

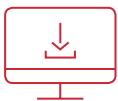
SWISS PRIME SITE

2019

— FINANCIAL REPORT

# Financial Report

- 2** Selected group key figures
- 3** Annual Report for the year 2019
- 8** Valuation Expert's Report
- 17** Consolidated financial statements
  - 17 Consolidated income statement
  - 18 Consolidated balance sheet
  - 19 Consolidated cash flow statement
  - 20 Consolidated statement of changes in shareholders' equity
  - 21 Notes to the consolidated financial statements
  - 54 Definition of alternative performance indicators
  - 56 Report of the statutory auditor
- 61** Financial statements of Swiss Prime Site AG
  - 61 Income statement
  - 62 Balance sheet
  - 63 Notes to the financial statements
  - 69 Proposed appropriation of balance sheet profit
  - 70 Report of the statutory auditor
- 73** EPRA reporting
- 77** Five-year summary of key figures
- 79** Property details



## Reporting structure

Reporting consists of the online report ([www.sps.swiss/reporting](http://www.sps.swiss/reporting)), and the separate sub-reports (PDF download). For reasons of sustainability, only the short report is available as a printed version.

# Selected group key figures

Key financial figures	in	01.01.– 31.12.2018 or 31.12.2018	01.01.– 31.12.2019 or 31.12.2019	Change in %
Rental income from properties	CHF m	479.4	486.9	1.6
Income from real estate developments	CHF m	72.8	79.8	9.7
Income from real estate services	CHF m	116.7	117.5	0.7
Income from retail	CHF m	131.3	127.8	-2.6
Income from assisted living	CHF m	396.9	423.9	6.8
Income from asset management	CHF m	8.5	13.5	60.2
Total operating income	CHF m	1 214.1	1 258.8	3.7
Revaluation of investment properties, net	CHF m	67.6	203.4	201.1
Result from investment property sales, net	CHF m	18.4	20.8	12.9
Operating result (EBIT)	CHF m	478.6	628.3	31.3
Profit	CHF m	310.9	608.5	95.7
Cash flow from operating activities	CHF m	334.4	406.6	21.6
Shareholders' equity	CHF m	5 145.1	5 459.2	6.1
Equity ratio	%	43.9	44.4	1.1
Borrowed capital	CHF m	6 564.2	6 841.7	4.2
Return on equity (ROE)	%	6.4	11.5	79.7
Return on invested capital (ROIC)	%	3.4	5.6	64.7
NAV before deferred taxes per share <sup>1</sup>	CHF	83.40	86.34	3.5
NAV after deferred taxes per share <sup>1</sup>	CHF	67.74	71.87	6.1
Earnings per share (EPS)	CHF	4.27	8.00	87.4
<b>Financial figures excluding revaluations and all deferred taxes</b>				
Operating result (EBIT)	CHF m	411.1	424.9	3.4
Profit	CHF m	287.8	315.7	9.7
Return on equity (ROE)	%	5.9	6.3	6.8
Return on invested capital (ROIC)	%	3.2	3.2	–
Earnings per share (EPS)	CHF	3.95	4.14	4.8
<b>Real estate portfolio</b>				
Fair value of real estate portfolio	CHF m	11 204.4	11 765.4	5.0
of which projects/development properties	CHF m	576.8	684.5	18.7
Number of properties	number	190	187	-1.6
Rental floor space	m <sup>2</sup>	1 567 288	1 604 451	2.4
Vacancy rate	%	4.8	4.7	-2.1
Average discount rate	%	3.22	3.06	-5.0
Net property yield	%	3.6	3.5	-2.8
<b>Employees</b>				
Number of employees as at balance sheet date	persons	6 321	6 506	2.9
Full-time equivalents as at balance sheet date	FTE	5 115	5 402	5.6

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

# Annual Report for the year 2019

2019 was a successful year for Swiss Prime Site. Operating income rose by 3.7% to CHF 1 258.8 million, with both the Real Estate and the Services segments making a positive contribution to this pleasing growth. The core real estate business increased income by 2.0%. Real estate services increased their contribution to the group by 4.8% compared to the previous year. The value of the real estate portfolio grew by 5.0% to CHF 11.8 billion during the course of the year. The vacancy rate fell to 4.7% [4.8%] and, together with an attractive net yield of 3.5% [3.6%], reflects the quality of the portfolio. Profits rose significantly to CHF 608.5 million [CHF 310.9 million]. In addition to operating improvements, increases in value in the real estate portfolio and a one-time positive tax effect arising from tax reductions in some cantons contributed to this result. Swiss Prime Site anticipates that operating results will improve across 2020 before revaluations and deferred taxes. This includes a material profit from the sale of the Tertianum Group.

After a good start to the year, the Swiss economy had a subdued performance in the second half of 2019. Global uncertainty led to weaker international demand for Swiss goods and services, while the revaluation of the Swiss franc also hindered growth. As a result, the domestic economy slowed down despite generous refinancing opportunities. However, attractive interest rates for real estate and high demand for prime investment properties led to growth in Swiss Prime Site's area of the real estate market. Under these conditions, and thanks to active portfolio management, Swiss Prime Site once again has good results to report for 2019.

The core real estate business contributed the lion's share to the growth of the group. Viewed over the whole of the 2019 financial year, 128 000 m<sup>2</sup> (~8% of rentable space) was let or re-let. Swiss Prime Site Immobilien made some adjustments to the portfolio, selling smaller properties during the course of the year. The sale of commercial floor space in condominium ownership of a building in the Espace Tourbillon project in Geneva is proceeding as planned. The first sales of various plots were completed in the second half of the year. Some tenants have already moved into the modern and architecturally open YOND in Zurich-Albisrieden. At the Schönburg in Berne, almost all of the 142 residential properties and retail spaces have been handed over to tenants. The hotel with 180 beds is scheduled to open in 2020. Additional projects under construction, with a total of around CHF 560 million in the pipeline, are well under way. The existing buildings in the major JED project in Schlieren will be tailored to the requirements of the two anchor tenants. In the second half of 2019, a catering provider was selected to operate a range of restaurant and event spaces on the site. This should further increase JED's appeal. In the Stücker Park in Basel, good progress is being made in the construction of the office and laboratory spaces in the first stage. At the DIY store a1 in Oftringen, the first renovated spaces are now back in use. A further eight development projects are currently planned. The total investment in this project totals around CHF 940 million. Both assisted living projects in Olten and Paradiso have been fully let to Tertianum. The construction projects in Lancy (Alto Pont-Rouge) and Basel-Stadt (Stücker Park) are in demand. The building permit for the JED new building (2226) in Schlieren has been issued. The architecture tender for the maaglive project in Zurich-West started in autumn 2019.



The Services segment grew in line with expectations. In a challenging market, Wincasa slightly increased managed real estate assets to CHF 71.0 billion. At the same time, the digital transformation of the business model is proceeding at full speed. Jelmoli expanded its range of services to optimise the customer experience on offer. As well as a Breitling bar, Pallas Kliniken opened its new aesthetics flagship location in the premium department store in the heart of Zurich in 2019. Tertianum made more progress with its growth strategy than planned, increasing operating efficiency and adding value for guests by improving its digital offering. Ahead of schedule, Swiss Prime Site Solutions renewed the contract to collaborate with the Swiss Prime Investment Foundation and significantly increased its assets under management compared to the previous year to CHF 2.3 billion.

## Operating income

in CHF m	01.01.– 31.12.2018	01.01.– 31.12.2019	Change in %
<b>Real Estate segment</b>	<b>509.2</b>	<b>519.5</b>	<b>2.0</b>
Rental income from properties	434.4	437.3	0.7
Income from real estate developments	72.8	79.8	9.7
Other operating income	2.0	2.4	19.6
<b>Services segment</b>	<b>790.7</b>	<b>828.4</b>	<b>4.8</b>
Rental income from properties	101.5	106.0	4.5
Income from real estate services	144.4	148.1	2.5
Income from retail	131.3	127.8	-2.6
Income from assisted living	396.9	423.9	6.8
Income from asset management	8.5	13.5	60.2
Other operating income	8.2	9.0	10.3
<b>Eliminations</b>	<b>-85.7</b>	<b>-89.0</b>	<b>3.9</b>
<b>Total group</b>	<b>1 214.1</b>	<b>1 258.8</b>	<b>3.7</b>

Swiss Prime Site reported a 3.7% increase in operating income to CHF 1 258.8 million in 2019, with both segments making a positive contribution to this growth. In the core real estate business, performance was in line with expectations and operating income increased to CHF 519.5 million. The increase of CHF 10.3 million or 2.0% was primarily due to the increase in income from real estate developments. Active vacancy management and forward-looking letting and renewal activities also contributed significantly to this result. The property portfolio achieved a value of CHF 11.8 billion, growing by 5.0% compared to the end of 2018. As at 31 December 2019, Swiss Prime Site's stock comprised a total 187 high-quality real estate properties [end of 2018: 190 properties]. At 3.5% [3.6%], the net yield is at an attractive level in the market for prime investment properties. The vacancy rate of 4.7% is slightly lower than the previous year.

In the Services segment, operating income rose by 4.8% to CHF 828.4 million in 2019. Wincasa increased income from real estate services by CHF 148.1 million (+2.5%) compared to the previous year. The digitalisation of the business model and the accompanying cultural change is being systematically implemented. The portfolio of real estate managed by Wincasa reached a market value of around CHF 71 billion. Jelmoli – The House of Brands achieved income from retail of CHF 127.8 million [CHF 131.3 million]. In challenging market conditions, the premium department store accelerated the expansion of its services and brand offerings. Tertianum expanded its network of residential and care centres. The company now has more than 80 locations across Switzerland and achieved income from assisted living of CHF 423.9 million (+6.8%) in 2019. Swiss Prime Site Solutions conducted two capital increases for the Swiss Prime Investment Foundation, resulting in significant acquisitions. Assets under management thus increased from CHF 1.6 billion to CHF 2.3 billion. Income from asset management rose significantly by 60.2% to CHF 13.5 million [CHF 8.5 million].

**Operating result (EBIT)**

in CHF m	01.01.– 31.12.2018	01.01.– 31.12.2019	Change in %
Real Estate segment	431.1	572.9	32.9
Services segment	47.6	55.5	16.6
<b>Total group</b>	<b>478.6</b>	<b>628.3</b>	<b>31.3</b>

Swiss Prime Site's operating result (EBIT) jumped by 31.3% to CHF 628.3 million [CHF 478.6 million]. The Real Estate segment contributed the lion's share of this increase. EBIT from core business reached CHF 572.9 million (+32.9%). This includes revaluations of CHF 204.4 million [CHF 68.3 million]. The growth reflects the generally high appeal and quality of the real estate in the portfolio. In particular, the property at Müllerstrasse 16, 20 in Zurich made a major contribution to this growth due to a big revaluation gain after a new, long-term contract was signed. As at the end of 2019, the weighted average real discount rate stood at 3.06%. This was 16 basis points below the previous year's figure. Excluding revaluations, EBIT also rose by 3.4% to CHF 424.9 million [CHF 411.1 million]. The pro rata pre-tax profits of the sold development projects in Plan-les-Ouates (Espace Tourbillon) and Berne (Weltpost Park), a retail property in Geneva sold in the first half of the year and additional sales in the second half of 2019 totalled CHF 376 million. The operating expenses of the Real Estate segment increased by CHF 6.3 million to CHF 171.4 million [CHF 165.1 million]. This increase is primarily due to expenses in connection with the property developments sold.

The Services segment produced EBIT of CHF 55.5 million [CHF 47.6 million]. Tertianum and Swiss Prime Site Solutions achieved particularly strong operating results. The growth of the network and efficiency gains enabled Tertianum to contribute to this growth. With two capital increases and several portfolio acquisitions for the Swiss Prime Investment Foundation, Swiss Prime Site Solutions almost doubled its results. Despite the transformation process, Wincasa almost maintained its results from the previous year. In 2020, the real estate service provider is set to increase investment in digitalising the business model. Jelmoli's results were less than the previous year's due to the challenging bricks-and-mortar retail trade environment. The operating expenses of the Services segment rose by 3.9% to CHF 771.9 million [CHF 742.6 million]. The increase of CHF 29.3 million is due to increased personnel costs connected to the growth of the group company Tertianum. The Swiss Prime Site Group employed a workforce totalling 6 506 persons [6 321] on the balance sheet date.

**Profit**

Swiss Prime Site achieved a large profit of CHF 608.5 million [CHF 310.9 million] in 2019. This was due to operational improvements, higher revaluations and the release of deferred tax liabilities amounting to CHF 172.5 million from cantonal tax rate reductions. Attractive refinancing and higher recognised borrowing costs connected to real estate developments reduced financial expenses to CHF 70.7 million [CHF 75.8 million]. Excluding revaluations and deferred taxes, profit amounted to CHF 315.7 million (+9.7%). Earnings per share (EPS) rose clearly to CHF 8.00 [CHF 4.27]. Excluding revaluations and deferred taxes, EPS was CHF 4.14 [CHF 3.95], including an increase of 4.6% in the weighted number of shares.

in CHF m	01.01.– 31.12.2018	01.01.– 31.12.2019	Change in %
Operating result (EBIT)	478.6	628.3	31.3
Financial expenses	–75.8	–70.7	–6.7
Financial income	1.2	1.9	62.3
Income tax expenses	–93.1	49.0	–152.6
<b>Profit</b>	<b>310.9</b>	<b>608.5</b>	<b>95.7</b>
Profit excluding revaluations and deferred taxes	287.8	315.7	9.7

## Balance sheet figures

Swiss Prime Site issued two bonds on the capital market in 2019 – an 8-year, 1.25% bond of CHF 350 million and a 12-year, 0.375% bond of CHF 170 million. The weighted average interest rate fell to 1.2% [1.4%]. The weighted average residual term to maturity of interest-bearing financial liabilities was 4.2 [4.3] years. The comparison between the interest rate on financial liabilities of 1.2% and the net yield of 3.5% achieved on the property portfolio shows that the interest rate spread remains attractive at 2.3% [2.2%].

As at the end of 2019, the equity ratio of Swiss Prime Site stood at solid 44.4% [43.9%]. The loan-to-value ratio of the property portfolio was 45.7% – virtually unchanged from the previous year [45.3%]. At CHF 71.87 per share, the NAV after deferred taxes was 6.1% higher than the previous year's figure. This takes into account the withholding tax-free distribution of contribution reserves of CHF 3.80 per share as at 4 April 2019. Swiss Prime Site's return on equity reached 11.5% [6.4%] and is above the Company's long-term target, primarily due to the aforementioned one-off effect.

	in	31.12.2018	31.12.2019	Change in %
Equity ratio	%	43.9	44.4	1.1
Return on equity (ROE)	%	6.4	11.5	79.7
Net property yield	%	3.6	3.5	-2.8
Weighted average interest rate on financial liabilities	%	1.4	1.2	-14.3
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.3	4.2	-2.3
Loan-to-value ratio of property portfolio (LTV)	%	45.3	45.7	0.9
NAV before deferred taxes per share <sup>1</sup>	CHF	83.40	86.34	3.5
NAV after deferred taxes per share <sup>1</sup>	CHF	67.74	71.87	6.1

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

## Outlook

For 2020, Swiss Prime Site expects the economic and political conditions to be similar to those of the previous year. This should create opportunities, for both the Company and the real estate industry. The completion of development projects, active asset, portfolio and vacancy management, recurring income from real estate development projects and the realisation of the project pipeline will help the group achieve its operational and strategic goals in the core real estate business in 2020. Swiss Prime Site anticipates contributions from the real estate-related Services segment as planned. Selling the Tertium Group will lead to increased profit before revaluations and deferred taxes and to a change in the income statement and balance sheet structure. The Company will maintain an attractive policy on dividend distribution to shareholders.



# Valuation Expert’s Report

The properties of Swiss Prime Site 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 2019.

## Valuation standards and principles

The fair values determined as at the balance sheet date 31 December 2019 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 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 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 2020).

## Valuation method

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

## Trend in the real estate portfolio

In the reporting period from 1 January to 31 December 2019, four properties and one 50% co-ownership were acquired, and nine properties were divested. Four freehold properties were sold in a development project, resulting in a partial disposal. Furthermore, one property was divided, another was converted from an existing property into a project, and two properties were converted from a project to existing properties. Swiss Prime Site AG's overall real estate portfolio therefore changed on a net basis by minus three properties and now comprises a total of 187 properties. Specifically, nine existing properties were sold during the reporting period (Belp, Aemmenmattstrasse 43; Berlingen, Seestrasse 110; Geneva, Rue Céard 14/Croix-d'Or 11; Horgen, Zugerstrasse 22, 24; Rapperswil-Jona, Rathausstrasse 8; Solothurn, Amthausplatz 1; Thalwil, Gotthardstrasse 40; Zurich, Schaffhauserstrasse 339 and Schulstrasse 34, 36), with a fair value of CHF 113.72 million as at 31 December 2018. In addition, four freehold properties in the Plan-les-Ouates, Chemin des Aulx «Espace Tourbillon» development project were sold. Five acquisitions were carried out in the reporting period (four existing properties: a 50% co-ownership interest in the existing property at «Rue Antoine-Jolivet 7» in Carouge, the properties at «Rue de la Prairie 17» in Les-Ponts-de-Martel, «Genuastrasse 11» in Münchenstein and «Rue de la Clef 36» in St-Imier and building land at «Rheinstrasse 54» in Augst) at the current value as at 31 December 2019 of CHF 67.06 million.

The total portfolio therefore comprises 167 existing investment properties, nine 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.
- Construction of a commercial building is planned at «Alto Pont-Rouge», Esplanade de Pont-Rouge 5, 7, 9 in Lancy for 2022, 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 39 apartments for seniors. Construction is expected to be completed in 2021.
- At Spitalweidstrasse 1 in Oftringen, the «a1» shopping centre, which is currently closed, is being rebuilt and will reopen in stages up to the end of 2020. Bauhaus will then let around 70% of the floor space as a new tenant and be the new anchor for the centre.
- For the Riva Paradiso 3, 20 «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 2022.
- 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 2022.
- The «JED» property at Zürcherstrasse 39 in Schlieren houses the former NZZ printing facility with a reserve of building land. It is to be converted, with the work expected to be completed by the end of 2020 (JED conversion). Meanwhile, a new office building without conventional heating, cooling or ventilation technology will be constructed on the building land by the end of 2022 (new JED construction 2226).
- The «West-Log» building under construction at Vulkanstrasse 114, Juchstrasse 3 in Zurich 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 «Schönburg» at Viktoriastrasse 21, 21a, 21b in Berne and «YOND» at Albisriederstrasse in Zurich were completed at the end of 2019 and are now listed as existing properties.

