psp
Swiss Property

2018
Annual report

Contents

EPRA reporting
PSP Swiss Property is a member of EPRA (European Public Real Estate Association). Domiciled in Brussels, EPRA was founded in 1999. It is a non-profit organisation promoting and supporting the European public real estate industry. We apply EPRA's Best Practices Recommendations in the disclosure of our performance measures and in sustainability reporting.

www.psp.info
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Board of Directors' statement

Our focus on quality and top locations paid off again in 2018. Moreover, we are well positioned for the future – thanks to our substantial investment and renovation projects.

Dear Readers

Business development

2018 was a successful business year. As in the past, our main focus was on optimising the property portfolio. We did this, on the one hand, by renovating and modernising selected investment properties and, on the other hand, by further developing our sites and projects. In addition, we did some acquisitions and targeted disposals.

We are very pleased with our letting activities. We attached particular importance to the early processing of lease agreements due for renewal and the active marketing of vacant space. We have also expanded our resources and optimised the processes for this purpose. Thanks to the positive development of demand and supported by the ongoing portfolio streamlining, we were able to significantly reduce the vacancy rate of 8.2% at the end of 2017 to 5.0% at the end of 2018.

In 2018, we generated a net income (excluding changes in fair value) of CHF 176.3 million which is a minor decrease of CHF 1.5 million or 0.8% compared to 2017 (CHF 177.7 million). The reason: income from apartment sales in 2017 was CHF 9.1 million higher than in 2018. Net income (excluding changes in fair value) is the basis for the distribution to shareholders. The 2018 result allows the Board of Directors to propose to the Annual General Meeting of 4 April 2019 a dividend payment of CHF 3.50 per share (previous year: CHF 3.40). This corresponds to a yield of 3.6% on the 2018 year-end share price of CHF 96.85. Thus, we continue our shareholder-friendly dividend policy, further strengthening our position as a predictable and stable core investment for Swiss real estate.

With regard to the investment portfolio, we strengthened our position in the French-speaking part of Switzerland in particular. We integrated the nine properties purchased from Edmond de Rothschild (Suisse) S.A. in the first quarter of 2018. All office properties are centrally located and perfectly maintained. Strategically, this acquisition fits perfectly in our strategic objectives.

In the context of our growth strategy, substantial renovations, conversions and new constructions are key success factors. It is our primary goal to grow organically by optimising respectively further developing our existing property portfolio. In doing so, we consistently focus on customer needs with regard to the quality and flexibility of rental space. One good example in this respect is the "Grosspeter Tower" in Basel which we completed in spring 2018. It has become one of the city's most distinctive buildings with contemporary office space and a hotel. The new construction "ATMOS" in Zurich West is also on track. The start of the construction for the new building was officially commemorated early October 2018. The new commercial property will significantly strengthen our position in Zurich West.

We have budgeted capital expenditures in the amount of around CHF 295 million for our sites and development properties in the coming years. On top of that, renovation outlays totalling approximately CHF 60 million are earmarked for the investment portfolio in 2019 alone.

Letting market

The favourable economic situation encouraged companies to increase demand for office space in 2018. The rising demand is concentrated above all in central locations or up-and-coming quarters of business locations. In the Zurich economic region – one of our main markets – locations that already had a good demand structure benefited in particular from the positive economic development. At the same time, however, construction continued to rise, especially in peripheral regions. All in all, the Swiss office market remained a tenants' market.

The market for retail space remained under pressure in 2018. The irreversible trend towards online shopping put a strain especially on stores with antiquated layouts in poor locations as well as on old-fashioned shopping malls. Centrally located shops are much less affected by this change in consumer behaviour. Our properties with retail space are mostly in such top locations.

Outlook

Switzerland's economy is in good shape. Growth, however, seems to have peaked and most economists predict a deceleration and normalisation of growth rates in 2019. Nevertheless, the outlook remains positive overall. Significant changes in interest rates are unlikely in 2019. The US Federal Reserve began to raise interest rates in small steps. But as long as the European Central Bank does not follow, the Swiss National Bank cannot be expected to raise interest rates significantly either. But as long as the European Central Bank keeps its rates more or less unchanged, no significant rate hikes are expected in Switzerland.

Due to the good economic situation in Switzerland, it is to be expected that demand for office space will continue. Consequently, the outlook for property companies such as PSP Swiss Property focusing to a large degree on office buildings in prime locations are promising – even if the economy should slow down slightly during 2019.

> **Our focus remains unchanged: we modernise individual properties, develop our projects and concentrate on our letting activities. We will only consider acquisitions, if they allow for added value in the long term.**

In financing, we will continue to pursue our proven conservative approach. And, as in the past, we will consider tapping the capital market if required.

For the 2019 business year, we expect an ebitda (excluding gains/losses on real estate investments) of CHF 250 million (2018: CHF 241.7 million).

With regard to the vacancies, we expect a rate of below 5% at year-end 2019 (end of 2018: 5.0%).

Luciano Gabriel
Chairman of the Board of Directors

25 February 2019

2018

in brief

Key figures

Net income excluding gains/losses on real estate investments

CHF 176.2 million

Net income excluding gains/losses on real estate investments is the basis for the distribution to shareholders.

Equity base

CHF 4.157 billion

With an equity ratio of 54.6%, our balance sheet is strong.

Portfolio value

CHF 7.442 billion

We further improved the quality of our portfolio by targeted renovations and other building interventions totalling CHF 126 million.

Dividend

CHF 3.50 / share

The Board of Directors will propose to the Annual General Meeting on 4 April 2019 a dividend payment of CHF 3.50 per share. This corresponds to a cash yield of 3.6% on the 2018 year-end share price of CHF 96.85.

EPRA NAV & EPRA EPS

CHF 110.24 & CHF 3.64

The EPRA NAV provides all relevant information on the fair value of assets and liabilities of a real estate investment company. EPRA EPS shows the underlying operating performance.

Key financial figures	Unit	Restated 2017[1]	2018	+/–[2]
Rental income	CHF 1 000	272 454	279 373	2.5%
EPRA like-for-like change	%	– 1.1	0.9	
Net changes in fair value of real estate investments	CHF 1 000	83 253	166 692	
Income from property sales (freehold apartments)	CHF 1 000	19 614	10 484	
Income from property sales (investment properties)	CHF 1 000	627	2 472	
Total other income	CHF 1 000	5 043	8 172	
Net income	CHF 1 000	256 890	308 152	20.0%
Net income excluding gains/losses on real estate investments[3]	CHF 1 000	177 738	176 250	– 0.8%
Ebitda excluding gains/losses on real estate investments[3]	CHF 1 000	242 187	241 743	– 0.2%
Ebitda margin	%	81.5	80.8	
Total assets	CHF 1 000	7 384 243	7 619 283	3.2%
Shareholders’ equity	CHF 1 000	3 988 560	4 156 908	4.2%
Equity ratio	%	54.0	54.6	
Return on equity	%	6.6	7.6	
Interest-bearing debt	CHF 1 000	2 491 087	2 511 212	0.8%
Interest-bearing debt in % of total assets	%	33.7	33.0[4]	

