661 809</b>	<b>105 675</b>	<b>1 654 006</b>	<b>71 216</b>	<b>1 921 704</b>

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
<b>Maximum credit risk</b>	<b>251 837</b>	<b>285 211</b>

### Interest risks

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

### Fixed and variable interest-bearing financial instruments

in CHF 1 000	31.12.2017	31.12.2018
<b>Fixed interest-bearing financial instruments</b>		
Financial assets	1 012	4 460
Financial liabilities	4 857 371	5 083 757
<b>Surplus of fixed interest-bearing financial liabilities</b>	<b>4 856 359</b>	<b>5 079 297</b>
<b>Variable interest-bearing financial instruments</b>		
Financial assets	158 730	186 097
<b>Surplus of variable interest-bearing financial assets</b>	<b>158 730</b>	<b>186 097</b>

Interest risk is continuously monitored and assessed by the Executive Board. Depending on the expected trends in long-term interest rates and taking into account the current market environment, an individual decision as to the term to maturity is made with each refinancing. At the same time, particular attention is paid to 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
<b>Total financial liabilities</b>	<b>4 857 371</b>	<b>5 083 757</b>

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

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## 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
<b>Total operating income</b>		<b>84 095</b>	<b>82 295</b>
Financial expenses	2.3	–77 067	–74 590
Personnel costs		–1 799	–1 626
Other operating expenses	2.4	–5 132	–6 004
<b>Total operating expenses</b>		<b>–83 998</b>	<b>–82 220</b>
<b>Result before taxes</b>		<b>97</b>	<b>75</b>
Direct taxes		–8	–6
<b>Profit</b>	<b>4</b>	<b>89</b>	<b>69</b>

## Balance sheet

in CHF 1 000	Notes	31.12.2017	31.12.2018
<b>Assets</b>			
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
<b>Total current assets</b>		<b>27 334</b>	<b>24 621</b>
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
<b>Total non-current assets</b>		<b>7 094 311</b>	<b>7 370 944</b>
<b>Total assets</b>		<b>7 121 645</b>	<b>7 395 565</b>
<b>Liabilities and shareholders' equity</b>			
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
<b>Total current liabilities</b>		<b>629 490</b>	<b>972 587</b>
Non-current interest-bearing liabilities	2.10	4 147 200	4 027 000
Other non-current liabilities		2 398	1 889
<b>Total non-current liabilities</b>		<b>4 149 598</b>	<b>4 028 889</b>
<b>Total liabilities</b>		<b>4 779 088</b>	<b>5 001 476</b>
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
<b>Total shareholders' equity</b>		<b>2 342 557</b>	<b>2 394 089</b>
<b>Total liabilities and shareholders' equity</b>		<b>7 121 645</b>	<b>7 395 565</b>

## 1 Accounting principles and valuation

### 1.1 In general

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

### 1.2 Securities

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

### 1.3 Interest-bearing liabilities

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

### 1.4 Treasury shares

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

### 1.5 Share-based compensation

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

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

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

## 2 Information relating to balance sheet and income statement positions

### 2.1 Dividend income

Dividend income includes the dividend of SPS Beteiligungen Alpha AG of CHF 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
<b>Total</b>	<b>59 493</b>	<b>60 556</b>

### 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
<b>Total</b>	<b>–77 067</b>	<b>–74 590</b>

## 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
<b>Total</b>	<b>–5 132</b>	<b>–6 004</b>

## 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
<b>Total</b>	<b>24 778</b>	<b>21 699</b>

## 2.6 Financial investments

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

## 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 <sup>1</sup>	6 000	100.0	n/a	n/a
Home Médicalisé Vert-Bois SA, Val-de-Ruz <sup>2</sup>	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 <sup>3</sup>	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 <sup>2,3</sup>	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 <sup>4</sup>	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 <sup>3</sup>	100	100.0	n/a	n/a
SENIOfcare AG, Zurich <sup>4</sup>	2 400	100.0	n/a	n/a
streamnow ag, Zurich <sup>5</sup>	–	–	100	100.0
Swiss Prime Site Fund Advisory AG II, Olten	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten <sup>1</sup>	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 <sup>4</sup>	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich	50 000	100.0	50 000	100.0
Tertianum Management AG, Zurich	500	100.0	500	100.0
Tertianum Romandie Management SA, Crissier	100	100.0	100	100.0
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 <sup>6</sup>	–	–	1 000	51.0

<sup>1</sup> merger of Bellevue-Bau AG in Swiss Prime Site Immobilien AG as at 01.01.2018