## Valuation results as at 31 December 2019

As at 31 December 2019, the fair value of Swiss Prime Site AG’s total real estate portfolio (total 187 properties) amounted to CHF 11 765.43 million. The fair value of the portfolio therefore increased by CHF 561.01 million or 5.007% compared with the level at 31 December 2018. 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 31.12.2018</b>	<b>11 204.42</b>
+ changes in value of existing properties	292.81
+ changes in value of initial valuation after completion	106.27
– changes in value of financial lease	–0.93
+ acquisitions of existing properties	54.97
+ acquisition of building land	12.09
– minus divestments of existing properties	–113.72
– minus divestments of projects	–10.58
– changes in value of building land	–0.07
+ changes in value from existing properties to project	28.87
+ changes in value of projects	191.30
<b>Fair value as at 31.12.2019</b>	<b>11 765.43</b>

The change in value in existing properties amounted to +2.81% compared with the level at 1 January 2019. Of the 160 existing properties – excluding financial leases (1), initial valuation following completion (2), acquisitions of existing properties (4), acquired building land (1), plots of building land (8) and properties under construction (11) totalling 27 properties – 99 properties were valued higher, no property was valued the same and 61 properties were valued lower than as at 1 January 2019. Including financial leases and the two initial valuations following completion, the increase in the existing properties’ value was 3.76%.

The growth in the value of the Swiss Prime Site portfolio is due to the existing properties, the initial valuations following completion, the acquisitions and the properties in planning or under construction. Besides sales, only the financial lease and the building land reduced valuations. In general, the still very low interest rate environment and investors' expectations of low returns had an impact on the rise in value. Additional factors boosting the value include some 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 and structural rise in vacancies, lower levels of newly concluded contracts, adjusted revenue forecasts and higher cost estimates for future repair work.

## Economic outlook

The Swiss economy is performing moderately well. In its 12 December 2019 economic forecast for the year 2019, the State Secretariat for Economic Affairs (SECO) predicted GDP growth of 0.9%. SECO justified this still positive but relatively low growth on the basis that the global economy has performed less strongly. With growing uncertainty and the appreciation in the Swiss franc in recent months, the growth in exports and investment is likely to have slowed. Statistical effects are an additional factor.

In November 2019, SECO announced that expectations for the Swiss economy were becoming gloomier. For example, the Consumer Climate Index recently stood at –10.0, below its long-term average of –5.0. Overall, the expert group is expecting GDP growth of 1.7% for 2020. In 2021, growth is expected to be lower, at 1.2%, as this year the negative impact of the lack of major sporting events will once again be felt.

The number of employees has grown every year since 2010. According to the employment statistics released by the Federal Statistical Office (FSO), a total of 5.137 million people were employed in the secondary and tertiary sectors in Switzerland in the third quarter of 2019. This corresponds to jobs growth of 1.3% (+67 000) over a year, or 1.1% in full-time equivalents. Consequently, unemployment remains low: In November 2019, the seasonally adjusted unemployment rate was 2.3%, once again falling slightly below the 2.4% in the same month of the previous year. The employment outlook indicator recently fell slightly to 1.03 (–0.2% year on year); it went down in the industrial sector, but posted a small increase in the tertiary sector. Overall, SECO does though expect employment growth to remain robust in 2020.

Relative employment momentum has recently been higher in Switzerland than Europe. Given the recent gloomier outlook, it is not unlikely that return migration will decline, particularly in the major countries of origin of immigrants, such as Germany, Portugal and Spain. In the first seven months of 2019, the number of returning migrants fell after rising for a decade. Given this trend, Wüest Partner is expecting population growth of 0.7% in both 2019 and 2020.

In 2020, consumer prices will probably continue rising but only marginally: The Swiss National Bank (SNB) is anticipating minimal growth of 0.2%. This would mean that inflation rates were below 1.0% in Switzerland for the last 12 years. The Swiss Consumer Price Index declined by 0.1% in November 2019 compared with the same month in the previous year. Moreover, in its assessment of the situation, the SNB writes that various central banks signalled that they would probably leave their policy rates at a low level for an extended period of time, and that it is leaving its expansive monetary policy unchanged. This means that the pivot in interest rates, as predicted by a number of forecasters as recently as the middle of last year, is probably off the table for now. In response to this situation, government bond yields fell to an all-time low in 2019: below –1.0% for 10-year bonds in mid-August. Since then, yields have tended to rise, but were still at –0.5% in December 2019.

## Construction market

2019 was notable for continued high levels of investment in the real estate market, with many institutional real estate investors still focused on constructing new investment properties. Wüest Partner expects construction expenditure to exceed CHF 50 billion in 2019.

A trend reversal in building construction is becoming evident: Based on the budgeted investment volume in building applications and building permits, Wüest Partner believes 1.9% less will be invested in new construction over the coming year. The decline in new construction activity is likely to be most pronounced with commercial properties. Wüest Partner is forecasting a drop of 3.0% for 2020. In the case of company-owned properties in particular, new construction and expansion projects in planning will probably be postponed in many cases due to the rather uncertain economic outlook. In the residential segment, Wüest Partner is anticipating a change of «only» –2.8% for multi-family dwellings and –1.7% for single-family dwellings.

Sales in the construction industry would therefore drop off in the year to come. However, given the long period of growth in recent years and the continuing high levels of capacity utilisation, this development can be seen as manageable. Moreover, some of the decline in investment in new construction could be offset by an acceleration in renovations and renewal works. Investment volumes here are likely to rise by 1.0%.

### Office property market

Despite the recent slowdown in economic growth, the demand situation for office floor space remains friendly. In the services sector, the number of employees (full-time equivalent) rose by 1.1% between the third quarter of 2018 and the third quarter of 2019. The healthcare system in particular has continued to grow: 27.5% of the new jobs created over the year are in the health or social sector. Other growth drivers include business-related services and information technology and information services. The industrial sector, which has since regained its poise, is also posting solid growth, and ever more office jobs are also being created in manufacturing industries due to the increasing shift from an industrial to a service society.

With this fundamentally positive starting base on the employment market, the recent uptake in the absorption of space in the Swiss office floor space market remains buoyant. The marketing period for office floor space was moderate in the third quarter: 76 days on average.

However, the supply of office floor space across Switzerland has been on the up again since the start of 2019 and, with a liquidity ratio of 7.3% in the third quarter, is 11.2% higher year on year, with about 4.07 million square metres of office space advertised. This was partly due to brisk new construction activity in the previous year as pressures to invest and low interest rates have also driven investment in commercial properties. This means that more space was created in the past than is being absorbed by the additional demand. Demand is also changing as a result of the structure of employment growth and changes in the workplace, and is particularly strong for small and flexibly usable areas and special properties. Mobile working, working from home and desk sharing are also still on the rise, increasing the amount of traditional office space advertised for letting.

Strong momentum in the construction of new office space is likely to weaken slightly going forward: Investment volumes approved for new construction over the year amounted to CHF 1 478 million in the third quarter of 2019, around 25.0% lower than the average for the previous two years. Building applications have also been falling in this segment.

As general demand is expected to remain stable overall, Wüest Partner is forecasting average price growth of 0.2% for 2020.

### Retail property market

Compared with the challenges of recent years, the economic environment for the Swiss retail trade is somewhat friendlier: even in 2018, real sales, down 0.2%, were no longer falling as much as in the previous three years, and the situation in the first half of 2019 was also satisfactory to some degree. Jobs growth and falling unemployment have also stabilised retail sales. Supported by a healthy employment market, SECO expects private consumption to climb even more in the future.

This state of affairs may have contributed to the fact that sales per square meter of retail floor space have stabilised in many sub-markets or have even shown growth recently. However, this is also mainly due to the reduction of retail floor space and branch closures. More and more retailers also seem to be able to manage the balancing act between bricks-and-mortar and digital positioning.

The environment for local retailers, however, remains very challenging. International competition continues to squeeze retailers' margins. Ever higher levels of consumer spending are also flowing into e-commerce, which continues to grow rapidly. Non-food segments are especially affected by this.

These developments in the bricks-and-mortar retail trade are also reflected in the retail floor space segment. For example, the supply of retail floor space has recently increased again: 707 200 square metres of retail space are currently advertised for letting, which represents 2.0% of Swiss stock. Advertised retail floor space has thus grown by 21.1% within a year. This is partly due to the fact that bricks-and-mortar retailers are increasingly demanding flexible and shorter contract periods, increasing turnover of retail space and resulting in higher numbers of floor space advertisements. Demand for retail floor space is also in decline.

However, the main reason for large supply in the retail floor space segment is probably the recent brisk construction activity, which picked up again last year. Supply is increasing, most notably in the small and medium-sized centres, but also in the large centres and their agglomerations. Many new projects have also entered the pipeline, mostly relating to mixed use where retail shops are planned for ground floor use. The supply of space is likely to continue to put pressure on advertised shop lets, with Wüest Partner calculating a 1.5% decline in asking rents on average in Switzerland for 2020.

### **Market for senior housing**

The Swiss resident population is still undergoing demographic change: currently, the number of people aged 75 and over is around 751 200 (in 2018), 3.1% higher than in the previous year. The 75 and over cohort thus accounts for 8.8% of the total resident population. In 2000 the figure was 7.3%, and its share has been rising steadily since then. The FSO's employment statistics show that the range of services on offer has also widened in recent years. In the third quarter of 2019, around 147 500 full-time equivalents were employed in healthcare homes. This corresponds to an increase of 1.9% on the same quarter of the previous year and an increase of 72.3% compared with the third quarter of 2000.

The residential and care services on offer for the elderly currently include around 1 543 old people's and care homes across Switzerland (in 2017). Of those facilities, 494 are privately operated and 401 are public, while the remainder are primarily owned by foundations and associations. These homes provided around 95 500 beds for long-term residency and generated income estimated at CHF 10.0 billion in 2017. These figures are based on the statistics published by social-medical institutes and the Swiss Federal Office of Public Health.

### **Hospitality**

In the period from January to October 2019, Switzerland had 4 245 accommodation facilities open. During this period, around 34.56 million overnight stays were recorded, up 1.5% on the same period in the previous year. Gross room occupancy for the first ten months of 2019 was 55.1%. Employment growth was also positive: In the third quarter of 2019, around 64 400 full-time equivalents were employed in the accommodation sector. This is an increase of 2.1% on the same quarter of the previous year and already points to another positive year for the Swiss hotel industry.

With a strong Swiss franc and the structural changes under way, this achievement is very respectable. In addition, the hotel market is already undergoing decades of structural change, which has driven and will drive far-reaching processes of adjustment in several areas. One trend that has been manifesting itself in the Alpine region for some time now and will probably continue is the extension or conversion of managed second homes into hotels. This form of investment is often also economically essential to be able to handle high investment volumes. Supply is generally likely to increase in the medium term. In the third quarter, the total volume of building applications in the hospitality industry over the year stood at around CHF 760 million, 30.4% higher than in the same period of the previous year.

These positive trends in Swiss tourism could remain intact, even if the fundamentally positive outlook after the successful 2019 summer season is likely to become a little more gloomy. In its October 2019 forecast, the KOF Economic Institute said it expected overnight stays to increase by 1.8% in both 2019 and 2020. Although the softening of the economy and stronger Swiss franc are likely to curb foreign demand to some degree, domestic private consumption is set to stay robust and stimulate the tourism industry. Under average weather conditions, the KOF said it expected overnight stays to go up by 2.1% in the 2019/2020 winter season. Urban areas could see growth, especially in winter. In the Alpine region, the highest growth rates are expected in Grisons and Valais. For 2021, the KOF is forecasting an increase of 2.2%.

### **Summary – investor market for commercial properties**

With interest rates remaining low, demand for Swiss investment properties remains very brisk – especially in the case of top-quality properties in prime locations. In some big cities, investors have even become slightly more willing again to pay for such properties, which caused initial yields to fall again between mid-2018 and mid-2019. In contrast, prices for average investment properties have been stagnating for two years now, after climbing between 2009 and 2017 – 22.0% in the case of commercial properties. This is due to the increased risk of vacancies in the wake of the recent high level of construction activity and the change in business activities, along with the associated decline in market rents for retail floor space. On user markets, commercial space is benefiting from stable employment growth in the service sector. New construction activity has also peaked. However, ongoing structural changes are changing the requirements for commercial properties and leading to falling market rents for retail floor space.

From an investor’s perspective, the story on the market for commercial properties is of low market volumes and low interest rates. Wüest Partner thinks it unlikely that interest rates will rise quickly or to any large degree. It is therefore likely that institutional investor demand to acquire investment properties for commercial use will remain high in the coming months.

Wüest Partner AG  
Zurich, 16 January 2020

Andreas Ammann  
Partner

Gino Fiorentin  
Partner

Further real estate information is available in note 13 (page 35) and in the property details (page 79).

# Annex:

## Valuation assumptions

### Valuation assumptions as at 31 December 2019

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 applied discounting method is based on ongoing 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 per property. The average real discount rate, weighted by fair value, applied to investment properties (existing properties including initial valuation following completion) amounts to 3.06% in the current valuation. Assuming an inflation rate of 0.5%, this rate corresponds to a nominal discount rate of 3.58%. The lowest real discount rate applied to a particular property is 2.05%, while the highest is 4.95%.



The valuations are based on the rental tables of the property managers as at 1 January 2020. The valuations are based on the 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 Wriest Partner AG represent an economic assessment based on available information, most of which was provided by Swiss Prime Site AG. Wriest Partner AG did not conduct or commission any legal, structural engineering or other specific clarifications. Wriest 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, 16 January 2020

# Consolidated financial statements

## Consolidated income statement

in CHF 1 000	Notes	01.01.– 31.12.2018	01.01.– 31.12.2019
Rental income from properties	4	479 404	486 912
Income from real estate developments	4	72 763	79 789
Income from real estate services	4	116 714	117 523
Income from retail	4	131 259	127 811
Income from assisted living	4	396 860	423 863
Income from asset management	4	8 452	13 542
Other operating income	4	8 658	9 407
<b>Operating income</b>		<b>1 214 110</b>	<b>1 258 847</b>
Revaluation of investment properties, net	13	67 551	203 412
Result from investments in associates		1 148	1 000
Result from investment property sales, net	5	18 401	20 777
Real estate costs	6	–134 636	–139 012
Cost of real estate developments		–57 289	–62 927
Cost of goods sold		–103 288	–106 631
Personnel costs	7	–442 651	–457 264
Depreciation on tangible assets	14	–15 341	–16 120
Amortisation on intangible assets	14	–7 271	–8 882
Other operating expenses	8	–62 110	–64 852
<b>Operating expenses</b>		<b>–822 586</b>	<b>–855 688</b>
<b>Operating result (EBIT)</b>		<b>478 624</b>	<b>628 348</b>
Financial expenses		–75 770	–70 681
Financial income		1 157	1 878
<b>Profit before income taxes</b>		<b>404 011</b>	<b>559 545</b>
Income taxes	9	–93 101	48 972
<b>Profit</b>		<b>310 910</b>	<b>608 517</b>
Attributable to shareholders of Swiss Prime Site AG		310 316	607 586
Attributable to non-controlling interests		594	931
<b>Earnings per share (EPS), in CHF</b>	<b>20</b>	<b>4.27</b>	<b>8.00</b>
<b>Diluted earnings per share, in CHF</b>	<b>20</b>	<b>4.02</b>	<b>7.51</b>

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

**Consolidated balance sheet**

in CHF 1 000	Notes	31.12.2018	31.12.2019
<b>Assets</b>			
Cash		184 534	173 065
Securities		487	557
Accounts receivable	10	83 004	95 447
Other current receivables		11 163	14 784
Inventories	11	33 412	34 789
Real estate developments	12	7 511	19 650
Accrued income and prepaid expenses		32 263	37 819
Assets held for sale	13	57 708	94 136
<b>Total current assets</b>		<b>410 082</b>	<b>470 247</b>
Investment properties	13	11 146 710	11 671 294
Tangible assets	14	69 589	71 083
Investments in associates		53 159	52 231
Deferred income tax assets	9	5 553	1 634
Other financial investments		8 395	6 535
Intangible assets	14	15 844	27 880
<b>Total non-current assets</b>		<b>11 299 250</b>	<b>11 830 657</b>
<b>Total assets</b>		<b>11 709 332</b>	<b>12 300 904</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current financial liabilities</b>			
Accounts payable		12 607	32 623
Other current liabilities		142 851	149 919
Accrued expenses and deferred income	16	143 573	179 058
<b>Total current liabilities</b>		<b>1 262 471</b>	<b>1 621 477</b>
<b>Non-current financial liabilities</b>			
Deferred tax liabilities	9	1 188 787	1 099 397
<b>Total non-current liabilities</b>		<b>5 301 751</b>	<b>5 220 240</b>
<b>Total liabilities</b>		<b>6 564 222</b>	<b>6 841 717</b>
<b>Shareholders' equity</b>			
Share capital	19	1 161 979	1 161 979
Capital reserves	19	608 218	320 629
Treasury shares	19	-47	-106
Retained earnings	19	3 374 742	3 975 536
<b>Shareholders' equity attributable to shareholders of Swiss Prime Site AG</b>		<b>5 144 892</b>	<b>5 458 038</b>
Non-controlling interests	19	218	1 149
<b>Total shareholders' equity</b>		<b>5 145 110</b>	<b>5 459 187</b>
<b>Total liabilities and shareholders' equity</b>		<b>11 709 332</b>	<b>12 300 904</b>

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

**Consolidated cash flow statement**

in CHF 1 000	Notes	01.01.– 31.12.2018	01.01.– 31.12.2019
<b>Profit</b>		<b>310 910</b>	<b>608 517</b>
Depreciation		22 612	25 002
Revaluation of investment properties, net	13	–67 551	–203 412
Result from investment property sales, net	5	–18 401	–20 777
Result from investments in associates		–1 148	–1 000
Other non-cash items affecting net income		3 099	3 446
Financial expenses		75 770	70 681
Financial income		–1 157	–1 878
Income tax expenses / income	9	93 101	–48 972
Change in accounts receivable		1 500	–11 547
Change in inventories and real estate developments		–23 027	–13 515
Change in other receivables and accrued income and prepaid expenses		4 871	–7 930
Change in accounts payable		–7 206	19 525
Change in other current liabilities and accrued expenses and deferred income		–22 331	16 329
Income tax payments		–36 636	–27 849
<b>Cash flow from operating activities</b>		<b>334 406</b>	<b>406 620</b>
Investments in investment properties	13	–515 478	–413 204
Divestments of investment properties	13	61 943	145 954
Investments in tangible assets	14	–14 920	–17 605
Acquisitions of group companies, less acquired cash	3	–14 433	–36 738
Investments in financial investments		–6 460	–410
Divestments of financial investments		414	1 881
Investments in intangible assets	14	–9 188	–20 918
Interest payments received		243	244
Dividends received		2 246	2 201
<b>Cash flow from investing activities</b>		<b>–495 633</b>	<b>–338 595</b>
Distribution from capital contribution reserves	19	–271 618	–288 591
Purchase of treasury shares	19	–2 255	–2 503
Issue of bonds		189 859	521 727
Redemption of bond		–115 000	–200 000
Issue of convertible bond		296 615	–
Issuance/repayment of current financial liabilities		–204 071	–37 370
Issuance/repayment of non-current financial liabilities		44 026	–1 811
Interest paid		–74 042	–70 946
Share capital increase	19	323 099	–
<b>Cash flow from financing activities</b>		<b>186 613</b>	<b>–79 494</b>
<b>Change in cash</b>		<b>25 386</b>	<b>–11 469</b>
Cash at beginning of period		159 148	184 534
<b>Cash at end of period</b>		<b>184 534</b>	<b>173 065</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 01.01.2018</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		-	-	-	-	-	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	19	-	-271 618	-	-	-271 618	-	-271 618
Capital increase on 28.09.2018	19	68 352	254 747	-	-	323 099	-	323 099
Share-based compensation	19	-	888	2 211	-	3 099	-	3 099
Purchase of treasury shares	19	-	-	-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>
Profit		-	-	-	607 586	607 586	931	608 517
Compensation of goodwill from acquisitions of group companies		-	-	-	-6 792	-6 792	-	-6 792
Distribution from capital contribution reserves on 04.04.2019	19	-	-288 591	-	-	-288 591	-	-288 591
Share-based compensation	19	-	1 002	2 444	-	3 446	-	3 446
Purchase of treasury shares	19	-	-	-2 503	-	-2 503	-	-2 503
<b>Total as at 31.12.2019</b>		<b>1 161 979</b>	<b>320 629</b>	<b>-106</b>	<b>3 975 536</b>	<b>5 458 038</b>	<b>1 149</b>	<b>5 459 187</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 focus of investment is 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 with the aim of 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 2.35. 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.