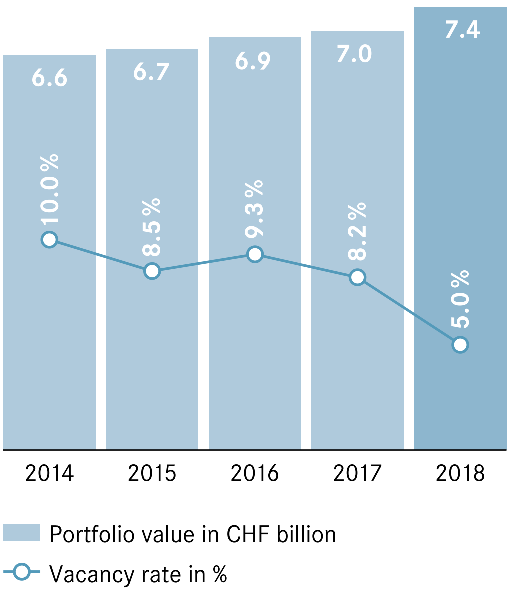
Portfolio key figures				
Number of properties	Number	157	163	
Carrying value properties	CHF 1 000	6 383 901	6 778 932	6.2%
Implied yield, gross[5]	%	4.2	4.1	
Implied yield, net[5]	%	3.5	3.5	
Vacancy rate (CHF)[5, 6]	%	8.2	5.0	
Number of sites and development properties	Number	12	11	
Carrying value sites and development properties	CHF 1 000	661 892	663 174	0.2%

Employees				
Employees	People	86	91	
Full-time equivalents	FTE	81	86	

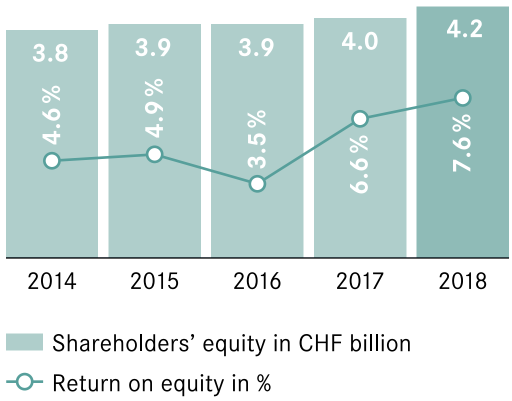
Per share figures				
Earnings per share (EPS)[7]	CHF	5.60	6.72	20.0%
EPS excluding gains/losses on real estate investments[7]	CHF	3.87	3.84	– 0.8%
Distribution per share	CHF	3.40	3.50[8]	2.9%
Net asset value per share (NAV)[9]	CHF	86.96	90.63	4.2%
NAV per share before deduction of deferred taxes[9]	CHF	104.22	109.20	4.8%
Share price end of period	CHF	92.35	96.85	4.9%

1 Restated due to changes in accounting policies, see note 2.3 on page 48.
2 Change to previous year’s period 2017 or to carrying value as of 31 December 2017 as applicable.
3 See definition on page 91, note 30.
4 Exluding debt capital invested as fixed-term deposit totalling CHF 125 million: 31.8%.
5 For investment properties.
6 Equals the lost rental income in % of the potential rent, as per reporting date.
7 Based on average number of outstanding shares.
8 Proposal to the Annual General Meeting on 4 April 2019 for the business year 2018: dividend payment.
9 Based on number of outstanding shares.

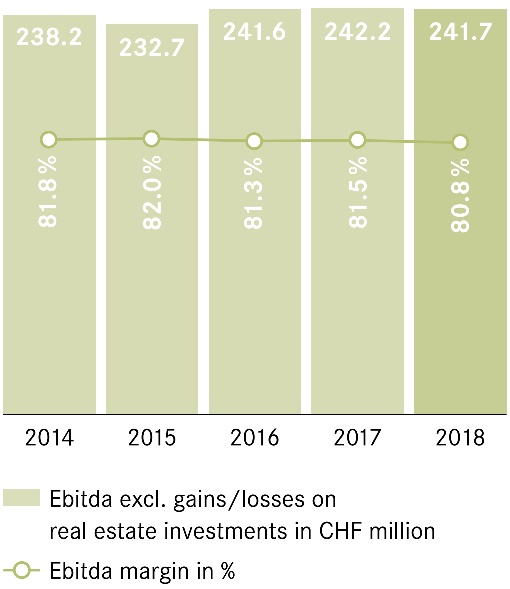
Real estate portfolio



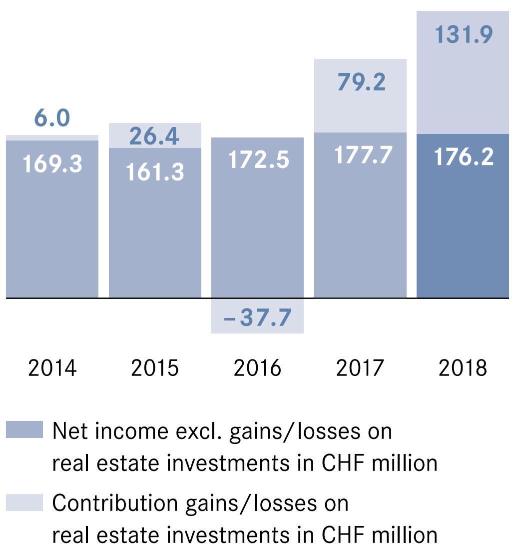
Shareholders' equity



Ebitda



Net income components



Report on the business year 2018

2018 was another successful year for PSP Swiss Property.

Market and client orientation

During 2018, we kept focusing on client needs and expectations. Our claim is to understand the needs of existing and potential tenants and to anticipate new trends in demand. In order to cope with these changes, we watch the market closely and continuously adapt our organisation and processes.

Market environment

Investment market

All in all, the investment market for commercial properties remained competitive. The prices for office and commercial properties remained high in 2018. For first-class properties in the economic centres, there was no change in the low availability of such objects. Investors still accept low net initial yields for high-quality objects in business centres. Top yields for office properties in Zurich and Geneva even fell slightly in 2018.

Letting market

Office

The office market further improved in 2018, but not equally throughout the country. In city centres (Zurich's Central Business District, for instance), demand picked up, while supply declined. Here, it is almost impossible to construct new commercial buildings; consequently, building activity is restricted to conversions and modernisations. In Zurich West, one of our other geographical focal points, we note a considerable interest in modern office space as well. On the outskirts of towns (including Zurich North) and in various locations farther away from city centres, on the other hand, new constructions kept rising without corresponding demand; lowering vacancy rates in these areas will, therefore, remain difficult.

In Geneva, there is overcapacity in certain market segments; in addition, a number of new developments will enlarge the supply in the near future. Vacancy reduction will, therefore, be slow. In Basel, the supply of office space decreased slightly. While in the short to medium term, new constructions will come on the market here as well, we think that this additional space should be absorbed relatively easily.

In general, it can also be observed that demand for office space is less strongly based than in the past on traditional sectors such as banks and insurance companies. Demand is also increasingly coming from the healthcare, education and pharmaceutical sectors. Demand has also risen in other sectors such as IT and communications, architecture, management consulting and law firms.

Retail

There is not much news from the retail sector. Shopping tourism and, above all, the unstoppable rise on online shopping remain great challenges, especially for shops near the border as well as old-fashioned shopping malls. We were largely unaffected by these developments. Most of our properties with retail space are located in busy and renowned central locations, which seem to be much less affected by changes in customer behaviour. On the contrary, top locations such as Zurich's Bahnhofstrasse continue to be popular.

Market outlook

The Swiss economy is doing well overall. The employment figures and thus the demand for office space should ideally remain encouraging.

We expect a good demand for office space. The demand will rather benefit central locations and offices with good transport links. In any case, we are confident about 2019, even if broad, general rises in office rents are unlikely. An economic slowdown would be a further drag on the retail sector, whereby shops in peripheral locations would be more affected than those in economic centres.