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

<sup>3</sup> 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

<sup>4</sup> merger of Perlavita Rosenau AG and SENIOcare AG in Tertianum AG as at 01.01.2018

<sup>5</sup> acquisition as at 19.10.2018

<sup>6</sup> 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
<b>Total</b>	<b>620 800</b>	<b>962 000</b>

**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
<b>Total</b>	<b>7 980</b>	<b>8 966</b>

**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
<b>Total</b>	<b>4 147 200</b>	<b>4 027 000</b>

**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
<b>Total</b>	<b>4 147 200</b>	<b>4 027 000</b>

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
<b>Change in number of treasury shares</b>				
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 <sup>1</sup>	87.70	–1 135	–	–
Holdings of treasury shares on 31.12.	–	39	–	260

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

## 3 Additional information

### 3.1 Full-time employees

Swiss Prime Site AG has no employees.

### 3.2 Convertible bonds

		CHF 250 m 2023	CHF 300 m 2025
Issuing volume, nominal	CHF m	250.000	300.000
<b>Book value as at 31.12.2018</b>	<b>CHF m</b>	<b>250.000</b>	<b>300.000</b>
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
<b>Book value as at 31.12.2018</b>	<b>CHF m</b>	<b>0.000</b>	<b>200.000</b>	<b>230.000</b>	<b>300.000</b>
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
<b>Book value as at 31.12.2018</b>	<b>CHF m</b>	<b>190.000</b>	<b>100.000</b>	<b>250.000</b>	<b>250.000</b>
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
<b>Board of Directors</b>		
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 <sup>1</sup>	2 048	n/a
Christopher M. Chambers, member of the BoD	48 000	41 486
Dr. Barbara Frei-Spreiter, member of the BoD <sup>2</sup>	n/a	833
Dr. Rudolf Huber, member of the BoD	25 366	17 500
Thomas Studhalter, member of the BoD <sup>2</sup>	n/a	833
Klaus R. Wecken, member of the BoD	380 000	180 000
<b>Executive Board</b>		
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
<b>Total share ownership</b>	<b>526 515</b>	<b>319 916</b>

<sup>1</sup> until 23.04.2018

<sup>2</sup> 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
<b>Total balance sheet profit</b>	<b>335 328</b>	<b>335 397</b>
Dividend payment	–	–
<b>Balance brought forward to new account</b>	<b>335 328</b>	<b>335 397</b>

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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# EPRA KEY FIGURES

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

### EPRA earnings and EPRA earnings per share

in CHF 1 000	01.01.– 31.12.2017	01.01.– 31.12.2018
<b>Earnings per consolidated income statement</b>	<b>305 483</b>	<b>310 910</b>
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
<b>EPRA earnings</b>	<b>232 152</b>	<b>236 908</b>
Average number of outstanding shares	71 477 937	72 620 217
<b>EPRA earnings per share in CHF</b>	<b>3.25</b>	<b>3.26</b>

### EPRA net asset value (NAV)

in CHF 1 000	31.12.2017	31.12.2018
<b>NAV as per consolidated balance sheet</b>	<b>4 778 037</b>	<b>5 144 892</b>
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 <sup>1</sup>	n/a	n/a
Revaluation of properties under construction <sup>1</sup>	n/a	n/a
Revaluation of other non-current investments	n/a	n/a
Revaluation of tenant leases held as finance leases	n/a	n/a
Excluding:		
Fair value of derivative financial instruments	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
<b>EPRA NAV</b>	<b>6 160 885</b>	<b>6 873 461</b>
Number of outstanding shares (diluted)	73 851 244	81 320 249
<b>EPRA NAV per share in CHF</b>	<b>83.42</b>	<b>84.52</b>

<sup>1</sup> 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
<b>EPRA NNNAV</b>	<b>4 892 794</b>	<b>5 618 153</b>
Number of outstanding shares (diluted)	73 851 244	81 320 249
<b>EPRA NNNAV per share in CHF</b>	<b>66.25</b>	<b>69.09</b>

## 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
<b>Value of completed property portfolio</b>	<b>10 187 190</b>	<b>10 602 158</b>
Allowance for estimated purchasers' costs	n/a	n/a
<b>Gross up value of completed property portfolio</b>	<b>A 10 187 190</b>	<b>10 602 158</b>
Annualised rental income	442 378	450 373
Property outgoings	-59 847	-59 961
<b>Annualised net rental income</b>	<b>B 382 531</b>	<b>390 412</b>
Add: notional rent expiration of rent-free periods or other lease incentives	7 965	4 227
<b>Topped-up net annualised rental income</b>	<b>C 390 496</b>	<b>394 639</b>
<b>EPRA NIY</b>	<b>B/A 3.8%</b>	<b>3.7%</b>
<b>EPRA topped-up NIY</b>	<b>C/A 3.8%</b>	<b>3.7%</b>