The consolidated financial statements were prepared in Swiss francs (CHF). All amounts, except for the figures per share, have been rounded to CHF 1000. 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 33 [29] companies (including the Holding Company). An overview of the group companies is provided in note 23 «Group companies and associates».

The consolidation is based on the audited annual financial statements of the group companies as at 31 December 2019, 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 comprises 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. They are recognised 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 in the 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 without affecting income. 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, only the amount of income 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 the sale of which is highly probable. 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 as expected. 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 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»).

### **2.15 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 in accordance with 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 13 «Investment properties».

### **2.16 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.

### 2.17 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.

### 2.18 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).

### 2.19 Depreciation and amortisation

Useful life of assets

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

### 2.20 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 effect 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.

### 2.21 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 using the straight line method 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 a finance lease.

## 2.22 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. The calculation of deferred taxes on real estate assets was based on the assumption of a holding period of minimum 20 years.

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.

## 2.23 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.

## 2.24 Derivative financial instruments

Derivative financial instruments can be utilised within the scope of ordinary business activities (for example, to hedge interest risks). No hedge accounting in the context of Swiss GAAP FER 27 «Derivative financial instruments» is 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 17 «Financial instruments and financial risk management».

## 2.25 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.

## 2.26 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.

## 2.27 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.

**2.28 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.

**2.29 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.

**2.30 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.

**2.31 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.

**2.32 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»).

**2.33 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.

### 2.34 Transactions with related parties

The Board of Directors, Executive Board, group companies, pension fund foundations of the group, associates 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 22 «Transactions with related parties».

### 2.35 Earnings per share (EPS)

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

## 3 Changes in scope of consolidation

### 3.1 Acquisitions during the reporting year

The group acquired 100% of the shares of ACRON HELVETIA V Immobilien AG (Real Estate segment), Münchenstein, as at 1 July 2019 and then rebranded to SPS Baselland Dreispitz AG. The Company's assets include two logistic properties in Münchenstein, which are 100% let. The purchase price amounts to CHF 16.905 million and includes properties valued at CHF 29.400 million, other assets of CHF 0.352 million, short-term mortgages of CHF 12.150 million and other liabilities of CHF 1.627 million. The goodwill of CHF 0.930 million resulting from the acquisition was offset directly against shareholders' equity.

Further acquisitions during the reporting year were Zimmermann Vins SA, Carouge, in the Real Estate segment as well as EMS Le Martagon SA, Les Ponts-de-Martel, EMS Chantevent SA, La Grande Béroche, and Home Les Lauriers S.A., Saint-Imier in the Services segment. The goodwill of CHF 5.862 million resulting from these acquisitions was offset directly against shareholders's equity.

### 3.2 Acquisitions during the previous year

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.

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 group acquired streamnow ag, Zurich, as at 19 October 2018. The goodwill of CHF 0.403 million resulting from the acquisition was offset directly against shareholders' equity.

### 3.3 Group internal mergers during the reporting year

In the Services segment, EMS Le Martagon S.A., Les Ponts-de-Martel, was merged into Leben im Alter AG, Zurich, as at 1 July 2019.

### 3.4 Group internal mergers during the previous 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.

## 4 Segment reporting

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

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.–31.12.2019

in CHF 1 000	Real Estate segment	Services segment	Total segments	Eliminations	01.01.– 31.12.2019 Total group
Rental income from properties	437 299	106 019	543 318	–56 406	486 912
thereof from third parties	380 893	106 019	486 912	–	486 912
thereof from other segments	56 406	–	56 406	–56 406	–
Income from real estate developments	79 789	–	79 789	–	79 789
Income from real estate services	–	148 065	148 065	–30 542	117 523
Income from retail	–	127 823	127 823	–12	127 811
Income from assisted living	–	423 909	423 909	–46	423 863
Income from asset management	–	13 542	13 542	–	13 542
Other operating income	2 399	9 034	11 433	–2 026	9 407
<b>Operating income</b>	<b>519 487</b>	<b>828 392</b>	<b>1 347 879</b>	<b>–89 032</b>	<b>1 258 847</b>
<b>Revaluation of investment properties, net</b>	<b>204 442</b>	<b>–1 030</b>	<b>203 412</b>	<b>–</b>	<b>203 412</b>
<b>Result from investments in associates</b>	<b>1 000</b>	<b>–</b>	<b>1 000</b>	<b>–</b>	<b>1 000</b>
<b>Result from investment property sales, net</b>	<b>19 326</b>	<b>–</b>	<b>19 326</b>	<b>1 451</b>	<b>20 777</b>
Real estate costs	–65 007	–159 780	–224 787	85 775	–139 012
Cost of real estate developments	–62 927	–	–62 927	–	–62 927
Cost of goods sold	–	–106 631	–106 631	–	–106 631
Personnel costs	–22 544	–435 190	–457 734	470	–457 264
Depreciation on tangible assets	–603	–15 517	–16 120	–	–16 120
Amortisation on intangible assets	–2 822	–6 060	–8 882	–	–8 882
Other operating expenses	–17 483	–48 705	–66 188	1 336	–64 852
<b>Operating expenses</b>	<b>–171 386</b>	<b>–771 883</b>	<b>–943 269</b>	<b>87 581</b>	<b>–855 688</b>
<b>Operating result (EBIT)</b>	<b>572 869</b>	<b>55 479</b>	<b>628 348</b>	<b>–</b>	<b>628 348</b>

**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>

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

## 5 Result from investment property sales

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Gains from sales of properties	11 247	12 694
Gains from sales of properties held for sale	7 154	4 745
Gains from properties under construction and development sites	–	3 338
<b>Total result from investment property sales, net</b>	<b>18 401</b>	<b>20 777</b>

Nine [five] properties were sold in the reporting year. Four condominium units in Building A, Espace Tourbillon in Geneva were also sold. Building A in the Espace Tourbillon is under construction, the individual units will be sold on an ongoing basis and handed over in turnkey condition to the condominium owners in 2020. The transaction is therefore split into two parts: the sale of storeys under construction and the continuation of construction activity as a service. The sale includes the land portion, the project costs incurred and the construction work carried out up to the date of sale and the transfer of ownership. It was recognised as the sale of investment properties (Swiss GAAP FER 18). The service includes the completion of the condominiums up to turnkey handover. This is recognised in the consolidated financial statements as real estate development based on construction progress (Swiss GAAP FER Framework 11 and 12).

## 6 Real estate costs

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Property expenses	–43 347	–46 120
Third-party rents	–75 849	–76 436
Expenses for third-party services	–6 221	–6 103
Expenses for real estate services	–3 703	–4 589
Land lease expenses	–5 516	–5 764
<b>Total real estate costs</b>	<b>–134 636</b>	<b>–139 012</b>

Property expenses included maintenance and repair costs of CHF 13.232 million [CHF 11.865 million], ancillary costs borne by the owner of CHF 8.463 million [CHF 9.260 million] and property-related insurance costs and fees of CHF 7.410 million [CHF 7.622 million] as well as costs for cleaning, energy and water of CHF 17.015 million [CHF 14.600 million].

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

## 7 Personnel costs

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Wages and salaries	–360 550	–375 329
Social security expenses	–33 471	–34 594
Pension plan expenses	–30 410	–27 523
Other personnel expenses	–18 220	–19 818
<b>Total personnel costs</b>	<b>–442 651</b>	<b>–457 264</b>
<b>Number of employees as at 31.12.</b>	<b>6 321</b>	<b>6 506</b>
<b>Number of full-time equivalents as at 31.12.</b>	<b>5 115</b>	<b>5 402</b>

## 8 Other operating expenses

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Expenses for tangible assets and IT	–22 011	–27 451
Non-life insurance, fees	–2 245	–2 766
Capital taxes	–2 984	–2 494
Administrative expenses	–15 010	–16 116
Audit and consultancy costs	–8 517	–8 068
Marketing	–8 385	–8 368
Collection- and bad-debt-related losses	–2 958	411
<b>Total other operating expenses</b>	<b>–62 110</b>	<b>–64 852</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 7.225 million [CHF 7.566 million] and audit fees of CHF 0.843 million [CHF 0.951 million].

## 9 Income taxes

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Current income taxes of the reporting period	–47 377	–41 581
Adjustments for current income taxes of other accounting periods	–1 320	1 117
<b>Total current income taxes</b>	<b>–48 697</b>	<b>–40 464</b>
Deferred taxes resulting from revaluation and depreciation	–60 621	–90 310
Deferred taxes resulting from real estate developments (long-term contracts)	–3 624	–3 086
Deferred taxes resulting from the sale of investment properties	23 301	14 300
Deferred taxes resulting from tax rate changes	181	172 451
Deferred taxes resulting from losses carried forward	–3 641	–3 899
Other deferred taxes	–	–20
<b>Total deferred taxes</b>	<b>–44 404</b>	<b>89 436</b>
<b>Total income taxes</b>	<b>–93 101</b>	<b>48 972</b>

The changes in various cantonal income tax rates that took place in the reporting period resulted in a release of deferred tax liabilities in the amount of CHF 172.451 million.

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.



**Reconciliation of income taxes**

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

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Profit before income taxes	404 011	559 545
Income taxes at average tax rate of 23%	–92 923	–128 695
Taxes at other rates (including property gains taxes)	94	4 801
Deferred taxes resulting from tax rate changes	181	172 451
Adjustment for current income taxes for other accounting periods	–1 320	1 117
Effect of unrecognised losses carried forward	867	–702
<b>Total income taxes</b>	<b>–93 101</b>	<b>48 972</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 4.4% and 15.1% [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% [5.0% and 25.0%], depending on duration of ownership.

Accordingly, property gains taxes are reduced in proportion to the increased duration of ownership of the property. Swiss Prime Site generally assumes ownership for a minimum period of 20 years, meaning that potential speculation premiums are not taken into account.

**Deferred income tax assets**

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.

in CHF 1 000	31.12.2018	31.12.2019
Taxable losses carried forward of group companies	34 149	12 818
<b>Possible tax effect on taxable losses carried forward at expected tax rate</b>	<b>6 145</b>	<b>2 948</b>
Losses carried forward which can in all probability be offset with future profits	–31 138	–6 757
Total recognised deferred tax assets at expected tax rate	–5 453	–1 554
<b>Total deferred tax assets not recognised at expected tax rate</b>	<b>692</b>	<b>1 394</b>
Recognised deferred tax assets on losses carried forward	5 453	1 554
Other deferred income tax assets	100	80
<b>Total deferred income tax assets</b>	<b>5 553</b>	<b>1 634</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	31.12.2018	31.12.2019
After 1 year	45	51
After 2 years	51	11
After 3 years	11	5
After 4 years	5	481
After 5 years	1 674	251
After 6 years	251	4 784
After 7 or more years	974	478
<b>Total expiring taxable losses carried forward</b>	<b>3 011</b>	<b>6 061</b>

**Deferred tax liabilities**

in CHF 1 000	31.12.2018	31.12.2019
<b>Deferred tax liabilities as at 01.01.</b>	<b>1 145 331</b>	<b>1 188 787</b>
Increase due to acquisitions of group companies	2 774	3 954
Increase due to real estate developments (long-term contracts)	3 624	3 086
Increase through revaluation and depreciation	60 621	90 310
Change through property disposals	-23 301	-14 300
Tax rate changes	-181	-172 451
Other changes	-81	11
<b>Deferred tax liabilities as at 31.12.</b>	<b>1 188 787</b>	<b>1 099 397</b>

**10 Accounts receivable**

in CHF 1 000	31.12.2018	31.12.2019
Accounts receivable, gross	89 378	101 288
Impairments	-6 374	-5 841
<b>Total accounts receivable</b>	<b>83 004</b>	<b>95 447</b>

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

**Maturities of receivables**

in CHF 1 000	31.12.2018 Gross receivables	Impairments	31.12.2019 Gross receivables	Impairments
Not yet due	51 232	-	67 980	-
Due between 1 and 30 days	15 245	-	14 322	-80
Due between 31 and 90 days	8 562	-128	6 013	-455
Due between 91 and 120 days	2 445	-2 086	2 504	-126
Due for more than 120 days	11 894	-4 160	10 469	-5 180
<b>Total gross receivables and impairments</b>	<b>89 378</b>	<b>-6 374</b>	<b>101 288</b>	<b>-5 841</b>

**11 Inventories**

in CHF 1 000	31.12.2018	31.12.2019
Merchandise	31 825	33 246
Other inventories	2 665	2 495
Impairments	-1 078	-952
<b>Total inventories</b>	<b>33 412</b>	<b>34 789</b>

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

**12 Real estate developments**

in CHF 1 000	31.12.2018	31.12.2019
Income from current projects since start of construction	124 511	204 300
Advance payments received	– 117 000	– 184 650
<b>Real estate developments, net</b>	<b>7 511</b>	<b>19 650</b>
of which real estate developments, assets	7 511	19 650
of which real estate developments, liabilities	–	–
Income from real estate developments of the period	72 763	79 789

The accruals relate to real estate developments sold during the construction phase and completed on behalf of the buyers. In the partial sale of the «Espace Tourbillon» development project in Geneva, two of the total of five buildings under construction were sold in 2017. The turnkey transfer of the two buildings will be carried out in the years 2020 and 2021, respectively, following completion. The «Weltpost Park» apartment complex in Berne was sold in 2018. The three-building complex is expected to be transferred to the buyer in the first quarter of 2020. In the reporting year, the commercial space in Building A of the «Espace Tourbillon» development project was also sold by way of condominium ownership. Completion and turnkey transfer to the condominium owners is planned for 2020.

## 13 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 01.01.2018</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>
Purchases	12 020	–	–	12 020	–	12 020
Follow-up investments	138	144 383	263 720	408 241	793	409 034
Capitalised borrowing costs	–	1 053	5 665	6 718	–	6 718
Additions from acquisitions	–	55 005	–	55 005	–	55 005
Reclassifications	–	177 930	–260 216	–82 286	82 286	–
Disposal by sale	–	–68 804	–10 578	–79 382	–45 795	–125 177
Positive fair value adjustment	73	318 796	43 408	362 277	–	362 277
Negative fair value adjustment	–206	–142 574	–15 229	–158 009	–856	–158 865
<b>Fair value adjustment</b>	<b>–133</b>	<b>176 222</b>	<b>28 179</b>	<b>204 268</b>	<b>–856</b>	<b>203 412</b>
<b>Total as at 31.12.2019</b>	<b>37 498</b>	<b>11 030 239</b>	<b>603 557</b>	<b>11 671 294</b>	<b>94 136</b>	<b>11 765 430</b>
Actual costs as at 31.12.2018	17 111	7 884 725	523 544	8 425 380	49 749	8 475 129
Actual costs as at 31.12.2019	29 269	8 165 228	558 431	8 752 928	79 288	8 832 216
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
Difference between fair value and actual costs as at 31.12.2019	8 229	2 865 011	45 126	2 918 366	14 848	2 933 214
Fire insurance values on 01.01.2018 <sup>1</sup>	2 067	6 781 310	237 513	7 020 890	12 694	7 033 584
Fire insurance values on 01.01.2019 <sup>1</sup>	1 956	6 846 615	467 697	7 316 268	79 705	7 395 973
<b>Fire insurance values on 31.12.2019<sup>1</sup></b>	<b>12 067</b>	<b>6 947 513</b>	<b>384 939</b>	<b>7 344 519</b>	<b>78 916</b>	<b>7 423 435</b>

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

The change in investment properties in the previous year includes purchases and disposals by sale that did not affect the cash position, with each amounting to CHF 197 018 million. This resulted from a real estate exchange completed in the previous year, whereby three properties in Zurich and Worblaufen were purchased, while a co-ownership interest was sold to Sihlcity.

The book value of the investment properties recognised through finance leases amounts to CHF 14.340 million [CHF 15.270 million].

**Details on future rental income from rentals under existing contracts**

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 2019:

End of contract	31.12.2018 Future rental income in CHF 1000	Share in %	31.12.2019 Future rental income in CHF 1000	Share in %
Under 1 year <sup>1</sup>	46 097	10.5	52 102	11.7
Over 1 year	44 096	10.1	62 481	14.1
Over 2 years	66 101	15.1	48 644	11.0
Over 3 years	44 006	10.0	32 730	7.4
Over 4 years	30 789	7.0	40 189	9.1
Over 5 years	30 109	6.9	23 166	5.2
Over 6 years	20 022	4.6	40 608	9.2
Over 7 years	27 194	6.2	15 874	3.6
Over 8 years	16 238	3.7	8 248	1.9
Over 9 years	7 924	1.8	21 643	4.9
Over 10 years	106 071	24.1	97 813	21.9
<b>Total</b>	<b>438 647</b>	<b>100.0</b>	<b>443 498</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 2019 [31 December 2018].

**Rent losses from vacancies**

Rent losses from vacancies amounted to CHF 20.581 million [CHF 21.114 million], corresponding to a vacancy rate of 4.7% [4.8%]. 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 79.