On the transaction market, demand for office and commercial properties will hardly diminish in 2019, especially if – as expected – interest rates remain low and there are hardly any appropriate fixed-rate investment alternatives for institutional investors in particular.

Consolidated annual results 2018

With the adoption of IFRS 15, Revenue from Contracts with Customers, the fiscal year 2017 was restated. Revenues relating to condominium sales are now recorded using the so-called percentage-of-completion-method. The application of IFRS 15 did not have any material effect on the FY 2017 (see page 48 for details).

In 2018, we achieved a net income (excluding gains/losses on real estate investments)[1] of CHF 176.2 million (2017: CHF 177.7 million). The decrease by CHF 1.5 million or 0.8% resulted mainly from lower income from apartment sales. On the other hand, rental income as well as capitalised own services developed positively, both also related to the portfolio purchase (Edmond de Rothschild). Rental income rose by CHF 6.9 million to CHF 279.4 million (2017: CHF 272.5 million), capitalised own services by CHF 2.0 million to CHF 4.6 million (2017: CHF 2.6 million). Income from apartment sales decreased by CHF 9.1 million to CHF 10.5 million (2017: CHF 19.6 million). Other income increased by CHF 1.2 million to CHF 3.5 million (2017: CHF 2.4 million). Earnings per share (excluding gains/losses on real estate investments), which is the basis for the dividend distribution, amounted to CHF 3.84 (2017: CHF 3.87).

Operating expenses increased by CHF 2.7 million to CHF 58.6 million (2017: CHF 55.9 million). Financial expenses declined by CHF 2.4 million to CHF 22.0 million (2017: CHF 24.4 million).

1 See definition on page 91, note 30.

Net income (including gains/losses on real estate investments) reached CHF 308.2 million (2017: CHF 256.9 million). The increase of CHF 51.3 million compared to 2017 resulted mainly from the portfolio appreciation of CHF 166.7 million (2017: appreciation of CHF 83.3 million). On the other hand, tax expenses increased by CHF 34.6 million to CHF 78.4 million (2017: CHF 43.8 million). In this regard, it should be taken into account that the new lower corporate tax rate in the Canton of Vaud was applied for the first time in Q3 2017. This resulted in a positive effect (release of deferred taxes) in the amount of CHF 17.0 million in 2017. Earnings per share (including gains/losses on real estate investments) amounted to CHF 6.72 (2017: CHF 5.60).

At the end of 2018, net asset value (NAV) per share was CHF 90.63 (end of 2017: CHF 86.96). NAV before deducting deferred taxes amounted to CHF 109.20 (end of 2017: CHF 104.22). The NAV based on EPRA standards (see EPRA table on pages 108 to 113) amounted to CHF 110.24 (end of 2017: CHF 105.26).

Capital management

With total equity of CHF 4.157 billion (end of 2017: CHF 3.989 billion) – corresponding to an equity ratio of 54.6% (end of 2017: 54.0%) – our capital base remained strong at the end of 2018. Interest-bearing debt amounted to CHF 2.511 billion, corresponding to 33.0% of total assets (end of 2017: CHF 2.491 billion respectively 33.7%). Excluding financial debt invested as fixed-term deposit totalling CHF 125 million, the debt ratio was 31.8%. Unused committed credit lines amounted to CHF 930 million. At the end of 2018, the passing average interest rate was 0.87% (end of 2017: 0.99%). The average fixed-interest period was 3.0 years (end of 2017: 3.6 years).

PSP Swiss Property has ratings from two international rating agencies: a Senior Unsecured Rating A- (outlook stable) from Fitch and an A3 Issuer Rating (outlook stable) from Moody's.

Dividend

For the business year 2018, the Board of Directors proposes an ordinary dividend payment of CHF 3.50 per share to the Annual General Meeting on 4 April 2019 (previous year: CHF 3.40 per share). In relation to net income (excluding gains/losses on real estate investments), this corresponds to a payout ratio of 91.1%; in relation to the 2018 year-end share price of CHF 96.85, it corresponds to a yield of 3.6%.

Subsequent events

Acquisitions: Retroactively per 1 January 2019, three properties in Bern's historic town were acquired for CHF 48 million. Also retroactively per 1 January 2019, the so-called "Carba portfolio" consisting of six properties in Bern-Liebefeld, valued at CHF 180.5 million, was acquired by purchase of shares.

Disposals: As per 15 January 2019, the property located at Bernerstrasse Süd 167/169 in Zurich was sold for CHF 31 million. As per 6 February 2019, the property located at Route des Arsenaux 41 in Fribourg was sold for CHF 30 million. And finally, the last freehold apartment on the Löwenbräu site in Zurich was sold for CHF 5.6 million on 16 January 2019.

On 8 February 2019, the 1.0% bond of CHF 120 million due was repaid. Also on 8 February 2019, a 0.7% bond with a volume of CHF 100 million and a maturity in 2027 was issued.

There were no further material subsequent events.

Outlook 2019

For the 2019 business year, we expect an ebitda (excluding gains/losses on real estate investments) of CHF 250 million (2018: CHF 241.7 million).

With regard to the vacancies, we expect a rate of below 5% at year-end 2019 (end of 2018: 5.0%).

The Executive Board, February 2019

Portfolio

Portfolio

At the end of 2018, our real estate portfolio included 163 office and commercial properties. In addition, there were eleven sites and development properties. The carrying value of the total portfolio was CHF 7.4 billion.

Despite a pickup in demand, letting office and commercial space remains a challenge. Competition is fierce and the tenants' expectations and requirements are changing. In order to further strengthen our position in this environment, we invest substantial amounts in the renovation and modernisation of our investment portfolio. At the same time, we clearly focus on market demands in the further development of our sites and projects.

We are convinced that we have a solid foundation for our company's future success thanks to our well located, attractive properties and targeted investments.

Investment properties

As per 1 February 2018, we purchased a prime property portfolio consisting of nine representative office buildings from Edmond de Rothschild (Suisse) S.A. All commercial properties are centrally located and perfectly maintained. Strategically, this acquisition fits perfectly into our existing portfolio and strengthens our position particularly in the French-speaking part of Switzerland.

In spring 2018, we completed the “Grosspeter Tower” in Basel. It has become one of the city's most distinctive buildings with state-of-the-art office space and a modern hotel. The “Grosspeter Tower” meets the highest requirements in terms of sustainability and was awarded the renowned Swiss Solar Prize. A photovoltaic system produces most of the electricity the building needs itself.