## 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
<b>EPRA vacancy rate</b>	<b>4.8%</b>	<b>4.3%</b>

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**FIVE-YEAR  
SUMMARY OF  
KEY FIGURES**

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## 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
<b>Key financial figures excluding revaluations and deferred taxes</b>						
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 <sup>1</sup>	CHF	84.77	85.83	81.32	82.87	83.40
NAV after deferred taxes <sup>1</sup>	CHF	69.06	71.15	66.41	66.85	67.74
Distribution from capital contribution reserves <sup>2</sup>	CHF	3.70	3.70	3.70	3.80	3.80
Cash yield on closing price of the previous year <sup>2</sup>	%	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
<b>Employees</b>						
Number of employees	people	3097	4446	5621	5910	6295
Full-time equivalents	FTE	2370	3311	4558	4868	5115
<b>Share statistics</b>						
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

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

<sup>2</sup> 31.12.2018, according to proposal to Annual General Meeting

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# PROPERTY DETAILS

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## Investment properties

City/address	Property details as at 31.12.2018							Overview of type of use						
	Fair value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Ownership status	Built	Year of renovation	Site area m <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
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 <sup>1</sup>	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) <sup>2</sup>	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	1975/ 2014		5 244	33 647	–	94.2	–	–	4.9	0.9
				sole ownership land lease	1985	2013	19 374	25 480	–	68.2	4.3	–	20.1	7.4
Biel, Solothurnstrasse 122	8 486	511	0.2	sole ownership land lease	1961	1993	3 885	3 319	74.9	2.7	–	–	15.3	7.1
Brugg, Hauptstrasse 2	15 660	1 014	8.9	sole ownership	1958	2000	3 364	4 210	60.5	4.1	3.5	–	30.4	1.5
Buchs, St. Gallerstrasse 5	6 142	422	10.9	sole ownership	1995		2 192	1 784	13.2	60.1	–	–	18.3	8.4
Burgdorf, Emmentalstrasse 14	7 894	532	56.9	sole ownership	1972	1998	1 845	2 129	48.9	39.9	–	–	9.6	1.6