**Largest external tenants**

As at the balance sheet date, the five largest external tenants accounted for 21.3% [21.8%] of future annual rental income and land lease income (Real Estate segment perspective). The individual tenants have a good credit rating. This relates to the following companies:

in %	31.12.2018	31.12.2019
Migros	5.8	5.8
Coop	5.8	5.7
Swisscom	5.2	4.9
Zurich Insurance Group	2.5	2.5
Die Schweizerische Post	n.a.	2.4
Inditex	2.5	n.a.

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

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

The properties are valued on a semi-annual basis by an external, independent and qualified valuation expert: Wüest Partner AG, Zurich.

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.

The individual valuation of properties is carried out by means of the discounted cash flow method (DCF method). 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 is determined by applying the highest-and-best-use concept for a property.

Details on the valuation methods and assumptions can be found in the report of the valuation experts Wüest Partner AG, from page 8.

### Applicable unobservable input factors as at 31.12.2019

	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	37.498	10 026.819	1 016.590	684.523
<b>Unobservable input factors</b>					
Average discount rate	%	3.80	3.07	3.02	3.64
Maximum discount rate	%	4.95	4.95	4.95	4.15
Minimum discount rate	%	3.20	2.05	2.50	3.10
Residential	CHF per m <sup>2</sup> p.a.	–	70 to 692	120 to 447	275 to 325
Offices	CHF per m <sup>2</sup> p.a.	–	80 to 920	90 to 900	200 to 550
Retail/gastro	CHF per m <sup>2</sup> p.a.	–	60 to 7 500	220 to 1 190	200 to 500
Commercial	CHF per m <sup>2</sup> p.a.	–	30 to 560	80 to 250	120 to 280
Storage	CHF per m <sup>2</sup> p.a.	–	40 to 560	50 to 180	90 to 175
Parking inside	CHF per piece and month	–	50 to 650	100 to 620	55 to 250
Parking outside	CHF per piece and month	–	40 to 400	40 to 120	60 to 180

<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 31.12.2018

	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

**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 relation to potential changes in the market environment, sensitivity is significant particularly regarding discount rates. With a fluctuation range of  $\pm 10$  basis points [ $\pm 10$  basis points], the change in fair value due to the change in the average discount rate applied of 3.06% [3.22%] had a positive impact on the fair value of existing properties of +3.5% [+3.2%] and a negative impact of -3.2% [-3.0%].

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.

A change in the market rent price of  $\pm 2.0\%$  [ $\pm 2.0\%$ ] has a positive impact of +2.3% [+2.0%] and a negative impact of -2.2% [-2.0%] on the fair value of the existing properties.

Amid the current environment of negative interest rates, there is an investment crisis, creating strong demand for real estate investments. 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	Construction of four new office and laboratory buildings and transformation of the area into a centre for innovation, experiences, health, restaurants and shopping. Investment volume: approx. CHF 180 m. Further information: <a href="http://stueckipark.ch">stueckipark.ch</a>
Project status	First of two stages being executed
Sale/rental status	Stage 1: Building F (office) being marketed, Building G (laboratory and office) fully let
Completion	2023

**Lancy, Esplanade de Pont-Rouge 5, 7, 9: Alto Pont-Rouge**

Project description	Construction of a new services building with 15 upper floors and flexible usable areas. Investment volume: approx. CHF 180 m. Further information: <a href="http://alto-pont-rouge.ch">alto-pont-rouge.ch</a>
Project status	Legally valid building permit has been issued
Sale/rental status	0% let, interested parties for approx. 6 200 m <sup>2</sup> available
Completion	2022

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

Project description	New residential and care centre with 50 beds and 39 apartments. Investment volume: approx. CHF 27 m
Project status	Project being executed
Sale/rental status	100% let
Completion	2021

**Oftringen, Spitalweidstrasse 1: Shopping centre a1**

Project description	Transformation into a retail park. Investment volume: approx. CHF 60 m. Further information: <a href="http://a-eins.ch">a-eins.ch</a>
Project status	Handover of the standard-fit-out to the tenants for individual design Stage 1 is complete. Handover of stage 2 is scheduled for the fourth quarter of 2020
Sale/rental status	100% let
Completion	2020

**Paradiso, Riva Paradiso 3, 20: Tertianum Residenz Du Lac**

Project description	New senior citizens' residence with 60 apartments and a geriatric care centre with 40 beds. Investment volume: approx. CHF 52 m
Project status	The legally valid building permit is expected in the first quarter of 2020
Sale/rental status	100% let
Completion	2022

**Plan-les-Ouates, Chemin des Aulx: Espace Tourbillon**

Project description	Construction of five new buildings for commercial, trading and service provider companies with underground logistics infrastructure. Investment volume: approx. CHF 217 m (buildings A, B and E). Further information: <a href="http://espacetourbillon.ch/en">espacetourbillon.ch/en</a>
Project status	Project being executed
Sale/rental status	33% let (Building B), 33% sold (Building A)
Completion	2021

**Richterswil, Gartenstrasse 7/17, 15: Tertianum residential care centre, Etzelblick**

Project description	Construction of 26 new age-adapted apartments and 64 new care places including dementia care to replace the existing residential and care centre. Investment volume: approx. CHF 30 m
Project status	Legally valid building permit has been issued. Start of construction 1 April 2020
Sale/rental status	100% let
Completion	2022



**Schlieren, Zürcherstrasse 39: JED conversion – Join. Explore. Dare.**

Project description	Conversion of the site into a centre for knowledge transfer, innovation and entrepreneurship with work-places, indoor and outdoor meeting areas, a large event location and catering and leisure areas. Investment volume: approx. CHF 100 m. Further information: jed.swiss
Project status	Project being executed
Sale/rental status	70% let
Completion	2020

**Schlieren, Zürcherstrasse 39: JED new building 2226– Join. Explore. Dare.**

Project description	New building with the forward-looking building concept 2226 offering an optimal indoor climate without the use of heating, ventilation and cooling systems. Large connected areas for innovative companies and conferencing services. Investment volume: approx. CHF 55 m. Further information: jed.swiss
Project status	In planning. Building permit expected in the first quarter of 2020
Sale/rental status	0% let
Completion	2022

**Zurich, Vulkanstrasse 114, Juchstrasse 3: West-Log**

Project description	Construction of a new logistics and office building with extra-high stories for automated storage facilities. Investment volume: approx. CHF 79 m. Further information: west-log.ch
Project status	Project being executed
Sale/rental status	85% let
Completion	2020

A more detailed description of the development and new construction projects has been published on the homepage [www.sps.swiss/en/real-estate/projects/projects-under-construction](http://www.sps.swiss/en/real-estate/projects/projects-under-construction).

**14 Tangible assets and intangible assets**

in CHF 1 000	Equipment	Furniture/ tenants' improve- ments	Total tangible assets	Software	Total intangible assets
Cost as at 01.01.2019	12 880	144 041	156 921	39 928	39 928
Additions	2 188	15 417	17 605	20 918	20 918
Additions from acquisitions	–	9	9	–	–
Disposals	–	–885	–885	–	–
Cost as at 31.12.2019	15 068	158 582	173 650	60 846	60 846
Cumulative depreciation and impairment as at 01.01.2019	4 263	83 069	87 332	24 084	24 084
Depreciation	716	15 404	16 120	8 882	8 882
Disposals	–	–885	–885	–	–
Cumulative depreciation and impairment as at 31.12.2019	4 979	97 588	102 567	32 966	32 966
Total as at 31.12.2019	10 089	60 994	71 083	27 880	27 880

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

## 15 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, assuming a useful life of five years:

### Theoretical statement of changes in goodwill

in CHF 1 000	2018	2019
Cost as at 01.01.	451 715	447 501
Additions	-4 214	6 792
Cost as at 31.12.	447 501	454 293
Cumulative amortisation as at 01.01.	319 798	377 060
Additions	57 262	53 460
Cumulative amortisation as at 31.12.	377 060	430 520
Theoretical net book value as at 31.12.	70 441	23 773

### Theoretical effect on shareholders' equity

in CHF 1 000	31.12.2018	31.12.2019
Shareholders' equity according to balance sheet	5 145 110	5 459 187
Theoretical recognition of net book value of goodwill in the balance sheet	70 441	23 773
Theoretical shareholders' equity including net book value of goodwill	5 215 551	5 482 960

### Theoretical effect on profit

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Profit according to income statement	310 910	608 517
Theoretical amortisation of goodwill	-57 262	-53 460
Theoretical profit including amortisation of goodwill	253 648	555 057

## 16 Accrued expenses and deferred income

in CHF 1 000	31.12.2018	31.12.2019
Renovation and project costs	55 528	77 784
Cost of goods sold	10 481	6 737
Other operating expenses	42 435	41 838
Current income and capital taxes	35 129	52 547
Interests	-	152
Total accrued expenses and deferred income	143 573	179 058

## 17 Financial liabilities

in CHF 1 000	31.12.2018	31.12.2019
Mortgage-backed loans	762 000	1 027 978
Bonds	199 769	229 892
Other loans	1 671	2 007
<b>Total current financial liabilities</b>	<b>963 440</b>	<b>1 259 877</b>
Mortgage-backed loans	2 233 000	1 950 454
Convertible bonds	542 411	543 940
Bonds	1 317 544	1 609 858
Non-current loans	17 085	14 299
Other non-current financial liabilities	2 924	2 292
<b>Total non-current financial liabilities</b>	<b>4 112 964</b>	<b>4 120 843</b>
<b>Total financial liabilities</b>	<b>5 076 404</b>	<b>5 380 720</b>

On 2 April 2019, Swiss Prime Site AG issued an eight-year bond in the amount of CHF 350.000 million with an interest rate of 1.25% and, on 30 September 2019, another bond in the amount of CHF 170.000 million with a term to maturity of 12 years and a coupon of 0.375%.

Financial liabilities include current lease obligations of CHF 0.553 million [CHF 0.538 million] and non-current lease obligations of CHF 8.016 million [CHF 8.569 million].

As at the balance sheet date, the loan-to-value ratio of the real estate portfolio amounted to 45.7% [45.3%].

### Bonds

		CHF 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 190 m 2024	CHF 100 m 2024
Issuing volume, nominal	CHF m	200.000	230.000	300.000	190.000	100.000
<b>Book value as at 31.12.2019</b>	<b>CHF m</b>	<b>0.000</b>	<b>229.892</b>	<b>299.580</b>	<b>189.893</b>	<b>99.588</b>
Book value as at 31.12.2018	CHF m	199.769	229.759	299.255	189.870	99.505
Interest rate	%	1.0	2.0	1.75	1.0	2.0
Term to maturity	years	5	7	7	6	10
Maturity	date	10.12.2019	21.10.2020	16.04.2021	16.07.2024	10.12.2024
Securities number		25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	39 863 325 (SPS181)	25 704 217 (SPS142)
<b>Fair value as at 31.12.2019</b>	<b>CHF m</b>	<b>0.000</b>	<b>233.473</b>	<b>306.210</b>	<b>198.645</b>	<b>109.300</b>
Fair value as at 31.12.2018	CHF m	201.680	236.670	309.150	190.475	105.150

		CHF 250 m 2025	CHF 250 m 2026	CHF 350 m 2027	CHF 170 Mio. 2031
Issuing volume, nominal	CHF m	250.000	250.000	350.000	170.000
<b>Book value as at 31.12.2019</b>	<b>CHF m</b>	<b>249.942</b>	<b>249.329</b>	<b>352.071</b>	<b>169.455</b>
Book value as at 31.12.2018	CHF m	249.932	249.223	0.000	0.000
Interest rate	%	0.5	0.825	1.25	0.375
Term to maturity	years	9	9	8	12
Maturity	date	03.11.2025	11.05.2026	02.04.2027	30.09.2031
Securities number		33 764 553 (SPS161)	36 067 729 (SPS17)	41 904 099 (SPS19)	48 850 668 (SPS192)
<b>Fair value as at 31.12.2019</b>	<b>CHF m</b>	<b>253.750</b>	<b>257.700</b>	<b>371.000</b>	<b>167.110</b>
Fair value as at 31.12.2018	CHF m	240.250	241.875	0.000	0.000

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 31.12.2019	CHF m	250.000	300.000
<b>Book value as at 31.12.2019</b>	<b>CHF m</b>	<b>246.380</b>	<b>297.560</b>
Book value as at 31.12.2018	CHF m	245.334	297.077
Conversion price	CHF	104.24	100.51
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 31.12.2019</b>	<b>CHF m</b>	<b>267.875</b>	<b>334.950</b>
Fair value as at 31.12.2018	CHF m	244.250	285.900

No conversions took place either in the reporting or in the previous year. Creditors of the convertible bond in the amount of CHF 300.000 million 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.

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

	31.12.2018 Conversion price in CHF	Number of possible shares	31.12.2019 Conversion price in CHF	Number of possible shares
Convertible bonds				
0.25%-convertible bond 16.06.2016–16.06.2023, CHF 250.000 million	104.41	2 394 406	104.24	2 398 311
0.325%-convertible bond 16.01.2018–16.01.2025, CHF 300.000 million	100.67	2 980 033	100.51	2 984 777
<b>Total number of possible shares</b>		<b>5 374 439</b>		<b>5 383 088</b>

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

in CHF 1 000	31.12.2018 Total nominal value	31.12.2019 Total nominal value
Financial liabilities up to 1.00%	1 562 396	2 120 352
Financial liabilities up to 1.50%	1 131 000	1 291 000
Financial liabilities up to 2.00%	874 600	828 732
Financial liabilities up to 2.50%	1 057 400	987 400
Financial liabilities up to 3.00%	431 068	131 094
Financial liabilities up to 3.50%	–	–
Financial liabilities up to 4.00%	20 079	20 040
Financial liabilities up to 4.50%	6 176	5 134
Financial liabilities up to 5.00%	1 038	986
<b>Total financial liabilities</b>	<b>5 083 757</b>	<b>5 384 738</b>

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

in CHF 1 000	31.12.2019 Book value	Contra- tual cash flows	<6 months		6 to 12 months		1 to 2 years		2 to 5 years		>5 years	
			Inter- est	Amorti- sation	Inter- est	Amorti- sation	Inter- est	Amorti- sation	Inter- est	Amorti- sation	Inter- est	Amorti- sation
Current financial liabilities	1 259 877	1 268 389	5 678	808 449	2 727	451 535	–	–	–	–	–	–
Accounts payable	32 623	32 623	–	32 623	–	–	–	–	–	–	–	–
Other current liabilities	149 919	149 919	–	149 919	–	–	–	–	–	–	–	–
Non-current financial liabilities (without derivatives)	4 118 551	4 362 141	25 739	–	25 739	–	41 270	912 882	86 648	1 102 011	57 991	2 109 861
<b>Total non-derivative financial liabilities</b>	<b>5 560 970</b>	<b>5 813 072</b>	<b>31 417</b>	<b>990 991</b>	<b>28 466</b>	<b>451 535</b>	<b>41 270</b>	<b>912 882</b>	<b>86 648</b>	<b>1 102 011</b>	<b>57 991</b>	<b>2 109 861</b>
Derivatives with negative fair value	2 292	2 525	–	488	–	470	–	453	–	446	–	668
<b>Total derivative financial liabilities</b>	<b>2 292</b>	<b>2 525</b>	<b>–</b>	<b>488</b>	<b>–</b>	<b>470</b>	<b>–</b>	<b>453</b>	<b>–</b>	<b>446</b>	<b>–</b>	<b>668</b>
<b>Total financial liabilities</b>	<b>5 563 262</b>	<b>5 815 597</b>	<b>31 417</b>	<b>991 479</b>	<b>28 466</b>	<b>452 005</b>	<b>41 270</b>	<b>913 335</b>	<b>86 648</b>	<b>1 102 457</b>	<b>57 991</b>	<b>2 110 529</b>

in CHF 1 000	31.12.2018 Book value	Contra- tual cash flows	<6 months		6 to 12 months		1 to 2 years		2 to 5 years		>5 years	
			Inter- est	Amorti- sation	Inter- est	Amorti- sation	Inter- est	Amorti- sation	Inter- est	Amorti- sation	Inter- est	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>

The weighted average residual term to maturity of all interest-bearing financial liabilities was 4.2 [4.3] years due to the contractual maturities.

## 18 Pension plans

### Employer contribution reserves

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

### Economic benefits/obligations and pension benefit expenses

in CHF 1 000	Surplus/deficit	Economical part of the group	Contributions concerning the reporting period	Pension benefit expenses within personnel costs	
	31.12.2019	31.12.2019		01.01.–31.12.2018	01.01.–31.12.2019
Pension institutions without surplus/deficit	–	–	– 10 975	– 10 941	– 10 975
Pension institutions with surplus	5 852	–	– 16 428	– 19 349	– 16 428
Pension institutions with deficit	– 807	–	– 120	– 120	– 120
<b>Total</b>	<b>5 045</b>	<b>–</b>	<b>– 27 523</b>	<b>– 30 410</b>	<b>– 27 523</b>

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

## 19 Shareholders' equity

### Share capital

	Number of registered shares issued	Nominal value in CHF	in CHF 1 000
Share capital as at 01.01.2018	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
Share capital as at 31.12.2019	75 946 349	15.30	1 161 979

The 1 112 [539] treasury shares held at 31 December 2019 were not entitled to dividends. As at the balance sheet date, the dividend-entitled share capital of CHF 1 161.962 million [CHF 1 161.971 million] therefore comprised 75 945 237 [75 945 810] registered shares.

### Authorised and conditional capital

	Number of registered shares	Nominal value in CHF	in CHF 1 000
Authorised and conditional capital as at 01.01.2018	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	2 532 568	15.30	38 748
Approval of increase by Annual General Meeting of 26.03.2019 <sup>2</sup>	4 467 432	15.30	68 352
Authorised and conditional capital as at 31.12.2019 <sup>3</sup>	7 000 000	15.30	107 100

<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> according to the resolution by the Annual General Meeting of 26 March 2019, 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>3</sup> due to the issue of a convertible bond, 2 398 311 shares (CHF 36.694 million) from conditional capital have been reserved for potential conversions. According to article 3a paragraph 2 of the Articles of Association, the Board of Directors can therefore only increase the share capital by an amount of CHF 70.406 million, which corresponds to 4 601 689 shares

The Board of Directors is authorised to increase the share capital to the extent mentioned above at any time until 26 March 2021.

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 107 100 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 01.01.2018</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>
Distribution from capital contribution reserves on 04.04.2019	–288 591
Share-based compensation	1 008
Income from delivery of treasury shares relating to share-based compensation	–6
<b>Capital reserves as at 31.12.2019</b>	<b>320 629</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 232.396 million].

**Treasury shares**

	in CHF 1 000
<b>Treasury shares as at 01.01.2018</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>
Share-based compensation, 25 927 shares, CHF 94.03 average transaction price	2 438
Purchase of treasury shares, 26 500 shares, CHF 94.45 average transaction price	–2 503
Income from delivery of treasury shares relating to share-based compensation	6
<b>Treasury shares as at 31.12.2019</b>	<b>–106</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 1 112 shares [539 shares] and 290 049 shares [220 087 shares] of Swiss Prime Site AG, respectively.