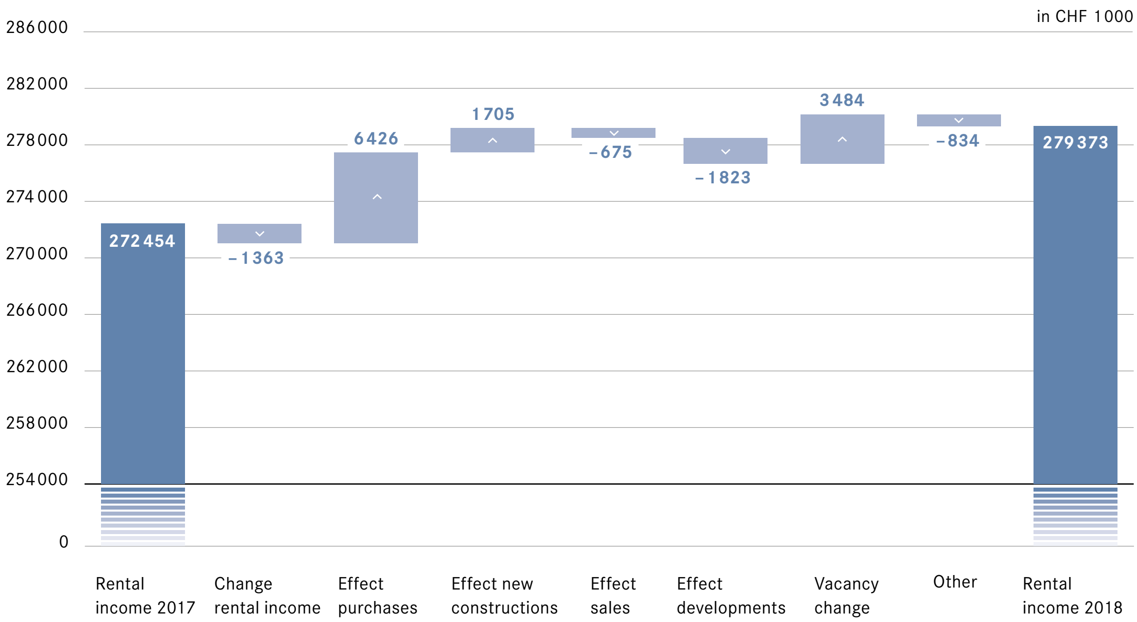
On 30 July 2018, we purchased the land relating to the property located at Zeughausgasse 26 in Bern for CHF 7.9 million.

In the context of our portfolio optimisation, we reclassified the building located at Rue de Berne 6 in Geneva as a development property in the third quarter of 2018. Currently, we are evaluating various options which all include comprehensive renovation work.

We are also active streamlining our portfolio. Thus, during 2018, we sold three investment properties and one development project for a total of CHF 97.1 million.

Further information on purchases and sales can be found on pages 204 to 205.

Development of rental income



Valuation of properties

Semi-annually (as per the end of June and the end of December), the portfolio is revaluated externally by Wüest Partner. 2018, the revaluation resulted in an overall appreciation of CHF 166.7 million (thereof CHF 114.6 million were related to the investment portfolio and CHF 52.1 million to the project developments). At the end of 2018, the portfolio's weighted average nominal discount rate – based on a long-term average annual inflation of 0.5% – stood at 3.50% (year-end 2017: 3.62%). Along with lower weighted average discount rate, various lettings and improved earnings expectations from planned investments also had a positive impact on valuations.

Vacancy development

At the end of 2018, the vacancy rate stood at 5.0% (end of 2017: 8.2%). The improvement was mainly due to several new lettings as well as the sale of the property located at Av. des Morgines 8/10 in Petit-Lancy (Geneva). 1.1 percentage points of all vacancies are due to ongoing renovations.

Of the lease contracts maturing in 2019 (CHF 31.0 million), 70% were already renewed respectively extended at the end of 2018. We expect a vacancy rate of below 5% at year-end 2019.

The WAULT (weighted average unexpired lease term) of the total portfolio was 4.5 years. The WAULT of the ten largest tenants representing around 30% of the rental income was 6.2 years.

Sites and development properties

All in all, we own and develop eleven sites and projects:

Project "Rue Saint-Martin", Lausanne
The comprehensive renovation of this property for around CHF 13 million will be completed in the first quarter of 2019.

Project "Hardturmstrasse / Förrlibuckstrasse", Zurich
In Zurich West, we continued the renovation of the property located at Hardturmstrasse 161, Förrlibuckstrasse 150 according to plan. The work will be completed by early 2020. Due to its new exterior and top-notch interior with flexible office layouts, this property has become much more attractive. Its tenant mix is well diversified, ranging from companies in the telecommunication and IT sectors to medtech, energy and financial services to public authorities and co-working spaces.

Further details on www.hardturmstrasse161.ch

Project "Bahnhofquai/-platz", Zurich
This project (total renovation) opposite Zurich's main train station consists of several properties and will be carried out in three stages. The entire building complex will become very attractive at this prime location due to the ongoing renovations and the several prominent tenants.

There was one setback at stage 1. The two properties located at Bahnhofplatz 1 and Bahnhofquai 9/11/15 suffered serious damage due to a major fire at the end of August 2018. On 15 October 2018, we started the clean-up and support work. The still existing façade, which is protected as a historic monument, will be retained, while the buildings will be restored based on their previous appearance. Currently, we assume that stage 1 will be delayed by around 1.5 years and re-construction will take until mid-2021. Fortunately, stage 2 (under construction) and stage 3 (under review) were not affected by the blaze. The investment sum for stage 1 is approximately CHF 55 million. Most of the space will be dedicated to offices and retail use.

Stage 2 (Waisenhausstrasse 2/4, Bahnhofquai 7) will be completed for around CHF 33 million by the end of 2021. The space for stage 2 has already been fully pre-let. Ruby Hotels & Resorts (a German hotel group) will open a 210-room hotel. And Candrian Catering AG will operate an innovative catering concept under the name "DU PONT Brasserie & Bar" with approximately 200 indoor and 300 outdoor seats.

Stage 3 (Bahnhofplatz 2) is under review. Our cost estimate for this part of the renovation project is approximately CHF 12 million. There are ongoing lease agreements.

"Residenza Parco Lago", Paradiso

Since March 2017, the "Residenza Parco Lago" in Paradiso (Lugano) is under construction. The investment total for this new building complex, consisting predominantly of condominiums, amounts to approximately CHF 80 million. Completion is expected early 2020. We plan to sell all units.

Further details on www.parcolagoparadiso.ch

Project "Rue du Marché", Geneva

The comprehensive renovation and conversion of this building into a hotel facility will cost around CHF 30 million and take until 2020. The prominent hotel operator citizenM will open a 144-room boutique hotel. The remaining space, which is already partly let, will be dedicated to retail. The current occupancy rate of 70% is pleasing.

Project "ATMOS", Zurich

The new construction "ATMOS" in Zurich West is also on track. The start of the construction for the new building was officially commemorated early October 2018. The new commercial property will significantly strengthen our position in Zurich West. In the meantime, the two old buildings located at Förrlibuckstrasse 178/180 and Hardturmstrasse 181/183/185 have been demolished completely. We will invest approximately CHF 130 million into this project, which should be completed by early 2021. With the lease agreement signed in October 2018 with On, Zurich, an innovative Swiss running shoe brand, 45% of the space is already pre-let.

Further details on www.atmos-zuerich.ch

"Salmenpark", Rheinfelden

The commercial units of the "Salmenpark" were reclassified as investment properties already in 2016. During the reporting period, the remaining six freehold apartments of the "Salmenpark I" project were sold. As a result, all 113 condominiums were sold as per the end of 2018. The "Salmenpark II" residential project was already sold in August 2017.

Further details on www.salmenpark.ch

Löwenbräu site, Zurich

The last stage on this site, the apartment tower "Black", was completed in 2014. By the end of 2018, 57 of the 58 condominiums were sold. The last apartment was sold in January 2019.