<sup>1</sup> 1 826 m<sup>2</sup> cannot be used due to total refurbishment and are therefore not included in the type of use overview<sup>2</sup> 26 250 m<sup>2</sup> 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 <sup>2</sup>	Overview of type of use						
								Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Burgdorf, Industrie Buchmatt	13 620	783	-	sole ownership partial land lease	1973		15 141	11 967	2.9	5.4	-	-	89.3	2.4
<b>Carouge,</b>														
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
<b>Frauenfeld,</b>														
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
<b>Grand-Lancy,</b>														
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
<b>Grand-Lancy,</b>														
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	-
<b>La Chaux-de-Fonds,</b>														
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	-
<b>Lausanne, Rue de Sébeillon 9/ Sébeillon Centre</b>	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
<b>Lutry,</b>														
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
<b>Lucerne, Kreuzbuchstrasse 33/35</b>	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
<b>Lucerne, Pilatusstrasse 4/Flora</b>	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 <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
<b>Lucerne, Schweizerhofquai 6/</b> Gotthardgebäude	78 200	2 108	-	sole ownership	1889	2002	2 479	7 261	6.8	87.9	-	-	5.3	-
<b>Lucerne, Weggisgasse 20, 22</b>	19 980	727	-	sole ownership	1982		228	1 285	76.8	-	-	-	23.2	-
<b>Meilen, Seestrasse 545</b>	7 023	510	-	sole ownership land lease	2008		1 645	2 458	-	-	-	100.0	-	-
<b>Meyrin,</b> Chemin de Riantbosson 19/ Riantbosson Centre <sup>1</sup>	45 680	1 533	37.4	sole ownership	2018		4 414	7 652	33.2	38.6	9.7	-	15.5	3.0
<b>Meyrin, Route de Meyrin 210</b>	2 491	247	-	sole ownership partial land lease	1979	1999	3 860	1 116	65.7	4.3	-	-	15.7	14.3
<b>Meyrin, Route de Pré-Bois 14/ Geneva Business Terminal<sup>1</sup></b>	19 560	500	82.8	sole ownership land lease	2003/ 2018		2 156	3 112	5.7	88.6	-	-	5.7	-
<b>Morges, Les Vergers-de-la-Gottaz 1</b>	23 910	1 204	-	sole ownership	1795/ 2003	1995	11 537	3 698	-	-	-	100.0	-	-
<b>Neuchâtel,</b> Avenue J.-J. Rousseau 7	7 278	517	13.6	sole ownership	1991	1992	1 020	3 102	-	69.7	-	-	22.7	7.6
<b>Neuchâtel, Rue de l'Ecluse 19/ parking</b>	713	42	0.1	sole ownership	1960	1997	715	-	-	-	-	-	-	-
<b>Neuchâtel, Rue du Temple-Neuf 11</b>	5 453	286	-	sole ownership	1953	1993	262	1 155	18.8	57.2	-	-	13.9	10.1
<b>Neuchâtel, Rue du Temple-Neuf 14</b>	44 060	2 330	1.3	sole ownership	1902/ 2014		1 928	6 896	47.7	15.7	-	-	11.0	25.6
<b>Niederwangen b. Bern,</b> Riedmoosstrasse 10	40 930	2 304	1.1	sole ownership	1985	2006	12 709	12 926	33.2	13.1	-	-	45.7	8.0
<b>Oberbüren, Buchental 2</b>	12 930	752	-	sole ownership	1980	2007	6 401	6 486	34.3	1.8	-	-	62.4	1.5
<b>Oberbüren, Buchental 3</b>	3 096	303	0.3	sole ownership	1964		4 651	2 342	20.7	32.6	-	-	31.5	15.2
<b>Oberbüren, Buchental 3a</b>	3 139	236	-	sole ownership	1964		3 613	2 464	-	-	-	-	100.0	-
<b>Oberbüren, Buchental 4</b>	26 580	1 475	-	sole ownership	1990		4 963	9 547	38.5	20.3	-	-	41.2	-
<b>Oberbüren, Buchental 5</b>	936	65	16.7	sole ownership	1920		3 456	1 649	-	12.1	-	-	-	87.9
<b>Oberwil, Mühlemattstrasse 23</b>	2 954	311	-	freehold property land lease	1986		6 200	1 652	75.9	4.2	-	-	16.3	3.6
<b>Oftringen, Spitalweidstrasse 1/ shopping centre a<sup>1</sup></b>	66 310	2 971	59.7	sole ownership	2006		42 031	6 660	72.1	9.0	-	-	10.9	8.0
<b>Olten, Bahnhofquai 18</b>	29 480	1 585	0.7	sole ownership	1996		2 553	5 134	-	93.6	-	-	6.4	-
<b>Olten, Bahnhofquai 20</b>	41 750	2 034	-	sole ownership	1999		1 916	7 423	-	84.8	-	-	14.4	0.8
<b>Olten, Frohburgstrasse 1</b>	7 123	110	9.8	sole ownership	1899	2009	379	1 196	-	78.3	-	-	21.7	-
<b>Olten, Frohburgstrasse 15</b>	11 530	555	15.4	sole ownership	1961	1998	596	1 884	-	79.3	-	-	11.9	8.8
<b>Olten, Solothurnerstrasse 201</b>	6 778	333	-	sole ownership	2006		5 156	1 592	62.3	-	-	-	31.5	6.2
<b>Olten,</b> 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
<b>Opfikon, Müllackerstrasse 2, 4/ Bubenholz</b>	47 490	2 003	-	sole ownership	2015		6 169	10 802	-	-	-	100.0	-	-
<b>Ostermundigen,</b> Mitteldorfstrasse 16	35 340	1 597	-	sole ownership	2009		7 503	10 925	-	-	-	100.0	-	-
<b>Otelfingen, Industriestrasse 19/21</b>	96 310	7 297	16.4	sole ownership	1965	2000	101 933	80 440	-	16.6	-	-	78.1	5.3
<b>Otelfingen, Industriestrasse 31</b>	18 150	1 480	25.3	sole ownership	1986	1993	12 135	11 828	-	36.1	0.4	-	56.0	7.5
<b>Payerne, Route de Bussy 2</b>	24 300	1 214	-	sole ownership	2006		12 400	6 017	84.0	4.4	-	-	7.1	4.5
<b>Petit-Lancy, Route de Chancy 59</b>	119 100	7 873	15.4	sole ownership	1990		13 052	22 147	2.0	66.1	6.5	-	21.9	3.5
<b>Pfäffikon SZ, Huobstrasse 5</b>	64 600	2 802	-	sole ownership	2004		7 005	11 660	-	-	-	100.0	-	-
<b>Rapperswil-Jona,</b> Rathausstrasse 8	19 870	959	0.4	sole ownership	1992	2008	1 648	3 143	23.6	50.6	-	-	25.6	0.2
<b>Regensdorf, Riedthofstrasse 172-184/Iseli Areal</b>	26 970	1 349	1.5	sole ownership bought 29.01.2018	1962/ 2009		25 003	10 453	-	19.5	-	-	71.1	9.4