**Retained earnings**

	in CHF 1 000
<b>Retained earnings as at 01.01.2018</b>	<b>3 060 212</b>
Profit	3 103 316
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>
Profit	607 586
Compensation of goodwill from acquisitions of group companies	–6 792
<b>Retained earnings as at 31.12.2019</b>	<b>3 975 536</b>



**Non-controlling interests**

	in CHF 1 000
Non-controlling interests as at 01.01.2018	–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>	<b>218</b>
Profit, attributable to non-controlling interests	931
<b>Non-controlling interests as at 31.12.2019</b>	<b>1 149</b>
Shareholders' equity as at 31.12.2019	5 459 187
Shareholders' equity as at 31.12.2018	5 145 110

**Distributions**

The Annual General Meeting of 26 March 2019 [27 March 2018] passed the following resolution: A distribution from capital contribution reserves of CHF 3.80 [CHF 3.80] per share.

The share capital on which the distribution was based consisted of 75 944 993 [71 478 324] shares. The distribution from capital contribution reserves amounting to CHF 288.591 million [CHF 271.618 million] was carried out on 4 April 2019 [5 April 2018].

**20 Key figures per share**

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

**Basis for calculation of diluted earnings per share**

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Profit attributable to shareholders of Swiss Prime Site AG	310 316	607 586
Interests on convertible bonds, amortisation of proportional costs and tax effects	3 068	3 129
<b>Relevant profit for calculation of diluted earnings per share</b>	<b>313 384</b>	<b>610 715</b>

**Weighted average number of shares**

	01.01.– 31.12.2018	01.01.– 31.12.2019
Shares issued as at 01.01.	71 478 917	75 946 349
Weighted number of shares on capital increase on 28.09.2018	1 141 677	–
Average number of treasury shares (360 days)	–377	–1 114
<b>Total weighted average number of shares 01.01.–31.12. (360 days)</b>	<b>72 620 217</b>	<b>75 945 235</b>
Highest possible number of shares that can be issued on conversions	5 374 439	5 383 088
<b>Basis for calculation of diluted earnings per share</b>	<b>77 994 656</b>	<b>81 328 323</b>

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

in CHF	01.01.– 31.12.2018	01.01.– 31.12.2019
Earnings per share (EPS)	4.27	8.00
Diluted earnings per share	4.02	7.51
Shareholders' equity per share (NAV) before deferred taxes <sup>1</sup>	83.40	86.34
Shareholders' equity per share (NAV) after deferred taxes <sup>1</sup>	67.74	71.87

<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

## 21 Future obligations and pledged assets

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 the restructuring and renovation of existing properties. The due dates for the respective residual payments for these total contractor agreements are as follows:

in CHF 1 000	31.12.2018	31.12.2019
2019	371 419	–
2020	155 763	303 497
2021	37 724	85 059
2022	–	4 015
<b>Total future obligations based on total contractor agreements</b>	<b>564 906</b>	<b>392 571</b>

### Operating lease agreements

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

in CHF 1 000	31.12.2018	31.12.2019
Lease expenses up to 1 year	82 349	81 816
Lease expenses from 1 year up to 5 years	318 809	312 347
Lease expenses over 5 years	814 737	763 531
<b>Total future lease expenses</b>	<b>1 215 895</b>	<b>1 157 694</b>

### Pledged assets

in CHF 1 000	31.12.2018	31.12.2019
Fair value of affected investment properties	8 648 646	8 920 500
Nominal value of pledged mortgage notes	4 608 868	4 567 047
Current claim (nominal)	2 995 000	2 978 431

## 22 Transactions with related parties

The Board of Directors, Executive Board, group companies, pension fund foundations of the group, associates 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 79.55 [CHF 90.00], less 10% discount to CHF 71.60 [CHF 81.00]. The shares are subject to blocking for a period of four years. In the reporting year, 9 806 shares [7 651 shares] at a market value of CHF 0.960 million [CHF 0.633 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, 13 443 [14 369] performance share units were allocated to the Executive Board. The amount was recorded in the consolidated financial statements at the current price of CHF 87.25 [CHF 91.74] (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 1.170 million [CHF 0.886 million].

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

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Fixed compensation in cash, gross	3 919	3 910
Variable compensation in cash, gross	1 453	1 518
Share-based compensation	1 519	2 130
Other compensation components	65	66
Pension fund contributions	564	529
Other social security contributions	381	376
<b>Total compensation to the Board of Directors and Executive Board</b>	<b>7 901</b>	<b>8 529</b>
Expense allowance	150	141

### Other related parties

There were current accounts payable to various pension funds and the SPS and Jelmoli welfare foundation of CHF 0.324 million [CHF -0.643 million]. Accounts receivable from the foundation Fondation Espace amounted to CHF 7.811 million [CHF 6.193 million]. CHF 2.772 million [CHF 1.926 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 0.394 million [CHF 0.125 million].

Liabilities from Swiss Prime Investment Foundation amounted to CHF 0.296 million [receivables: CHF 0.366 million]. Income from asset management with Swiss Prime Investment Foundation amounted to CHF 13.145 million [CHF 8.292 million]. Income from other real estate services amounted to CHF 2.930 million [CHF 0.483 million]. Swiss Prime Investment Foundation booked rent costs for properties utilised by the Swiss Prime Site Group of CHF 5.395 million [CHF 4.555 million].

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

## 23 Group companies and associates

Swiss Prime Site AG holds the following investments:

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

	Field of activity	31.12.2018 Capital in CHF 1 000	Shareholding in %	31.12.2019 Capital in CHF 1 000	Shareholding in %
EMS Chantevent SA, La Grande Béroche <sup>1</sup>	Assisted living	–	–	100	100.0
Home Les Lauriers S.A., Saint-Imier <sup>1</sup>	Assisted living	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux	Assisted living	100	100.0	100	100.0
immoveris ag, Bern	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
Leben im Alter AG, Zurich <sup>2</sup>	Assisted living	100	100.0	600	100.0
Le Manoir AG, Gampelen	Assisted living	100	100.0	100	100.0
Leora S.à r.l., Villeneuve	Assisted living	140	100.0	140	100.0
Les Tourelles S.à r.l., Martigny	Assisted living	20	100.0	20	100.0
Quality Inside SA, Crissier	Assisted living	150	100.0	150	100.0
Résidence de la Jardinerie SA, Delémont	Assisted living	100	100.0	100	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
SPS Baselland Dreispitz AG, Münchenstein <sup>3</sup>	Real estate	–	–	5 295	100.0
SPS Beteiligungen Alpha AG, Olten	Investments	450 000	100.0	450 000	100.0
streamnow ag, Zurich	Real estate services	100	100.0	100	100.0
Swiss Prime Site Finance AG, Olten <sup>4</sup>	Financial services	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten	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	Assisted living	9 562	100.0	9 562	100.0
Tertianum Gruppe AG, Zurich	Assisted living	50 000	100.0	50 000	100.0
Tertianum Management AG, Zurich	Assisted living	500	100.0	500	100.0
Tertianum Romandie SA, Crissier <sup>5</sup>	Assisted living	20	100.0	100	100.0
Tertianum Romandie Management SA, Crissier	Assisted living	100	100.0	100	100.0
Tertianum Vaud SA, Crissier <sup>6</sup>	Assisted living	50	100.0	50	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, Bern	Assisted living	1 000	51.0	1 000	51.0
Zimmermann Vins SA, Carouge <sup>7</sup>	Real estate	–	–	350	100.0

<sup>1</sup> acquisition as at 20.08.2019

<sup>2</sup> merger of EMS Le Martagon SA in Leben im Alter AG as at 01.07.2019

<sup>3</sup> acquisition as at 01.07.2019; rebranded from ACRON HELVETIA V Immobilien AG to SPS Baselland Dreispitz AG as at 20.01.2020

<sup>4</sup> rebranded from Swiss Prime Site Fund Advisory AG II to Swiss Prime Site Finance AG as at 14.06.2019

<sup>5</sup> rebranded from Résidence Bel-Horizon Sàrl, Ecublens to Tertianum Romandie SA, Crissier as at 06.12.2019

<sup>6</sup> rebranded from Résidence du Bourg SA, Aigle to Tertianum Vaud SA, Crissier as at 16.10.2019

<sup>7</sup> acquisition as at 24.06.2019

### Investments in associates valued according to the equity method

	Field of activity	31.12.2018 Capital in CHF 1 000	Shareholding in %	31.12.2019 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

## 24 Major shareholders

Major shareholders (shareholding interest >3%)	31.12.2018 Shareholding interest in %	31.12.2019 Shareholding interest in %
BlackRock Inc., New York	>10.0	>10.0
Credit Suisse Funds AG, Zurich	4.1	6.1
State Street Corporation, Boston	3.6	3.7
UBS Fund Management (Switzerland) AG, Basel	3.2	3.0

## 25 Risk management

### Ensuring continuity and exploiting opportunities

The Swiss Prime Site Group is exposed to a broad spectrum of opportunities and risks as it progresses towards its strategic goals. To secure long-term success, it is therefore crucial to recognise changes in the economic, social, regulatory, technological and ecological environment early on. The Company sets great store by the management of opportunities and risks and has therefore implemented a systematic risk management process. Risk management therefore provides a significant contribution to the continuity and successful development of the Company.

Risk management is based on the group-wide risk policy. It establishes a homogeneous, responsible approach to tackling opportunities and risks and promotes a uniform understanding of risk management within the Swiss Prime Site Group. Each group company also issues further specific requirements.

### Systematic risk management process at all levels

The Swiss Prime Site Group's risk management system is made up of the following elements: principles, control environment, communication, organisation and process.

The principles ensure all employees have a uniform understanding of risk and a high level of risk awareness. These are considered when engaging in dialogue with all stakeholders.

The control environment is influenced primarily by the Board of Directors and Executive Board through their responsibilities, risk awareness and organisational measures to safeguard effective business operations. This is supplemented by the Company's basic ethical values, the organisational structure, rules of conduct and clear responsibilities.

One fundamental pillar of risk management is transparent communication with internal and external stakeholders. All employees are required to maintain an ongoing dialogue about opportunities and risks.

In the Swiss Prime Site Group's risk organisation structure, the Board of Directors has overall responsibility within the scope of its supervisory duties by defining the risk strategy. The Executive Board is responsible for operational implementation. It is supported in this task by the Group Risk Management department, which is responsible for the group-wide coordination and steering of the risk management process. Fundamentally, all employees have a duty to take a considered approach to opportunities and risks.

The risk management process encompasses all activities for the management of opportunities and risks. Risks are identified within the scope of annual risk meetings between the Executive Board and the Risk & Audit Committee of the respective group company and between all risk owners and the Group Risk Management department (top-down). Along with an analysis of individual systems and processes (bottom-up), this produces a risk inventory for each group company.

The identified risks are assessed in relation to their causes and impact and assigned to appropriate risk categories (strategic, external, operational, financial and compliance risks) and risk owners. They are then rated according to their financial loss potential and probability of occurrence. The resulting risk profile also quantifies the effectiveness of the risk management measures that would be required and the effects that adverse media reports would have on the group's reputation.

At group level, risks are reported yearly to the Board of Directors and Executive Board. This consists of a consolidated risk report and risk inventory. At group company level, similar reports are submitted to the relevant Board of Directors and Executive Management.

**Most important risks in the various business fields**

In 2019, the revaluation of real estate, changes in interest rates and general financial market risk when refinancing were among the most important risks with medium loss potential and an average probability of occurrence in the real estate sector. By proactively managing vacancy risk, Swiss Prime Site kept vacancy rates stable and below 5% despite the difficult market environment.

The main challenges faced by group companies in the services sector were new regulatory requirements (Tertianum), changing customer requirements and competition in their respective markets (Wincasa, Jelmoli).

**Comprehensive assessment of cyber and climate risks**

In 2019, the Swiss Prime Site Group focused particular attention on cyber and climate risks. Although the advance of digitalisation is creating many opportunities in the real estate sector, especially in customer interaction and the smart control of processes, new cyber risks such as sabotage or data theft have arisen. This very important issue is addressed by means of a dedicated risk inventory, and appropriate countermeasures based on it have been defined.

Besides digitalisation, climate change is having a significant impact on the business activities of the Swiss Prime Site Group. The Company is clearly committed to the climate targets of the Paris Agreement and is aligning its environmental targets accordingly. In taking a proactive approach to climate risks, the Company is also helping to protect its own business activities. In 2019, for the first time, the Swiss Prime Site Group therefore carried out a detailed analysis of climate-related financial risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). For detailed information, refer to the TCFD Report of the Swiss Prime Site Group.

**26 Operations to be discontinued**

In August of the reporting year, the Executive Board and Board of Directors decided to commence the process of selling the Tertianum Group. The contract with Swiss investment company Capvis AG has been signed, and this was communicated in a press release on 13 December 2019. Closing of the contract is expected in the first half of 2020. The Tertianum Group has therefore been included in full in the consolidated financial statements for the reporting year.

The Tertianum Group comprises the entire assisted living business, i.e. the operational management of over 80 residential and care centres, and residences in all parts of Switzerland. The purchase agreement covers all group companies in the field of assisted living. Information on all of the 21 companies is provided in note 23 «Group companies and associates».

The real estate held by Swiss Prime Site Immobilien AG will not form part of the sale and will therefore stay under the ownership of the Swiss Prime Site Group.

The Tertianum Group is included in the Services segment and achieved an operating income of CHF 519.602 million [CHF 488.057 million] and an operating result (EBIT) of CHF 33.954 million [CHF 27.482 million].

Swiss Prime Site anticipates a significant profit contribution in the consolidated financial statements for 2020 with the closing of the transaction.

**27 Events after the balance sheet date**

The consolidated financial statements were approved for publication by the Board of Directors on 20 February 2020. They are subject to approval by the Annual General Meeting of Swiss Prime Site AG on 24 March 2020.

There were no other events occurring between 31 December 2019 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 2019, or which would need to be disclosed at this point.

# Definition of alternative performance indicators

## Cash yield

Distribution per share as a percentage of the share price at the end of the period.

## Operating result before depreciation and amortisation (EBITDA)

Operating result before financial result and taxes (EBIT) plus depreciation on tangible assets and amortisation on intangible assets.

## Operating result (EBIT) excluding revaluations

Operating result before financial result and taxes (EBIT) excluding revaluation of investment properties.

## Equity ratio

Total shareholders' equity as a percentage of balance sheet total.

## Return on equity (ROE)

Profit (attributable to shareholders of Swiss Prime Site AG) divided by average equity (attributable to shareholders of Swiss Prime Site AG).

## Return on equity (ROE) excluding revaluations and deferred taxes

Profit (attributable to shareholders of Swiss Prime Site AG) less revaluations and deferred taxes, divided by average equity (attributable to shareholders of Swiss Prime Site AG).

## Loan-to-value (LTV) ratio of the real estate portfolio

Current and non-current financial liabilities as a percentage of the property portfolio at fair value.

## Profit excluding revaluations and deferred taxes

Profit less revaluations of investment properties and deferred taxes.

## Earnings per share (EPS) excluding revaluations and deferred taxes

Profit (attributable to shareholders of Swiss Prime Site AG) less revaluations and deferred taxes, divided by the weighted average number of outstanding shares.

## Return on invested capital (ROIC)

Profit (attributable to shareholders of Swiss Prime Site AG) plus financial expenses divided by the average balance sheet total.

## Return on invested capital (ROIC) excluding revaluations and deferred taxes

Profit (attributable to shareholders of Swiss Prime Site AG) less revaluations, deferred taxes and financial expenses, divided by average balance sheet total.

## Vacancy rate

Rental income from vacancies as a percentage of target rental income from the rental of investment properties.

**NAV (net asset value) after deferred taxes per share**

Equity (attributable to shareholders of Swiss Prime Site AG) divided by the number of shares issued on the balance sheet date (excluding treasury shares).

**NAV (net asset value) before deferred taxes per share**

Equity (attributable to shareholders of Swiss Prime Site AG) plus deferred tax liabilities, divided by the number of shares issued at the balance sheet date (excluding treasury shares).

**Net property yield**

Real estate income as a percentage of the property portfolio at fair value as at the balance sheet date.

**Interest-bearing financial liabilities**

Current and non-current financial liabilities less derivative financial instruments (other non-current financial liabilities).





# 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 2019, 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 17 to 53, 79 to 86) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 11'671'294 as at 31 December 2019.

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.
- additionally concerning properties under construction / development sites: assessment of key assumptions related to construction costs, utilisation, date of completion, expected revenues as well as future market outlook and evaluation of recoverability and allocation of investment costs capitalized.

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 13 "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 2019, deferred tax liabilities amounted to TCHF 1'099'397.

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.