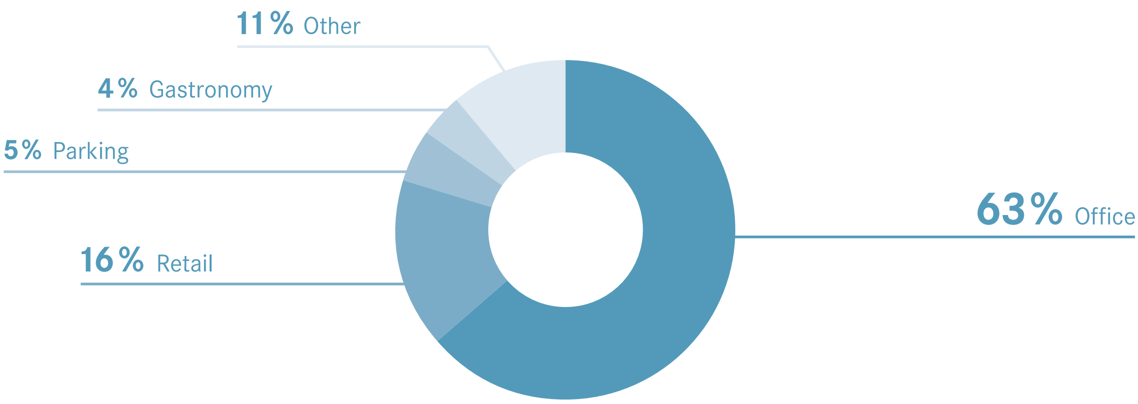
On 24 February 2016, Steiner AG submitted a complaint against PSP Swiss Property respectively PSP Properties AG ("Properties") and Löwenbräu-Kunst AG ("LKAG") related to the Löwenbräu construction project in Zurich West. In its action, Steiner AG asserted claims totalling CHF 58.5 million. Thereof, CHF 18.3 million were related to LKAG respectively the "Kunstteil" of LKAG. This claim has also been asserted against Properties in the event that the claim against LKAG should be dismissed. On 28 October 2016, within the time stipulated, Properties submitted its statement of defence regarding the complaint with the Commercial Court of the Canton of Zurich and demanded that the action be dismissed in full. It has then responded on 2 July 2018 (rejoinder) to the reply of Steiner AG of 10 January 2018. With order of 6 July 2018, the Commercial Court of the Canton of Zurich has closed the exchange of submissions. PSP Swiss Property still disputes the claims of Steiner AG as unfounded and unsubstantiated. No provisions have been made for this litigation by PSP Swiss Property.

Remaining projects

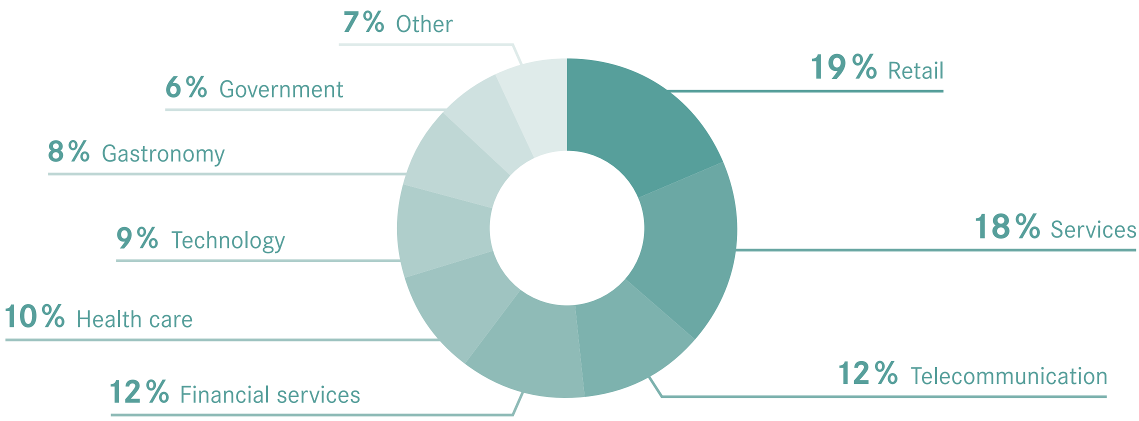
The Wädenswil site as well as the projects "Rue de Berne" in Geneva and "Spiegel" in Köniz are being evaluated.

Further information on the current projects can be found on pages 202 to 203.