<sup>1</sup> reclassified from properties under construction to investment properties after new construction<sup>2</sup> 13 308 m<sup>2</sup> 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 <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
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	–
<b>Spreitenbach,</b>														
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
<b>Spreitenbach, Pfadackerstrasse 6/</b>														
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
<b>St. Gallen,</b>														
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
<b>Stadel b. Niederglatt,</b>														
Buechenstrasse 80 <sup>1</sup>	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
<b>Vernier, Chemin de l'Etang 72/ Patio Plaza</b>	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
<b>Winterthur,</b>														
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	–
<b>Worblaufen,</b>														
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	–
<b>Zollikon, Forchstrasse 452–456</b>														
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
<b>Zug, Zählerweg 4, 6/ Dammstrasse 19</b>														
/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	–
<b>Zurich, Affolternstrasse 52/ MFO building</b>	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

<sup>1</sup> 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 <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Zurich, 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, Kappenbühlweg 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	–
<b>Total I</b>	<b>10 602 158</b>	<b>455 282</b>	<b>4.6</b>				<b>1 083 873</b>	<b>15 419 959</b>	<b>18.7</b>	<b>43.2</b>	<b>4.8</b>	<b>9.4</b>	<b>16.7</b>	<b>7.2</b>

## Building land

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 <sup>2</sup>	Overview of type of use									
								Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %			
Berne, Weltpoststrasse 1-3/ Weltpostpark	-	-	-	sole ownership													
Dietikon, Bodacher	-	17	-	sole ownership			13615	1375	-	-	-	-	-	-	-	-	100.0
Dietikon, Bodacher/Im Maienweg	2 044	-	-	sole ownership			4249	4240	-	-	-	-	-	-	-	-	100.0
Dietikon, Bodacher/Ziegelägerten	1 990	10	-	sole ownership			3 825	4 324	-	-	-	-	-	-	-	-	100.0
Meyrin, Route de Pré-Bois	12 350	24	-	sole ownership			9 118	294	-	100.0	-	-	-	-	-	-	-
Niederwangen b. Bern, Riedmoosstrasse 10	3 616	-	-	sole ownership			5 895	-	-	-	-	-	-	-	-	-	-
Oberbüren, Buchental/parking	748	29	-	sole ownership			1 825	-	-	-	-	-	-	-	-	-	-
Spreitenbach, Joosacker 7	-	53	-	sole ownership			16 405	15 096	-	-	-	-	-	-	-	-	100.0
Wangen b. Olten, Rickenbacherfeld	4 725	-	-	sole ownership			11 197	-	-	-	-	-	-	-	-	-	-
<b>Total II</b>	<b>25 473</b>	<b>133</b>	<b>-</b>				<b>66 129</b>	<b>25 329</b>	<b>-</b>	<b>1.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98.8</b>

## 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 <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Cinemas and restaurants %	Assisted living %	Storage facilities %	Other %
Basel, Hochbergerstrasse 60/ Stückli Park	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	-	-	-	-	-	-	-
<b>Total III</b>	<b>576 787</b>	<b>81</b>	<b>-</b>				<b>97 566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overall total</b>	<b>11 204 418</b>	<b>455 496</b>					<b>1 247 568</b>	<b>1 567 288</b>	<b>18.4</b>	<b>42.7</b>	<b>4.7</b>	<b>9.2</b>	<b>16.4</b>	<b>8.6</b>
Rent losses from vacancies		-21 114												
<b>Consolidated subtotal segment, excluding leased properties</b>		<b>434 382</b>	<b>4.6</b>											
Intercompany eliminations		-56 480												
Rental income from third parties, Services segment		39 366												
<b>Consolidated subtotal, excluding leased properties</b>		<b>417 268</b>	<b>4.8</b>											
Rental income from leased properties, Services segment		62 136												
<b>Consolidated overall total, including leased properties</b>		<b>479 404</b>												

## Imprint

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

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