#### 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.

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 9 "Income taxes" to the consolidated financial statements



### **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, 20 February 2020

KPMG AG, Râffelstrasse 28, PO Box, CH-8036 Zurich

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# Financial statements of Swiss Prime Site AG

## Income statement

in CHF 1 000	Notes	01.01.– 31.12.2018	01.01.– 31.12.2019
Dividend income	2.1	21 500	23 800
Other financial income	2.2	60 556	57 176
Other operating income		239	192
<b>Total operating income</b>		<b>82 295</b>	<b>81 168</b>
Financial expenses	2.3	-74 590	-73 599
Personnel costs		-1 626	-2 172
Other operating expenses	2.4	-6 004	-5 322
<b>Total operating expenses</b>		<b>-82 220</b>	<b>-81 093</b>
<b>Result before taxes</b>		<b>75</b>	<b>75</b>
Direct taxes		-6	-6
<b>Profit</b>	<b>4</b>	<b>69</b>	<b>69</b>

**Balance sheet**

in CHF 1 000	Notes	31.12.2018	31.12.2019
<b>Assets</b>			
Cash		512	321
Securities with market price		237	300
Other current receivables	2.5	21 699	23 979
Accrued income and prepaid expenses		2 173	1 658
<b>Total current assets</b>		<b>24 621</b>	<b>26 258</b>
Financial investments	2.6	3 336 130	3 337 369
Investments in subsidiaries	2.7	4 029 071	4 029 071
Accrued income and prepaid expenses		5 743	2 874
<b>Total non-current assets</b>		<b>7 370 944</b>	<b>7 369 314</b>
<b>Total assets</b>		<b>7 395 565</b>	<b>7 395 572</b>
<b>Liabilities and shareholders' equity</b>			
Current interest-bearing liabilities	2.8	962 000	1 165 800
Other current liabilities	2.9	8 966	12 123
Accrued expenses and deferred income		1 621	1 965
<b>Total current liabilities</b>		<b>972 587</b>	<b>1 179 888</b>
Non-current interest-bearing liabilities	2.10	4 027 000	4 109 000
Other non-current liabilities		1 889	1 144
<b>Total non-current liabilities</b>		<b>4 028 889</b>	<b>4 110 144</b>
<b>Total liabilities</b>		<b>5 001 476</b>	<b>5 290 032</b>
Share capital	2.11	1 161 979	1 161 979
Statutory reserves			
Statutory reserves from capital contributions		588 331	299 740
Legal retained earnings			
Reserves for treasury shares		25	57
Other legal retained earnings		147 378	147 378
Voluntary retained earnings			
Balance sheet profit	4	335 397	335 466
Other voluntary retained earnings		161 000	160 968
Treasury shares	2.12	-21	-48
<b>Total shareholders' equity</b>		<b>2 394 089</b>	<b>2 105 540</b>
<b>Total liabilities and shareholders' equity</b>		<b>7 395 565</b>	<b>7 395 572</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 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 23.800 million [CHF 21.500 million] for the financial year 2019. 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.– 31.12.2018	01.01.– 31.12.2019
Interests on loans from group companies	60 020	56 339
Valuation of financial instruments	510	744
Other financial income	26	93
<b>Total</b>	<b>60 556</b>	<b>57 176</b>

### 2.3 Financial expenses

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Interests on loans	–52 293	–47 918
Interest expenses on bonds and convertible bonds	–20 173	–23 778
Amortisation of cost of bonds and convertible bonds	–1 869	–1 634
Other financial expenses	–255	–269
<b>Total</b>	<b>–74 590</b>	<b>–73 599</b>



**2.4 Other operating expenses**

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Administration costs	–4 290	–3 636
Capital taxes	–194	–184
Other operating expenses	–1 520	–1 502
<b>Total</b>	<b>–6 004</b>	<b>–5 322</b>

**2.5 Other current receivables**

in CHF 1 000	31.12.2018	31.12.2019
Other current receivables from third parties	199	108
Other current receivables from group companies	21 500	23 871
<b>Total</b>	<b>21 699</b>	<b>23 979</b>

**2.6 Financial investments**

in CHF 1 000	31.12.2018	31.12.2019
Loans to group companies	3 336 130	3 337 369
<b>Total</b>	<b>3 336 130</b>	<b>3 337 369</b>

**2.7 Investments****Direct investments**

	31.12.2018 Capital in CHF 1 000	Shareholding interest in %	31.12.2019 Capital in CHF 1 000	Shareholding interest in %
SPS Beteiligungen Alpha AG, Olten	450 000	100.0	450 000	100.0

**Indirect investments**

	31.12.2018 Capital in CHF 1 000	Shareholding interest in %	31.12.2019 Capital in CHF 1 000	Shareholding interest in %
EMS Chantevent SA, La Grande Béroche <sup>1</sup>	–	–	100	100.0
Home Les Lauriers S.A., Saint-Imier <sup>1</sup>	–	–	100	100.0
Hôtel Résidence Bristol SA, Montreux	100	100.0	100	100.0
immoveris ag, Bern	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
Leben im Alter AG, Zurich <sup>2</sup>	100	100.0	600	100.0
Le Manoir AG, Gampelen	100	100.0	100	100.0
Leora S.à r.l., Villeneuve	140	100.0	140	100.0
Les Tourelles S.à r.l., Martigny	20	100.0	20	100.0
Parkgest Holding SA, Geneva	4 750	38.8	4 750	38.8
Parking Riponne S.A., Lausanne	5 160	27.1	5 160	27.1
Quality Inside SA, Crissier	150	100.0	150	100.0
Résidence de la Jardinerie SA, Delémont	100	100.0	100	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
SPS Baselland Dreispitz AG, Münchenstein <sup>3</sup>	–	–	5 295	100.0
streamnow ag, Zurich	100	100.0	100	100.0
Swiss Prime Site Finance AG, Olten <sup>4</sup>	100	100.0	100	100.0
Swiss Prime Site Immobilien AG, Olten	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	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 SA, Crissier <sup>5</sup>	20	100.0	100	100.0
Tertianum Romandie Management SA, Crissier	100	100.0	100	100.0
Tertianum Vaud SA, Crissier <sup>6</sup>	50	100.0	50	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, Bern	1 000	51.0	1 000	51.0
Zimmermann Vins SA, Carouge <sup>7</sup>	–	–	350	100.0

<sup>1</sup> acquisition as at 20.08.2019<sup>2</sup> merger of EMS Le Martagon SA in Leben im Alter AG as at 01.07.2019<sup>3</sup> acquisition as at 01.07.2019; rebranded from ACRON HELVETIA V Immobilien AG to SPS Baselland Dreispitz AG as at 20.01.2020<sup>4</sup> rebranded from Swiss Prime Site Fund Advisory AG II to Swiss Prime Site Finance AG as at 14.06.2019<sup>5</sup> rebranded from Résidence Bel-Horizon Sàrl, Ecublens to Tertianum Romandie SA, Crissier as at 06.12.2019<sup>6</sup> rebranded from Résidence du Bourg SA, Aigle to Tertianum Vaud SA, Crissier as at 16.10.2019<sup>7</sup> acquisition as at 24.06.2019

**2.8 Current interest-bearing liabilities**

in CHF 1 000	31.12.2018	31.12.2019
Bonds	200 000	230 000
Other current interest-bearing liabilities	762 000	935 800
<b>Total</b>	<b>962 000</b>	<b>1 165 800</b>

**2.9 Other current liabilities**

in CHF 1 000	31.12.2018	31.12.2019
Other current liabilities to group companies	213	8
Other current liabilities to shareholders	192	212
Other current liabilities to third parties	8 561	11 903
<b>Total</b>	<b>8 966</b>	<b>12 123</b>

**2.10 Non-current interest-bearing liabilities**

in CHF 1 000	31.12.2018	31.12.2019
Convertible bonds	550 000	550 000
Bonds	1 320 000	1 610 000
Other non-current interest-bearing liabilities	2 157 000	1 949 000
<b>Total</b>	<b>4 027 000</b>	<b>4 109 000</b>

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

in CHF 1 000	31.12.2018	31.12.2019
Up to five years	1 901 600	2 010 600
Over five years	2 125 400	2 098 400
<b>Total</b>	<b>4 027 000</b>	<b>4 109 000</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**

As at the balance sheet date, the share capital comprised 75 946 349 [75 946 349] registered shares with a nominal value of CHF 15.30 per share. In the previous year, 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).

## 2.12 Treasury shares

Swiss Prime Site AG held 454 [260] treasury shares on the balance sheet date. As at the balance sheet date, the group companies held an additional 658 [279] shares of Swiss Prime Site AG. Purchases and sales were carried out at the respective daily market rates.

Change in number of treasury shares	Volume-weighted average share price in CHF	2018 Number of treasury shares	Volume-weighted average share price in CHF	2019 Number of treasury shares
Holdings of treasury shares on 01.01.	–	39	–	260
Purchases at the volume-weighted average share price	81.67	7 872	107.41	10 000
Share-based compensation	82.73	–7 651	111.90	–9 806
Holdings of treasury shares on 31.12.	–	260	–	454

## 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 31.12.2019</b>	<b>CHF m</b>	<b>250.000</b>	<b>300.000</b>
Book value as at 31.12.2018	CHF m	250.000	300.000
Conversion price	CHF	104.24	100.51
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 200 m 2019	CHF 230 m 2020	CHF 300 m 2021	CHF 190 m 2024	CHF 100 m 2024
Issuing volume, nominal	CHF m	200.000	230.000	300.000	190.000	100.000
<b>Book value as at 31.12.2019</b>	<b>CHF m</b>	<b>0.000</b>	<b>230.000</b>	<b>300.000</b>	<b>190.000</b>	<b>100.000</b>
Book value as at 31.12.2018	CHF m	200.000	230.000	300.000	190.000	100.000
Interest rate	%	1.0	2.0	1.75	1.0	2.0
Term to maturity	years	5	7	7	6	10
Maturity	date	10.12.2019	21.10.2020	16.04.2021	16.07.2024	10.12.2024
Securities number		25 704 216 (SPS141)	21 565 073 (SPS131)	23 427 449 (SPS14)	39 863 325 (SPS181)	25 704 217 (SPS142)

		CHF 250 m 2025	CHF 250 m 2026	CHF 350 Mio. 2027	CHF 170 Mio. 2031
Issuing volume, nominal	CHF m	250.000	250.000	350.000	170.000
<b>Book value as at 31.12.2019</b>	<b>CHF m</b>	<b>250.000</b>	<b>250.000</b>	<b>350.000</b>	<b>170.000</b>
Book value as at 31.12.2018	CHF m	250.000	250.000	0.000	0.000
Interest rate	%	0.5	0.825	1.25	0.375
Term to maturity	years	9	9	8	12
Maturity	date	03.11.2025	11.05.2026	02.04.2027	30.09.2031
Securities number		33 764 553 (SPS161)	36 067 729 (SPS17)	41 904 099 (SPS19)	48 850 668 (SPS192)

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

Number of shares	31.12.2018	31.12.2019
<b>Board of Directors</b>		
Prof. em. Dr. Hans Peter Wehrli, Chairman of the BoD	41 652	45 096
Mario F. Seris, Vice-Chairman of the BoD	12 864	14 190
Christopher M. Chambers, member of the BoD	41 486	42 742
Dr. Barbara Frei-Spreiter, member of the BoD	833	2 089
Dr. Rudolf Huber, member of the BoD	17 500	21 071
Gabrielle Nater-Bass, member of the BoD <sup>1</sup>	–	942
Thomas Studhalter, member of the BoD	833	2 159
Klaus R. Wecken, member of the BoD <sup>2</sup>	180 000	n.a.
<b>Executive Board</b>		
René Zahnd, member of the Executive Board (CEO)	4 535	4 535
Markus Meier, member of the Executive Board (CFO)	6 451	6 451
Peter Lehmann, member of the Executive Board and CEO of Swiss Prime Site Immobilien AG	12 375	11 845
Oliver Hofmann, member of the Executive Board and CEO of Wincasa AG	–	–
Franco Savastano, member of the Executive Board and CEO of Jelmoli - The House of Brands <sup>3</sup>	–	n.a.
Dr. Luca Stäger, member of the Executive Board and CEO of Tertianum Gruppe AG	1 387	1 387
<b>Total share ownership</b>	<b>319 916</b>	<b>152 507</b>

<sup>1</sup> since 26.03.2019

<sup>2</sup> until 26.03.2019

<sup>3</sup> until 30.09.2019

### 3.5 Major shareholders

Major shareholders (shareholding interest >3%)	31.12.2018 Shareholding interest in %	31.12.2019 Shareholding interest in %
BlackRock Inc., New York	>10.0	>10.0
Credit Suisse Funds AG, Zurich	4.1	6.1
State Street Corporation, Boston	3.6	3.7
UBS Fund Management (Switzerland) AG, Basel	3.2	3.0

### 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 a distribution of CHF 3.80 per share to the Annual General Meeting of 24 March 2020. Based on the total 75 970 332 shares issued as at 20 February 2020, the total amount is CHF 288.688 million. The Board of Directors proposes a distribution of CHF 1.90 from the capital contribution reserves (exempt from withholding tax) and CHF 1.90 per share from the balance sheet profit (subject to withholding tax).

With the entry into force of the legal provisions in the Federal Act on Tax Reform and OASI Funding (TROF), distributions from the capital contribution reserves are subject to new regulations. It is now mandatory to distribute other taxable reserves in at least the same amount as the capital contribution reserves.

in CHF 1 000	31.12.2018	31.12.2019
Retained earnings brought forward	335 328	335 397
Profit	69	69
<b>Total balance sheet profit</b>	<b>335 397</b>	<b>335 466</b>
Allocation from capital contribution reserves	288 596	144 344
Distribution to shareholders	–288 596	–288 688
<b>Balance brought forward to new account</b>	<b>335 397</b>	<b>191 122</b>
<b>Total distribution</b>	<b>288 596</b>	<b>288 688</b>
thereof from capital contribution reserves	288 596	144 344
thereof from balance sheet profit	–	144 344



# 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 2019, 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 61 to 69) for the year ended 31 December 2019 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, 20 February 2020

KPMG AG, Râffelstrasse 28, PO Box, CH-8036 Zurich

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3

# EPRA reporting

## EPRA performance key figures

The EPRA performance key figures of Swiss Prime Site were prepared in accordance with EPRA BPR (November 2016).

### Summary table EPRA performance measures

			01.01.– 31.12.2018 or 31.12.2018	01.01.– 31.12.2019 or 31.12.2019
		in		
A.	EPRA earnings	CHF 1 000	236 908	418 726
	EPRA earnings per share (EPS)	CHF	3.26	5.51
B.	EPRA NAV	CHF 1 000	6 873 461	7 102 032
	EPRA NAV per share	CHF	84.52	87.33
C.	EPRA NNNAV	CHF 1 000	5 618 153	5 834 667
	EPRA NNNAV per share	CHF	69.09	71.74
D.	EPRA NIY	%	3.7	3.5
	EPRA topped-up NIY	%	3.7	3.5
E.	EPRA vacancy rate	%	4.3	4.9
F.	EPRA cost ratio (including direct vacancy costs)	%	22.5	22.5
	EPRA cost ratio (excluding direct vacancy costs)	%	20.6	20.6
G.	EPRA like-for-like change relative	%	1.0	0.8
H.	EPRA capital expenditure	CHF 1 000	744 970	462 272

### A. EPRA earnings and EPRA earnings per share

		01.01.– 31.12.2018	01.01.– 31.12.2019
in CHF 1 000			
<b>Earnings per consolidated income statement</b>			
310 910			
<b>608 517<sup>1</sup></b>			
Excluding:			
Revaluations of investment properties		–67 551	–203 412
Result from real estate developments		–15 474	–16 862
Result from investment property sales		–18 401	–20 777
Tax on profits on disposals		9 290	4 541
Negative goodwill/goodwill impairment		n.a.	n.a.
Changes in fair value of financial instruments		–651	–703
Transaction costs on acquisitions of group companies and associated companies		35	486
Deferred tax in respect of EPRA adjustments		18 750	46 936
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>236 908</b>	<b>418 726</b>
Average number of outstanding shares		72 620 217	75 945 235
<b>EPRA earnings per share in CHF</b>		<b>3.26</b>	<b>5.51</b>

<sup>1</sup> positive impact from the reversal of deferred tax liabilities due to cantonal tax rate reductions

**B. EPRA net asset value (NAV)**

in CHF 1 000	31.12.2018	31.12.2019
<b>NAV as per consolidated balance sheet</b>	<b>5 144 892</b>	<b>5 458 038</b>
Dilution effects from exercise of options, convertibles and other equity instruments	542 411	543 940
<b>Diluted NAV, after the exercise of options, convertibles and other equity instruments</b>	<b>5 687 303</b>	<b>6 001 978</b>
Including:		
Revaluation of investment properties <sup>2</sup>	n.a.	n.a.
Revaluation of properties under construction <sup>2</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	2 924	2 292
Deferred tax	1 183 234	1 097 762
Goodwill as a result of deferred tax	n.a.	n.a.
Adjustments in respect of associated companies	n.a.	n.a.
<b>EPRA NAV</b>	<b>6 873 461</b>	<b>7 102 032</b>
Number of outstanding shares (diluted)	81 320 249	81 328 325
<b>EPRA NAV per share in CHF</b>	<b>84.52</b>	<b>87.33</b>

<sup>2</sup> if FER 18 cost option is used

**C. EPRA triple net asset value (NNNAV)**

in CHF 1 000	31.12.2018	31.12.2019
<b>EPRA NAV</b>	<b>6 873 461</b>	<b>7 102 032</b>
Excluding:		
Fair value of derivative financial instruments	-2 924	-2 292
Revaluation of financial debts	-74 355	-179 904
Deferred tax	-1 178 029	-1 085 169
<b>EPRA NNNAV</b>	<b>5 618 153</b>	<b>5 834 667</b>
Number of outstanding shares (diluted)	81 320 249	81 328 325
<b>EPRA NNNAV per share in CHF</b>	<b>69.09</b>	<b>71.74</b>

**D. EPRA net yield on rental income (NIY)**

in CHF 1 000	31.12.2018	31.12.2019
Investment property – wholly owned	11 204 418	11 765 430
Investment property – share of joint ventures/funds	n.a.	n.a.
Less properties under construction and development sites, building land and trading properties	-602 260	-722 021
<b>Value of completed property portfolio</b>	<b>10 602 158</b>	<b>11 043 409</b>
Allowance for estimated purchasers' costs	n.a.	n.a.
<b>Gross up value of completed property portfolio</b>	<b>B 10 602 158</b>	<b>11 043 409</b>
Annualised rental income	450 373	442 296
Property outgoing	-59 961	-58 264
<b>Annualised net rental income</b>	<b>A 390 412</b>	<b>384 032</b>
Add: notional rent expiration of rent-free periods or other lease incentives	4 227	3 383
<b>Topped-up net annualised rental income</b>	<b>C 394 639</b>	<b>387 415</b>
<b>EPRA NIY</b>	<b>A/B 3.7%</b>	<b>3.5%</b>
<b>EPRA topped-up NIY</b>	<b>C/B 3.7%</b>	<b>3.5%</b>

**E. EPRA vacancy rate**

in CHF 1 000		31.12.2018	31.12.2019
Estimated rental value of vacant space	A	20 513	22 907
Estimated rental value of the whole portfolio	B	473 783	467 347
<b>EPRA vacancy rate</b>	<b>A/B</b>	<b>4.3%</b>	<b>4.9%</b>

**F. EPRA cost ratio**

in CHF 1 000		01.01.– 31.12.2018	01.01.– 31.12.2019
Operating expenses per Real Estate segment income statement		107 799	108 458
Net service charge costs/fees		–	–
Management fees less actual/estimated profit element		–	–
Other operating income/recharges intended to cover overhead expenses less any related profits		–	–
Share of Joint Ventures expenses		–	–
Excluding:			
Investment property depreciation		–	–
Ground rent costs		–5 516	–5 764
Service charge costs recovered through rents but not separately invoiced		–	–
<b>EPRA costs (including direct vacancy costs)</b>	<b>A</b>	<b>102 283</b>	<b>102 694</b>
Direct vacancy costs		–8 491	–8 343
<b>EPRA costs (excluding direct vacancy costs)</b>	<b>B</b>	<b>93 792</b>	<b>94 351</b>
Gross rental income less ground rents per Swiss GAAP FER		454 650	457 034
Less: service fee and service charge costs components of gross rental income		–	–
Add: share of Joint Ventures (gross rental income less ground rents)		–	–
<b>Gross rental income</b>	<b>C</b>	<b>454 650</b>	<b>457 034</b>
<b>EPRA cost ratio (including direct vacancy costs)</b>	<b>A/C</b>	<b>22.5%</b>	<b>22.5%</b>
<b>EPRA cost ratio (excluding direct vacancy costs)</b>	<b>B/C</b>	<b>20.6%</b>	<b>20.6%</b>
Overhead and operating expenses capitalised		–	–

**G. EPRA like-for-like rental change**

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Rental income per Real Estate segment income statement	434 382	437 299
Acquisitions	-7 495	-18 427
Disposals	-14 699	-4 294
Development and new building projects	-9 699	-10 051
Property operating expenses	-12 494	-11 649
Property leases	-6 185	-6 080
Conversions, modifications, renovations	-	-
Other changes	-	-
<b>Total EPRA like-for-like rental income</b>	<b>383 810</b>	<b>386 798</b>
<b>EPRA like-for-like change absolute</b>	<b>3 756</b>	<b>2 988</b>
<b>EPRA like-for-like change relative</b>	<b>1.0%</b>	<b>0.8%</b>
<b>EPRA like-for-like change by areas</b>		
Zurich	0.7%	0.8%
Lake Geneva	0.4%	0.3%
Northwestern Switzerland	0.2%	-0.8%
Berne	0.0%	0.5%
Central Switzerland	-0.1%	0.1%
Eastern Switzerland	-0.2%	0.3%
Southern Switzerland	0.0%	-0.1%
Western Switzerland	0.1%	0.0%

Like-for-like net rental growth compares the growth of the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are described. Like-for-like rental growth 2019 is based on a portfolio of CHF 9 891.452 million [CHF 9 703.676 million] which grew in value by CHF 187.776 million [CHF 122.312 million].