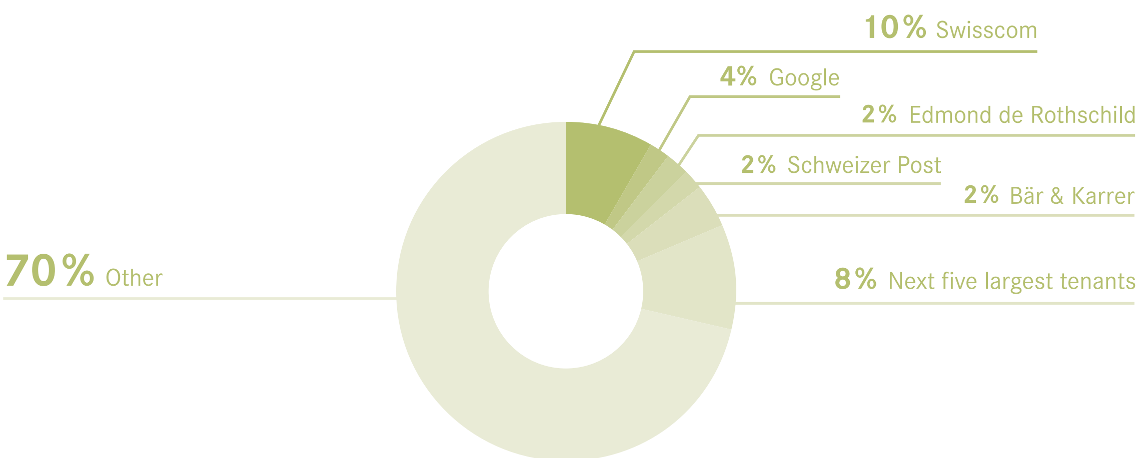
Rent by use



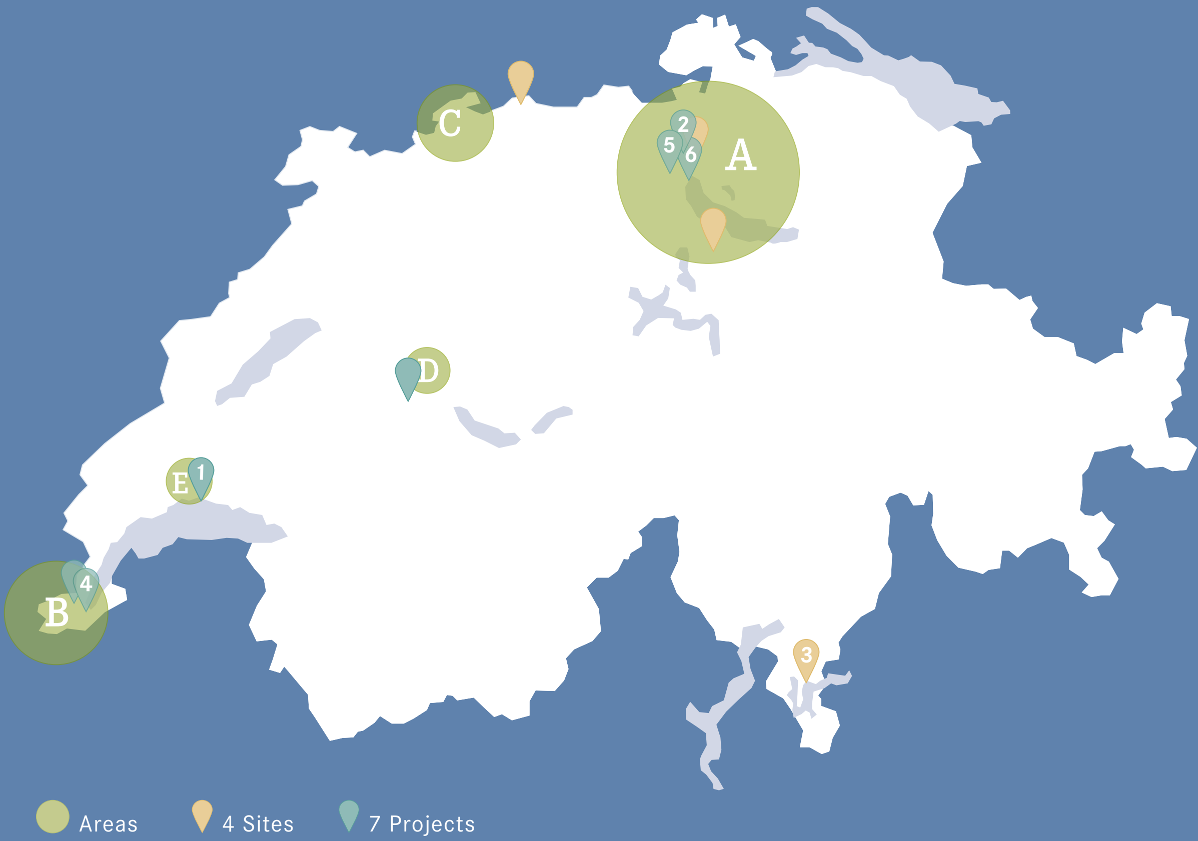
Rent by type of tenant



Rent by largest tenants



Portfolio summary



Project pipeline[1]

1 Lausanne, project "Rue Saint-Martin"

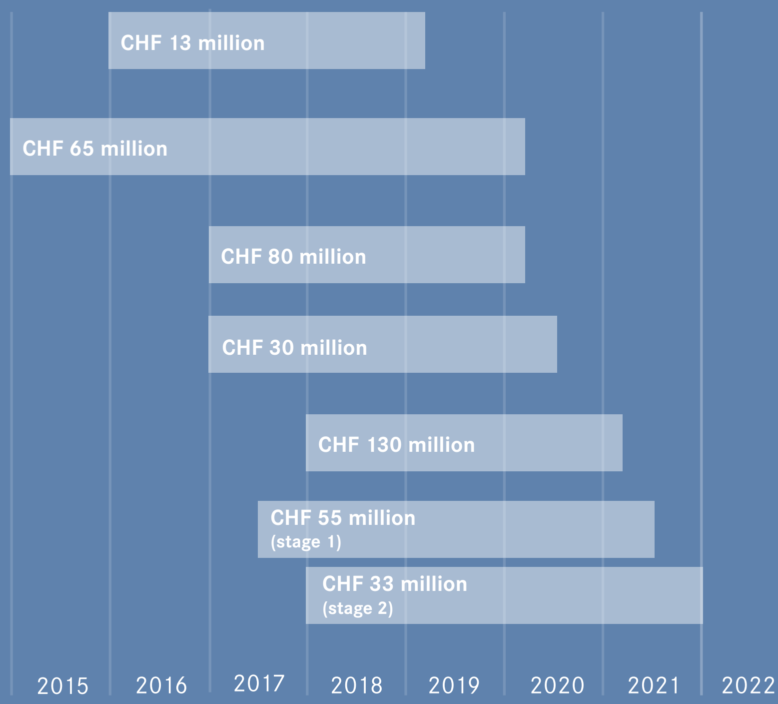
2 Zurich, project "Hardturmstrasse / Förrlibuckstrasse"

3 Paradiso, "Residenza Parco Lago"

4 Geneva, project "Rue du Marché"

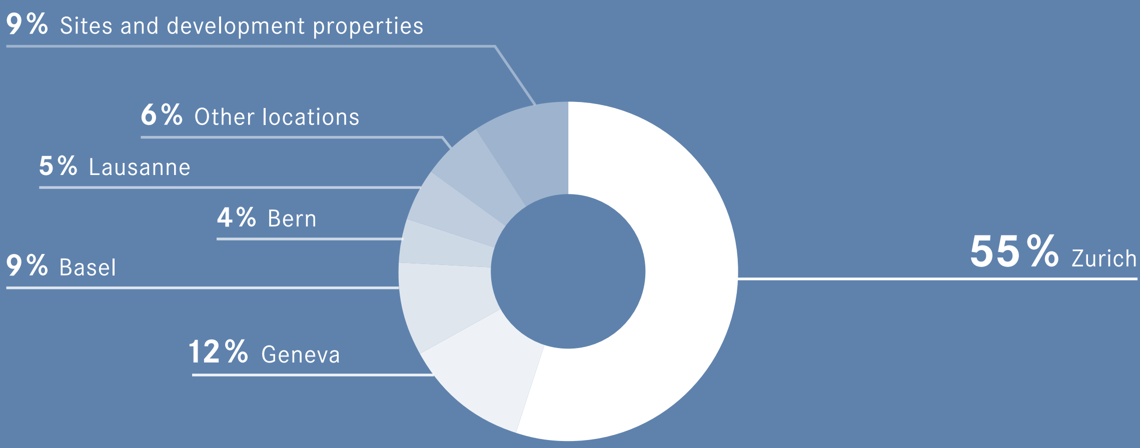
5 Zurich, project "ATMOS"

6 Zurich, project "Bahnhofquai/-platz"



1 Details see on pages 202 to 203.

Portfolio value by area



Portfolio key figures

A Zurich area

Portfolio value	CHF 4.1 billion
Rental income	CHF 162.5 million
Implied yield, net	3.4%
Vacancy rate	4.2%
Rentable area	496 500 m²

B Geneva area

Portfolio value	CHF 0.9 billion
Rental income	CHF 32.2 million
Implied yield, net	3.2%
Vacancy rate	4.2%
Rentable area	75 419 m²

C Basel area

Portfolio value	CHF 0.7 billion
Rental income	CHF 27.6 million
Implied yield, net	3.5%
Vacancy rate	4.0%
Rentable area	109 884 m²

D Bern area

Portfolio value	CHF 0.3 billion
Rental income	CHF 12.9 million
Implied yield, net	3.4%
Vacancy rate	8.4%
Rentable area	55 355 m²

E Lausanne area

Portfolio value	CHF 0.4 billion
Rental income	CHF 17.1 million
Implied yield, net	3.7%
Vacancy rate	7.3%
Rentable area	77 999 m²

Other locations

Portfolio value	CHF 0.4 billion
Rental income	CHF 20.6 million
Implied yield, net	4.0%
Vacancy rate	9.5%
Rentable area	97 396 m²



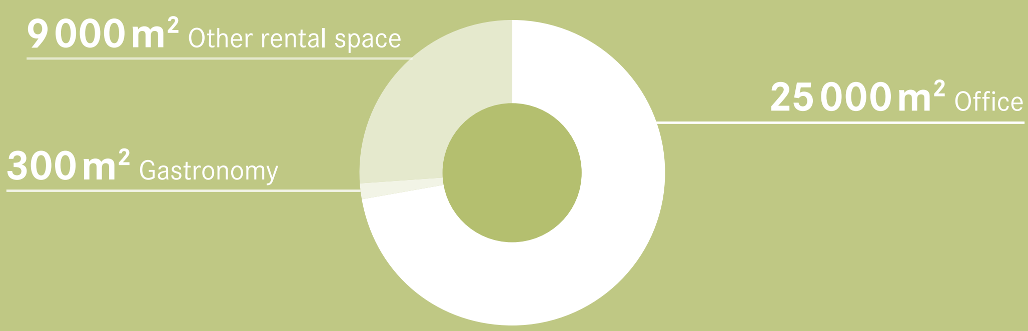

Hardturmstrasse 161 / Förrlibuckstrasse 150, Zurich

Progress according to plans in Zurich West: the renovation work on this property will be completed by the beginning of 2020.