**H. Property-related EPRA CAPEX**

in CHF 1 000	01.01.– 31.12.2018	01.01.– 31.12.2019
Purchases	418 950	46 520
Development (ground-up/green field/brown field)	323 292	336 431
Like-for-like portfolio	-	71 102
Capitalised borrowing costs	2 728	6 718
Other	-	1 501
<b>Total EPRA capital expenditure</b>	<b>744 970</b>	<b>462 272</b>

# Five-year summary of key figures

	in	IFRS			Swiss GAAP FER	
		31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Fair value of real estate portfolio	CHF m	9 686.6	10 092.1	10 633.1	11 204.4	11 765.4
Rental income from properties	CHF m	445.9	453.0	469.9	479.4	486.9
Vacancy rate	%	6.7	6.1	5.2	4.8	4.7
Net property yield	%	3.9	3.7	3.7	3.6	3.5
Income from sale of trading properties	CHF m	105.1	–	–	–	–
Income from real estate developments	CHF m	–	–	51.7	72.8	79.8
Income from real estate services	CHF m	109.0	115.6	120.0	116.7	117.5
Income from retail	CHF m	136.8	133.6	136.2	131.3	127.8
Income from assisted living	CHF m	184.2	328.2	359.9	396.9	423.9
Income from asset management	CHF m	7.9	13.2	9.9	8.5	13.5
Total operating income	CHF m	995.2	1 049.5	1 154.8	1 214.1	1 258.8
Operating result before depreciation and amortisation (EBITDA)	CHF m	582.6	483.4	487.1	501.2	653.4
Operating result (EBIT)	CHF m	553.4	459.4	470.6	478.6	628.3
Profit	CHF m	355.1	311.1	305.5	310.9	608.5
Shareholders' equity	CHF m	4 956.0	4 746.3	4 777.5	5 145.1	5 459.2
Equity ratio	%	46.4	45.0	43.1	43.9	44.4
Borrowed capital	CHF m	5 734.6	5 811.7	6 317.6	6 564.2	6 841.7
Borrowed capital ratio	%	53.6	55.0	56.9	56.1	55.6
Total shareholders' equity and borrowed capital	CHF m	10 690.6	10 558.0	11 095.1	11 709.3	12 300.9
Interest-bearing financial liabilities	CHF m	4 261.6	4 480.1	4 848.1	5 073.5	5 378.4
Interest-bearing financial liabilities in % of balance sheet total	%	39.9	42.4	43.7	43.3	43.7
Loan-to-value ratio of property portfolio (LTV)	%	44.0	44.4	45.6	45.3	45.7
Weighted average interest rate on financial liabilities	%	2.1	1.8	1.5	1.4	1.2
Weighted average residual term to maturity of interest-bearing financial liabilities	years	4.4	4.5	4.7	4.3	4.2
Return on equity (ROE)	%	7.6	6.6	6.4	6.4	11.5
Return on invested capital (ROIC)	%	4.3	3.8	3.5	3.4	5.6
Cash flow from operating activities	CHF m	388.4	277.7	458.1	334.4	406.6
Cash flow from investing activities	CHF m	100.4	–365.5	–394.6	–495.6	–338.6
Cash flow from financing activities	CHF m	–511.1	13.2	–64.7	186.6	–79.5
<b>Key financial figures excluding revaluations and all deferred taxes</b>						
Operating result (EBIT)	CHF m	428.9	390.1	404.8	411.1	424.9
Profit	CHF m	280.8	275.6	307.4	287.8	315.7
Return on equity (ROE)	%	6.1	5.9	6.4	5.9	6.3
Return on invested capital (ROIC)	%	3.6	3.5	3.6	3.2	3.2

**Five-year summary of key figures**

Key figures per share	in	IFRS			Swiss GAAP FER	
		31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Share price at end of period	CHF	78.50	83.35	90.00	79.55	111.90
Share price, highest	CHF	87.80	90.65	91.00	94.30	113.30
Share price, lowest	CHF	70.65	74.95	82.25	77.45	80.20
Earnings per share (EPS)	CHF	5.30	4.41	4.27	4.27	8.00
Earnings per share (EPS) excluding revaluations and deferred taxes	CHF	4.20	3.91	4.30	3.95	4.14
NAV before deferred taxes <sup>1</sup>	CHF	85.83	81.32	82.87	83.40	86.34
NAV after deferred taxes <sup>1</sup>	CHF	71.15	66.41	66.85	67.74	71.87
Distribution to shareholders <sup>2</sup>	CHF	3.70	3.70	3.80	3.80	3.80
Cash yield on closing price of the previous year <sup>2</sup>	%	4.7	4.4	4.2	4.8	3.4
Share performance (TR) p.a. in the last 12 months	%	13.7	10.9	12.6	-7.1	47.0
Share performance (TR) p.a. in the last 3 years	%	6.2	12.0	11.6	5.1	15.4
Share performance (TR) p.a. in the last 5 years	%	7.8	8.8	8.4	7.9	14.2
Market capitalisation	CHF m	5 467.6	5 957.8	6 433.1	6 041.5	8 498.4
<b>Employees</b>						
Number of employees	people	4 446	5 621	5 910	6 321	6 506
Full-time equivalents	FTE	3 311	4 558	4 868	5 115	5 402
<b>Share statistics</b>						
Shares issued	number	69 651 534	71 478 917	71 478 917	75 946 349	75 946 349
Average treasury shares held	number	-6 506	-2 098	-980	-377	-1 114
Average outstanding shares	number	67 127 792	70 781 230	71 477 937	72 620 217	75 945 235
Treasury shares held	number	-2 780	-1 336	-39	-539	-1 112
Outstanding shares	number	69 648 754	71 477 581	71 478 878	75 945 810	75 945 237

<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> 31.12.2019, according to proposal to Annual General Meeting

# Property details

## Summary

	Property details as at 31.12.2019				Overview of type of use						
	Fair Value TCHF	Target rental and land lease income TCHF	Vacancy rate %	Site area m <sup>2</sup>	Total m <sup>2</sup> commercial units, excluding parking	Retail %	Offices, medical practice premises, etc. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Total properties	11 043 409	457 376	4.5	1 077 231	1 571 795	18.0	42.6	6.2	8.6	16.9	7.7
Total undeveloped properties	37 498	133	-	77 087	28 950	-	1.0	-	-	-	99.0
Total properties under construction and development sites	684 523	371	-	116 447	3 706	84.1	-	-	-	11.1	4.8
<b>Overall total</b>	<b>11 765 430</b>	<b>457 880</b>		<b>1 270 765</b>	<b>1 604 451</b>	<b>17.8</b>	<b>41.8</b>	<b>6.1</b>	<b>8.4</b>	<b>16.5</b>	<b>9.4</b>
Rent losses from vacancies		-20 581									
<b>Consolidated subtotal segment, excluding leased properties</b>		<b>437 299</b>	<b>4.5</b>								
Intercompany eliminations		-56 406									
Rental income from third parties, Services segment		40 751									
<b>Consolidated subtotal, excluding leased properties</b>		<b>421 644</b>	<b>4.7</b>								
Rental income from leased properties, Services segment		65 268									
<b>Consolidated overall total, including leased properties</b>		<b>486 912</b>									



## Investment properties

Property details as at 31.12.2019	Overview of type of use										
	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. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Aarau, Bahnhofstrasse 23	sole ownership	1946	1986	685	2 069	60.8	12.3	–	–	26.9	–
Amriswil, Weinfelderstrasse 74	sole ownership	2004		3 672	2 772	46.8	0.4	46.0	–	5.4	1.4
Baar, Grabenstrasse 17, 19	sole ownership	2015		2 084	3 685	–	95.8	–	–	4.2	–
Baar, Zugerstrasse 57, 63	sole ownership	2009		6 029	8 999	–	89.8	–	–	6.7	3.5
Baden, Bahnhofstrasse 2	sole ownership	1927	1975	212	979	93.4	–	–	–	6.6	–
Baden, Weite Gasse 34, 36	sole ownership	1953	1975	366	1 513	35.6	41.7	–	–	10.2	12.5
Basel, Aeschenvorstadt 2–4	sole ownership	1960	2005	1 362	6 219	17.3	63.6	–	–	18.6	0.5
Basel, Barfüsserplatz 3 <sup>1</sup>	sole ownership	1874/1870/	1993	751	1 913	5.6	66.3	–	–	27.9	0.2
Basel, Centralbahnplatz 9/10	sole ownership	2005	2005	403	1 445	8.5	37.9	21.0	–	11.8	20.8
Basel, Elisabethenstrasse 15	sole ownership	1933	1993	953	4 276	20.8	71.4	–	–	7.8	–
Basel, Freie Strasse 26/Falknerstrasse 3	sole ownership	1854	1980	471	2 870	43.6	50.3	–	–	6.1	–
Basel, Freie Strasse 36	sole ownership	1894	2003	517	2 429	59.3	13.6	–	–	11.5	15.6
Basel, Freie Strasse 68	sole ownership	1930	2016	1 461	8 200	19.5	1.2	62.9	–	15.9	0.5
Basel, Henric Petri-Strasse 9/Elisabethenstrasse 19	sole ownership	1949	1985	2 387	6 744	4.2	74.8	–	–	21.0	–
Basel, Hochbergerstrasse 40/parking	sole ownership land lease	1976		4 209	–	–	–	–	–	–	–
Basel, Hochbergerstrasse 60/building 805	sole ownership	1958	2006	5 420	4 782	–	23.4	–	–	10.5	66.1
Basel, Hochbergerstrasse 60/building 860	sole ownership	1990		980	897	–	84.1	–	–	14.1	1.8
Basel, Hochbergerstrasse 60/Stücki Park	sole ownership	2008		8 343	37 455	–	85.2	1.1	–	5.3	8.4
Basel, Hochbergerstrasse 62	sole ownership	2005		2 680	–	–	–	–	–	–	–
Basel, Hochbergerstrasse 70/Stücki Park (Shopping) <sup>2</sup>	sole ownership	2009	2020	46 416	29 460	27.7	18.7	39.5	–	10.9	3.2
Basel, Messeplatz 12/Messeturm	sole ownership partial land lease	2003		2 137	24 024	0.7	54.1	41.8	–	3.2	0.2
Basel, Peter Merian-Strasse 80	freehold property	1999		19 214	9 109	–	85.3	–	–	14.7	–
Basel, Rebgrasse 20	sole ownership	1973	1998	3 713	7 125	38.1	14.0	17.2	–	28.5	2.2
Belp, Aemmenmattstrasse 43	sold 25.09.2019										
Berlingen, Seestrasse 83, 88, 101, 154	sole ownership	1948–1998		10 321	8 650	–	–	–	100.0	–	–
Berlingen, Seestrasse 110	sold 19.11.2019										
Berne, Genfergasse 14	sole ownership	1905	1998	4 602	15 801	4.1	85.0	–	–	0.7	10.2
Berne, Laupenstrasse 6	sole ownership	1911	1998	503	2 067	41.4	49.8	–	–	0.3	8.5
Berne, Mingerstrasse 12–18/PostFinance Arena	sole ownership land lease	1969/2009	2009	29 098	46 348	0.2	17.8	–	–	0.1	81.9
Berne, Schwarztorstrasse 48	sole ownership	1981	2011	1 959	8 148	–	75.7	–	–	23.0	1.3
Berne, Viktoriastrasse 21, 21a, 21b/Schönburg <sup>3</sup>	sole ownership	1970/2020	2020	14 036	19 381	8.6	–	37.3	–	–	54.1
Berne, Wankdorfallée 4/EspacePost	sole ownership land lease	2014		5 244	33 647	–	94.2	–	–	4.9	0.9
Berne, Weltpoststrasse 5	sole ownership land lease	1975/1985	2013	19 374	25 346	–	68.7	4.3	–	19.6	7.4
Biel, Solothurnstrasse 122	sole ownership land lease	1961	1993	3 885	3 319	74.9	2.7	–	–	15.3	7.1
Brugg, Hauptstrasse 2	sole ownership	1958	2000	3 364	4 179	60.8	4.2	3.5	–	28.8	2.7
Buchs SG, St. Gallerstrasse 5	sole ownership	1995		2 192	1 784	13.2	60.1	–	–	18.3	8.4
Burgdorf, Emmentalstrasse 14	sole ownership	1972	1998	1 845	2 129	48.9	39.9	–	–	9.6	1.6
Burgdorf, Industrie Buchmatt	sole ownership partial land lease	1973		15 141	11 967	2.9	5.4	–	–	89.3	2.4

<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

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

## Investment properties

Property details as at 31.12.2019	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. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Carouge, Avenue Cardinal-Mermillod 36–44	sole ownership	1956	2002	14 372	35 053	23.7	56.8	3.5	–	14.8	1.2
	freehold property and co-ownership land lease bought 24.06.2019										
Carouge, Rue Antoine-Jolivet 7		1975		3 693	2 164	20.4	1.2	–	–	29.2	49.2
Cham, Dorfplatz 2	sole ownership	1992		523	1 067	11.4	61.5	–	–	27.1	–
Conthey, Route Cantonale 2	sole ownership	1989		3 057	2 480	71.6	4.6	–	–	19.8	4.0
Conthey, Route Cantonale 4	sole ownership land lease	2009		7 444	4 979	80.2	–	3.0	–	6.1	10.7
Conthey, Route Cantonale 11	sole ownership land lease	2002		10 537	7 323	79.9	1.3	0.7	–	14.3	3.8
Dietikon, Bahnhofplatz 11/Neumattstrasse 24	sole ownership	1989		1 004	1 793	19.4	55.8	–	–	24.3	0.5
Dietikon, Kirchstrasse 20	sole ownership	1988		1 087	1 894	23.5	65.0	–	–	11.5	–
Dübendorf, Bahnhofstrasse 1	sole ownership land lease	1988		1 308	1 671	17.7	59.3	–	–	23.0	–
Eyholz, Kantonsstrasse 79	sole ownership land lease	1991		2 719	1 319	92.3	5.6	–	–	–	2.1
Frauenfeld, St. Gallerstrasse 30–30c	sole ownership	1991		8 842	9 528	–	–	–	100.0	–	–
Frauenfeld, Zürcherstrasse 305	sole ownership	1982	2006	3 866	4 201	39.3	34.5	–	–	22.0	4.2
Frick, Hauptstrasse 132/Fricktal Centre A3	sole ownership	2007		13 365	5 011	66.0	–	3.1	–	15.5	15.4
Geneva, Centre Rhône-Fusterie	freehold property	1990		2 530	11 186	76.2	0.3	–	–	23.5	–
Geneva, Place du Molard 2–4	sole ownership	1690	2002	1 718	7 263	38.7	56.5	–	–	4.0	0.8
Geneva, Route de Malagnou 6/Rue Michel-Chauvet 7	sole ownership	1969/1960	1989	1 321	1 717	–	50.6	11.0	–	3.6	34.8
Geneva, Route de Meyrin 49	sole ownership	1987		9 890	10 138	–	85.5	–	–	13.0	1.5
Geneva, Rue Céard 14/Rue de la Croix-d'Or 11	sold 01.02.2019										
Geneva, Rue de la Croix-d'Or 7/Rue Neuve-du-Molard 4–6	sole ownership	1985	1994	591	3 472	38.4	24.3	–	–	3.6	33.7
Geneva, Rue des Alpes 5	sole ownership	1860		515	2 689	10.8	45.3	–	–	0.6	43.3
Geneva, Rue du Rhône 48–50	sole ownership	1921	2002	5 166	33 243	44.6	33.5	72	–	9.0	5.7
Gossau SG, Wilerstrasse 82	sole ownership	2007		13 064	4 688	78.1	2.1	–	–	10.7	9.1
Grand-Lancy, Route des Jeunes 10/CCL La Praille	sole ownership land lease	2002		20 597	36 098	52.2	0.9	28.5	–	16.3	2.1
Grand-Lancy, Route des Jeunes 12	sole ownership land lease	2003		5 344	12 719	3.3	379	43.0	–	13.7	2.1
Heimberg, Gurnigelstrasse 38	sole ownership land lease	2000		7 484	1 544	83.6	2.8	–	–	7.0	6.6
Horgen, Zugerstrasse 22, 24	sold 31.12.2019										
La Chaux-de-Fonds, Boulevard des Eplatures 44	sole ownership	1972		3 021	2 506	94.7	1.7	–	–	3.0	0.6
Lachen, Seidenstrasse 2	sole ownership	1993		708	1 532	13.9	67.6	–	–	18.5	–
Lausanne, Rue de Sébeillon 9/Sébeillon Centre	sole ownership	1930	2001	2 923	10 116	8.4	54.1	–	–	24.7	12.8
Lausanne, Rue du Pont 5	sole ownership	1910	2004	3 884	20 805	50.5	23.3	9.2	–	10.1	6.9
Les Ponts-de-Martel, Rue de la Prairie 17 <sup>4</sup>	sole ownership bought 30.04.2019	1983/1991		4 864	4 120	–	–	–	100.0	–	–
Lutry, Route de l'Ancienne Ciblerie 2	freehold property	2006		13 150	3 233	75.2	2.8	1.9	–	14.8	5.3
Lucerne, Kreuzbuchstrasse 33/35	sole ownership land lease	2010		14 402	10 533	–	–	–	100.0	–	–
Lucerne, Langensandstrasse 23/Schönbühl	sole ownership	1969	2007	20 150	9 462	69.0	9.2	1.9	–	18.5	1.4
Lucerne, Pilatusstrasse 4/Flora	freehold property	1979	2008	4 376	9 906	69.5	12.1	–	–	9.6	8.8
Lucerne, Schwanenplatz 3	sole ownership	1958	2004	250	1 512	10.8	62.6	–	–	18.7	7.9
Lucerne, Schweizerhofquai 6/Gotthardgebäude	sole ownership	1889	2002	2 479	7 261	6.8	87.9	–	–	5.3	–
Lucerne, Weggisgasse 20, 22	sole ownership	1982		228	1 285	76.8	–	–	–	23.2	–
Meilen, Seestrasse 545	sole ownership land lease	2008		1 645	2 458	–	–	–	100.0	–	–
Meyrin, Chemin de Riantbosson 19/Riantbosson Centre	sole ownership	2018		4 414	7 604	33.4	38.2	9.8	–	15.6	3.0