A wide range of floor space of up to 15 000 m², various interior design standards as well as different furnishing concepts enable individual and flexible solutions. Different office scenarios are conceivable. This can be achieved above all through a favourable building depth, modern housing technology and a simple support structure.

Precious materials, several lift zones and spacious foyers offer a high-quality presence for new tenants. The tenant mix is already well diversified and ranges from companies of the telecommunications and IT sectors to medtech, energy and financial services to public institutions and co-working spaces.

Usable floor space

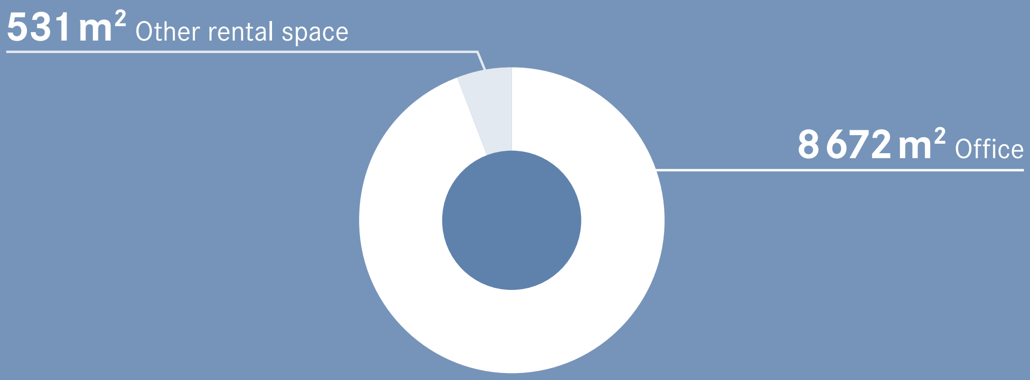


Richtistrasse 7, Wallisellen

Elegant, timeless, spacious: “Richtipark” in Wallisellen consists of five office properties. An ensemble that impresses with high-quality materials and a clear design language. It benefits from large outdoor spaces. The buildings have state-of-the-art infrastructure and are therefore an ideal location that international IT and technology companies, among others, have discovered for themselves. Large window fronts provide plenty of daylight and create a privileged working environment.

Regus, a renowned co-working provider, has recently moved into the property at Richtistrasse 7. Tenants from various sectors have long appreciated the many advantages of this property as among others its excellent location. Zurich city centre and the airport can be easily reached in a few minutes by public and individual transport. Directly next to the business park, the “Glatt” shopping mall offers good shopping opportunities and a unique gastronomic variety.

Usable floor space




7


Regus

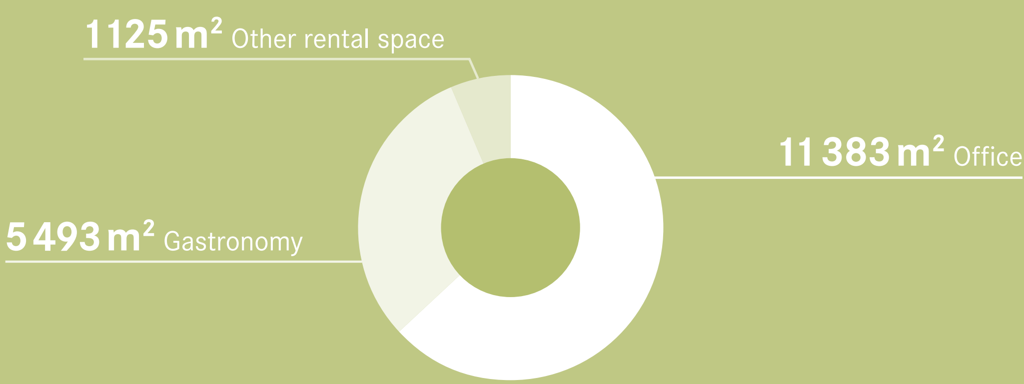
“Grosspeter Tower”, Basel

With 22 floors, the “Grosspeter Tower” sticks up 78 metres into the sky of Basel. Completed in spring 2018, the “Grosspeter Tower” is a striking building with attractive office space and a modern hotel.

The architecture is a mix of transparent and non-transparent façade elements. Almost floor-to-ceiling glazing provides rooms flooded with light and breathtaking views.

The “Grosspeter Tower” focuses on sustainability. The non-transparent façade parts consist of a fully integrated photovoltaic system. These solar cells produce 260 000 kilowatt hours of energy per year. This covers the basic electricity requirement of the entire building. A geothermal probe field with 52 individual probes supplies the tower with heat. The result: an excellent CO_2 balance and low energy costs from which the tenants of the new landmark benefit.

Usable floor space



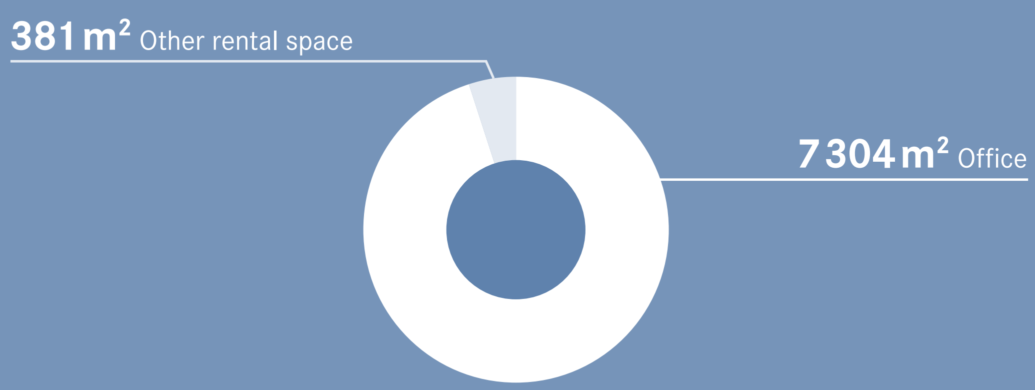
Seestrasse 353, Zurich

The future of work: megatrends shape the working world. Globalisation, digitalisation and individualisation have led to the "New Work" trend. A movement that raises the concept of work to another level and creates a new world of work. The focus is on well-being at the workplace. PSP Swiss Property is following this movement by establishing such a new working environment at its Zurich location with state-of-the-art fitness facilities, a modern lunch area with an open kitchen and an area called "Collaboration Lab".

On 400 m^2 the "Collaboration Lab" offers an elegant lounge, a stylish tea kitchen with juice bar, a table tennis board, a workbench as well as flexible tables and workstations with state-of-the-art audio and video technology for presentations. "Our 'Collaboration Lab' is a thank you to our employees! We want to support well-being at the workplace and at the same time promote professional and social skills", says Giacomo Balzarini, CEO of PSP Swiss Property.

The result is a thrilling space for communication and collaboration. Since April 2018, interdepartmental meetings have taken place here and interdisciplinary projects are being realised. At the same time, the "Collaboration Lab" functions as showroom that shows tenants and business partners in particular how attractive and individual rooms and office spaces can be designed today.

Usable floor space




Regus
Migros Bank
Bayer
STYLE
#BASEL
#INNOVATIV

Company portrait

Company portrait

We generate added value by continuously optimising our portfolio according to our clients' needs.

Real estate portfolio with a long-term perspective

PSP Swiss Property owns a real estate portfolio with office and commercial properties totalling CHF 7.4 billion. We manage and maintain the buildings with a long-term perspective. Our goal is income and value appreciation through optimal use of the properties.