<sup>4</sup> property included in the Services segment

## Investment properties

Property details as at 31.12.2019	Overview of type of use										
	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. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Meyrin, Route de Meyrin 210	sole ownership partial land lease	1979	1999	3 860	1 116	65.7	4.3	–	–	15.7	14.3
Meyrin, Route de Pré-Bois 14/Geneva Business Terminal	sole ownership land lease	2003/2018		2 156	2 928	6.1	87.7	–	–	6.2	–
Morges, Les Vergers-de-la-Gottaz 1	sole ownership	1795/2003	1995	11 537	3 698	–	–	–	100.0	–	–
Münchenstein, Genuastrasse 11 / Helsinkistrasse 12	sole ownership land lease bought 17.12.2019	1993/1998		12 294	16 701	–	13.6	2.1	–	79.3	5.0
Neuchâtel, Avenue J.-J. Rousseau 7	sole ownership	1991	1992	1 020	3 210	–	70.7	–	–	21.9	7.4
Neuchâtel, Rue de l'Ecluse 19/parking	sole ownership	1960	1997	715	–	–	–	–	–	–	–
Neuchâtel, Rue du Temple-Neuf 11	sole ownership	1953/1902/2014	1993	262	1 155	18.8	57.2	–	–	13.9	10.1
Neuchâtel, Rue du Temple-Neuf 14	sole ownership	2014		1 928	6 908	47.6	15.7	–	–	11.1	25.6
Niederwangen b. Bern, Riedmoosstrasse 10	sole ownership	1985	2006	12 709	12 855	33.3	13.2	–	–	45.5	8.0
Oberbüren, Buchental 2	sole ownership	1980	2007	6 401	6 486	34.3	1.8	–	–	62.4	1.5
Oberbüren, Buchental 3	sole ownership	1964		4 651	2 336	20.8	32.6	–	–	31.6	15.0
Oberbüren, Buchental 3a	sole ownership	1964		3 613	2 464	–	–	–	–	100.0	–
Oberbüren, Buchental 4	sole ownership	1990		4 963	9 547	38.5	20.3	–	–	41.2	–
Oberbüren, Buchental 5	sole ownership	1920		3 456	1 648	–	12.1	–	–	–	87.9
Oberwil BL, Mühlemattstrasse 23	freehold property land lease	1986		6 200	1 652	75.9	4.2	–	–	16.3	3.6
Olten, Bahnhofquai 18	sole ownership	1996		2 553	5 134	–	93.6	–	–	6.4	–
Olten, Bahnhofquai 20	sole ownership	1999		1 916	7 423	–	84.8	–	–	14.4	0.8
Olten, Frohburgstrasse 1	sole ownership	1899/2009	2009	379	1 196	–	78.3	–	–	21.7	–
Olten, Frohburgstrasse 15	sole ownership	1961/1998	1998	596	1 863	–	78.6	–	–	12.1	9.3
Olten, Solothurnerstrasse 201	sole ownership	2006		5 156	1 592	62.3	–	–	–	31.5	6.2
Olten, Solothurnerstrasse 231–235/Usego	sole ownership	1907/2011	2011	12 922	11 515	4.9	58.6	–	–	10.0	26.5
Opfikon, Müllackerstrasse 2, 4/Bubenholtz	sole ownership	2015		6 169	10 802	–	–	–	100.0	–	–
Ostermundigen, Mitteldorfstrasse 16	sole ownership	2009		7 503	10 925	–	–	–	100.0	–	–
Oteltingen, Industriestrasse 19/21	sole ownership	1965/2000	2000	101 933	80 440	–	16.4	–	–	78.3	5.3
Oteltingen, Industriestrasse 31	sole ownership	1986/1993	1993	12 135	11 828	–	36.1	0.4	–	56.0	7.5
Payerne, Route de Bussy 2	sole ownership	2006		12 400	6 017	84.0	4.4	–	–	7.1	4.5
Petit-Lancy, Route de Chancy 59	sole ownership	1990		13 052	22 213	1.9	66.3	6.1	–	21.9	3.8
Pfäffikon SZ, Huobstrasse 5	sole ownership	2004		7 005	11 660	–	–	–	100.0	–	–
Rapperswil-Jona, Rathausstrasse 8	sold 31.12.2019										
Regensdorf, Riedthofstrasse 172–184/Iseli-Areal	sole ownership	1962/2009		25 003	11 372	–	18.1	–	–	65.4	16.5
Romanel, Chemin du Marais 8	sole ownership	1973/1995	1995	7 264	6 790	88.3	0.2	–	–	10.4	1.1
Schwyz, Oberer Steisteg 18, 20	sole ownership	1988/2004	2004	1 039	2 669	8.7	58.3	–	–	32.6	0.4
Solothurn, Amthausplatz 1	sold 15.12.2019										
Spreitenbach, Industriestrasse/Tivoli	freehold property	1974/2010	2010	25 780	980	87.2	–	–	–	12.8	–
Spreitenbach, Müslistrasse 44	sole ownership	2002		2 856	516	–	6.9	30.3	–	4.0	58.8
Spreitenbach, Pfadackerstrasse 6/Limmatpark	sole ownership	1972/2003	2003	10 318	28 360	62.7	27.1	–	–	7.4	2.8
St. Gallen, Spisergasse 12	sole ownership	1900/1998	1998	208	1 070	82.7	–	–	–	–	17.3
St. Gallen, Spisergasse 12	sole ownership	1423/1984	1984	165	617	31.6	17.7	–	–	24.1	26.6
St. Gallen, Zürcherstrasse 462–464/Shopping Arena	sole ownership parking 73/100 co-ownership	2008		33 106	39 653	58.0	9.6	11.4	–	19.5	1.5
St-Imier, Rue de la Clef 36 – Les Lauriers <sup>4</sup>	sole ownership bought 20.08.2019	1986/2014		4 504	3 511	–	–	–	100.0	–	–
Stadel b. Niederglatt, Buechenstrasse 80 <sup>4</sup>	financial lease	2008		3 947	2 674	–	–	–	100.0	–	–

<sup>4</sup> property included in the Services segment

## Investment properties

Property details as at 31.12.2019				Overview of type of use							
	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. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Sursee, Moosgasse 20	sole ownership	1998		4 171	2 426	82.8	–	–	–	15.0	2.2
Thalwil, Gotthardstrasse 40	sold 31.12.2019										
Thônex, Rue de Genève 104–108	sole ownership	2008		9 224	11 687	56.0	0.4	3.5	–	8.2	31.9
Thun, Bälliz 67	sole ownership	1953	2001	875	3 191	20.0	63.4	2.0	–	10.9	3.7
Thun, Göttibachweg 2–2e, 4, 6, 8	sole ownership land lease	2003		14 520	11 556	–	–	–	100.0	–	–
Uster, Poststrasse 10	sole ownership	1972	2012	701	1 431	17.1	61.3	–	–	21.6	–
Uster, Poststrasse 14/20	sole ownership	1854	2000	2 449	3 194	63.3	11.7	3.8	–	19.5	1.7
Vernier, Chemin de l'Etang 72/Patio Plaza	sole ownership	2007		10 170	13 619	–	81.9	–	–	17.2	0.9
Vevey, Rue de la Clergère 1	sole ownership	1927	1994	717	3 055	15.7	73.1	–	–	11.2	–
Wabern, Nesslerenweg 30	sole ownership	1990		4 397	6 288	–	–	–	100.0	–	–
Wil, Obere Bahnhofstrasse 40	sole ownership	1958	2008	1 105	2 877	80.4	8.6	–	–	7.2	3.8
		1999/ 2000/									
Winterthur, Theaterstrasse 15a–c, 17	sole ownership	2004		15 069	37 233	–	71.2	0.5	–	15.4	12.9
Winterthur, Untertor 24	sole ownership	1960	2006	290	1 364	–	69.9	–	–	30.1	–
Worblaufen, Alte Tiefenaustrasse 6	sole ownership	1999		21 804	37 170	–	87.4	–	–	12.0	0.6
Zollikon, Bergstrasse 17, 19	sole ownership	1989	2004	1 768	2 126	26.1	44.1	–	–	29.8	–
		1984/									
Zollikon, Forchstrasse 452–456	sole ownership	1998		2 626	2 251	–	68.4	–	–	31.6	–
Zuchwil, Dorfackerstrasse 45/Birchi Centre	sole ownership land lease	1997		9 563	13 026	75.5	1.7	–	–	13.6	9.2
Zug, Zählerweg 4, 6/Dammstrasse 19/ Landis + Gyr-Strasse 3/Opus 1	sole ownership	2002		7 400	15 888	–	90.4	–	–	9.6	–
Zug, Zählerweg 8, 10/Dammstrasse 21, 23/Opus 2	sole ownership	2003		8 981	20 169	–	91.3	–	–	8.7	–
Zurich, Affolternstrasse 52/MFO building	sole ownership	1889	2012	1 367	2 776	–	53.1	25.8	–	21.1	–
Zurich, Affolternstrasse 54, 56/Cityport	sole ownership	2001		9 830	23 529	–	92.0	–	–	7.7	0.3
		1942–									
Zurich, Albisriederstrasse 203, 207, 243	sole ownership	2003		13 631	12 281	–	63.2	21.5	–	8.6	6.7
Zurich, Albisriederstrasse/Rütiwiesweg/YOND <sup>5</sup>	sole ownership	2019		9 114	17 990	15.5	83.6	–	–	–	0.9
Zurich, Bahnhofstrasse 42	sole ownership	1968	1990	482	2 003	42.7	44.6	–	–	12.7	–
Zurich, Bahnhofstrasse 69	sole ownership	1898	2007	230	1 124	10.8	77.9	–	–	11.0	0.3
Zurich, Bahnhofstrasse 106	sole ownership	1958		200	1 210	11.7	53.6	–	–	31.7	3.0
		1966–	2013–								
Zurich, Beethovenstrasse 33, Dreikönigstrasse 24	sole ownership	1968	2016	1 347	5 811	10.0	77.7	–	–	11.4	0.9
			2015–								
Zurich, Brandschenkestrasse 25	sole ownership	1910	2017	3 902	17 164	–	–	70.6	–	20.4	9.0
Zurich, Carl-Spitteler-Strasse 68/70	sole ownership	1993		11 732	19 343	–	–	–	100.0	–	–
Zurich, Etzelstrasse 14	sole ownership	2017		1 809	2 135	–	–	–	100.0	–	–
			2013–								
Zurich, Flurstrasse 55/Medienpark	sole ownership	1979	2015	8 270	24 159	1.7	70.4	4.1	–	22.1	1.7
Zurich, Flurstrasse 89	sole ownership	1949	2003	2 330	3 331	–	12.0	–	–	11.3	76.7
Zurich, Fraumünsterstrasse 16	sole ownership	1901	2017	2 475	8 597	15.4	73.8	–	–	10.8	–
Zurich, Giesshübelstrasse 15	sole ownership	1956	1999	1 713	2 827	–	89.0	–	–	11.0	–
Zurich, Hagenholzstrasse 60/SkyKey	sole ownership	2014		9 573	41 251	0.3	85.7	9.8	–	4.2	–
Zurich, Hardstrasse 201/Prime Tower	sole ownership	2011		10 416	48 138	0.7	87.3	5.5	–	6.4	0.1
		1929–									
Zurich, Hardstrasse 219/Eventblock Maag	sole ownership	1978		8 002	7 183	–	21.7	–	–	19.1	59.2
		1962/									
Zurich, Josefstrasse 53, 59	sole ownership	1972	2001	2 931	12 114	8.5	75.4	1.4	–	14.7	–
		1900/									
Zurich, Jupiterstrasse 15/Böcklinstrasse 19	sole ownership	1995	1996	1 630	1 829	–	–	–	100.0	–	–

<sup>5</sup> reclassified from properties under construction to investment properties after new construction

## Investment properties

Property details as at 31.12.2019	Overview of type of use										
	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. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Zurich, Kappenbühlweg 9, 11/Holbrigstrasse 10/ Regensdorferstrasse 18a	sole ownership	1991		9 557	14 790	-	-	-	100.0	-	-
Zurich, Maagplatz 1/Platform	sole ownership	2011		5 942	20 310	2.1	91.1	0.5	-	4.9	1.4
Zurich, Manessestrasse 85	sole ownership	1985	2012	3 284	8 270	4.5	66.7	-	-	24.9	3.9
Zurich, Müllerstrasse 16, 20	sole ownership	1980	2006	3 864	13 692	-	93.1	-	-	5.8	1.1
Zurich, Nansenstrasse 5/7	sole ownership	1985		1 740	5 864	39.1	27.0	-	-	6.1	27.8
Zurich, Ohmstrasse 11, 11a	sole ownership	1927	2007	1 970	6 010	54.9	23.5	2.2	-	14.4	5.0
Zurich, Querstrasse 6	sole ownership	1927	1990	280	563	13.3	-	-	-	-	86.7
Zurich, Restelbergstrasse 108	sole ownership	1936	1997	1 469	672	-	-	-	100.0	-	-
Zurich, Schaffhauserstrasse 339	sold 31.12.2019										
Zurich, Schulstrasse 34, 36	sold 15.12.2019										
Zurich, Seidengasse 1/Jelmoli – The House of Brands	sole ownership	1898	2010	6 514	36 770	64.6	3.7	13.3	-	12.8	5.6
Zurich, Siewerdstrasse 8	sole ownership	1981		1 114	3 687	-	91.1	-	-	8.9	-
Zurich, Sihlstrasse 24/St. Annagasse 16	sole ownership	1885	2007	1 155	2 858	3.9	71.2	13.6	-	6.5	4.8
Zurich, Stadelhoferstrasse 18	sole ownership	1983	2004	1 046	1 906	19.6	48.9	11.9	-	19.0	0.6
Zurich, Stadelhoferstrasse 22	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	sole ownership	1957	1999	1 534	6 174	10.9	69.0	2.1	-	16.5	1.5
Zurich, Steinmühleplatz/Jelmoli parking	sole ownership with concession	1972	2009	1 970	84	100.0	-	-	-	-	-
Zurich, Talacker 21, 23	sole ownership	1965	2008	1 720	4 904	9.6	64.2	-	-	26.2	-
<b>Total properties</b>				<b>10 772 231</b>	<b>157 179 5</b>	<b>18.0</b>	<b>42.6</b>	<b>6.2</b>	<b>8.6</b>	<b>16.9</b>	<b>7.7</b>

## Building land

Property details as at 31.12.2019

Overview of type of use

	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. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Augst, Rheinstrasse 54	sole ownership bought 20.12.2019			10 958	10 958	-	-	-	-	-	100.0
Dietikon, Bodacher	sole ownership			13 615	1 375	-	-	-	-	-	100.0
Dietikon, Bodacher/Im Maienweg	sole ownership			4 249	4 240	-	-	-	-	-	100.0
Dietikon, Bodacher/Ziegelägerten	sole ownership			3 825	4 324	-	-	-	-	-	100.0
Meyrin, Route de Pré-Bois	sole ownership			9 118	294	-	100.0	-	-	-	-
Niederwangen b. Bern, Riedmoosstrasse 10	sole ownership			5 895	-	-	-	-	-	-	-
Oberbüren, Buchental/parking	sole ownership			1 825	-	-	-	-	-	-	-
Spreitenbach, Joosacker 7	sole ownership			16 405	7 759	-	-	-	-	-	100.0
Wangen b. Olten, Rickenbacherfeld	sole ownership			11 197	-	-	-	-	-	-	-
<b>Total undeveloped properties</b>				<b>77 087</b>	<b>28 950</b>	<b>-</b>	<b>1.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99.0</b>

## Properties under construction and development sites

Property details as at 31.12.2019				Overview of type of use							
	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. %	Hotel / gastronomy	Assisted living %	Storage facilities %	Other %
Basel, Hochbergerstrasse 60/Stückli Park	sole ownership			5 440	-	-	-	-	-	-	-
	sole ownership with 14/100 co-ownership										
Lancy, Esplanade de Pont-Rouge 5, 7, 9/Alto Pont-Rouge				5 170	-	-	-	-	-	-	-
Monthey, Rue de Venise 5–7/Avenue de la Plantaud 4	sole ownership			1 785	-	-	-	-	-	-	-
Oftringen, Spitalweidstrasse 1/shopping centre a1 <sup>6</sup>	sole ownership	2006		42 031	3 706	84.1	-	-	-	11.1	4.8
	sole ownership partial land lease										
Paradiso, Riva Paradiso 3, 20/Du Lac				3 086	-	-	-	-	-	-	-
Plan-les-Ouates, Chemin des Aulx/Espace Tourbillon	sole ownership			17 768	-	-	-	-	-	-	-
Richterswil, Gartenstrasse 7, 17/Etzelblick	sole ownership			5 197	-	-	-	-	-	-	-
Richterswil, Gartenstrasse 15/Etzelblick	sole ownership			1 553	-	-	-	-	-	-	-
		1992/									
Schlieren, Zürcherstrasse 39/JED <sup>7</sup>	sole ownership	2003		26 684	-	-	-	-	-	-	-
Schlieren, Zürcherstrasse 39/JED Neubau <sup>7</sup>	sole ownership			-	-	-	-	-	-	-	-
Zurich, Vulkanstrasse 114, Juchstrasse 3/West-Log	sole ownership			7 733	-	-	-	-	-	-	-
<b>Total properties under construction and development sites</b>				<b>116 447</b>	<b>3 706</b>	<b>84.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11.1</b>	<b>4.8</b>
<b>Overall total</b>				<b>1 270 765</b>	<b>1 604 451</b>	<b>178</b>	<b>41.8</b>	<b>6.1</b>	<b>8.4</b>	<b>16.5</b>	<b>9.4</b>

<sup>6</sup> reclassified from investment properties to properties under construction due to total renovation

<sup>7</sup> splitting of the project

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