Offices in Geneva, Olten and Zurich ensure a broad regional presence. As a result, we know the local markets well. This allows us to manage and let the properties efficiently, provide personal service to our tenants and evaluate potential purchases adequately.

Value-oriented growth strategy

We generate added value through optimising our portfolio (organic growth) as well as external growth.

Organic growth: we achieve organic growth by focusing on the quality- and value-oriented development of our existing property portfolio. Thereby, the professional collaboration between real estate asset management, construction and property management activities is a crucial key to success. Pro-active and client-oriented letting activities are a further core element in portfolio optimisation.

External growth: external growth may be achieved through company takeovers, property portfolio acquisitions or the purchase of single properties. We are particularly meticulous in evaluating potential purchases, as for us size is not an end in itself. Acquisitions are only made if price, location and future prospects promise added value for shareholders. A careful evaluation of the risk/return profile is fundamental to every acquisition.

Furthermore, a successful real estate portfolio strategy may also require the sale of certain properties, if they no longer meet our strategic goals.

Sustainability

Sustainability (environmental, social and governance, in short ESG) is core of our value-oriented strategy. We are convinced that success depends on responsible thinking and acting in relation to all stakeholders, from employees, tenants and business partners to our shareholders and to the public.

Further information can be found in the Sustainability report on pages 167 to 185.

Strong capital structure

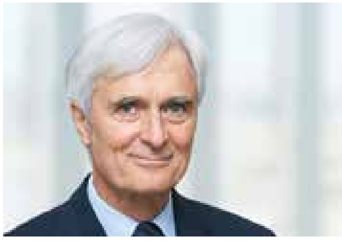
Financial strength and flexibility are crucial for us. Therefore, we make sure that our financial flexibility is assured at all times. This includes keeping the debt ratio low and pursuing a refinancing strategy that reflects our conservative investment policy. With equity of CHF 4.2 billion – corresponding to an equity ratio of 54.6% – we have a solid equity base.

Board of Directors and Executive Board

Luciano Gabriel
Chairman of the
Board of Directors

Corinne Denzler
Member of the
Board of Directors

Adrian Dudle
Member of the
Board of Directors



Peter Forstmoser
Member of the
Board of Directors

Josef Stadler
Member of the
Board of Directors

Aviram Wertheim
Member of the Board of Directors

Nathan Hetz
Member of the
Board of Directors

Office of the Board of Directors
Ronald Ruepp
Secretary of the Board of Directors

Giacomo Balzarini
Chief Executive Officer

Martin Heggli
Chief Operating Officer

Adrian Murer
Chief Investment Officer

The PSP share

Dividend policy

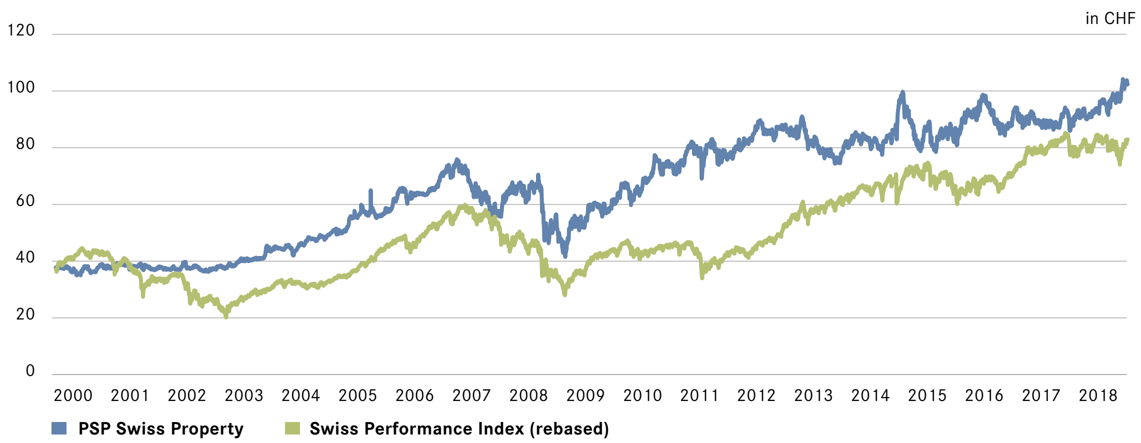
The annual distribution of PSP Swiss Property Ltd shall amount to at least 70% of the consolidated net income excluding gains/losses on real estate investments[1]. We strive to ensure a sustainable dividend trend – a goal, which we have achieved throughout our corporate history.

The Board of Directors will propose to the Annual General Meeting on 4 April 2019 a dividend of CHF 3.50 per share. This corresponds to a cash yield of 3.6% on the 2018 year-end share price of CHF 96.85.

Share price development

At year-end 2018, the PSP share price stood at CHF 96.85 (end of 2017: CHF 92.35). Net asset value per share (NAV) amounted to CHF 90.63 at the end of 2018; consequently, the PSP share was traded at a premium of 6.9% at year-end. From its listing on the SIX Swiss Exchange on 7 March 2000 to the end of 2018, the PSP share price rose by 157%.

The PSP shares are very liquid: on average, 96 100 shares worth CHF 9.0 million were traded daily in 2018 (2017: 86 126 shares worth CHF 7.7 million). In 2018, the total trading volume of PSP shares on the SIX Swiss Exchange reached CHF 2.2 billion (2017: CHF 1.9 billion).



7 March 2000 until 15 February 2019
Source: Bloomberg

1 See definition on page 91, note 30.

Key figures	Unit	Restated 2017[1]	2018	+/–[2]
Share price				
High	CHF	94.50	99.20	
Low	CHF	85.75	85.95	
End of period	CHF	92.35	96.85	4.9%
SIX Swiss Exchange: Symbol PSPN, Valor 1829415, ISIN CH0018294154				
Market capitalisation				
High	CHF million	4 334.5	4 550.1	
Low	CHF million	3 933.2	3 942.3	
End of period	CHF million	4 235.9	4 442.3	4.9%
Number of shares				
Issued shares	Number	45 867 891	45 867 891	
Own shares	Number	0	0	
Outstanding shares	Number	45 867 891	45 867 891	
Average outstanding shares	Number	45 867 891	45 867 891	
Reserved shares[3]	Number	7 644	7 644	
Per share figures				
Earnings per share (EPS)[4]	CHF	5.60	6.72	20.0%
EPS excl. gains/losses on real estate investments[4, 5]	CHF	3.87	3.84	– 0.8%
Distribution per share	CHF	3.40	3.50[6]	2.9%
Payout ratio[7]	%	87.7	91.1	
Cash yield[8]	%	3.7	3.6	
Net asset value per share (NAV)[9]	CHF	86.96	90.63	4.2%
Premium to NAV[10]	%	6.2	6.9	
NAV per share before deduction of deferred taxes[9]	CHF	104.22	109.20	4.8%
Discount to NAV before deduction of deferred taxes[10]	%	– 11.4	– 11.3	

1 Restated due to changes in accounting policies, see note 2.3 on page 48.
2 Change to previous year's period 2017 or carrying value as of 31 December 2017 as applicable.
3 For the swap against REG shares which have not yet been exchanged.
4 Based on average number of outstanding shares.
5 See definition on page 91, note 30.
6 Proposal to the Annual General Meeting on 4 April 2019 for the business year 2018: dividend payment.
7 Distribution per share in relation to EPS excluding gains/losses on real estate investments.
8 Distribution per share in relation to share price at end of period.
9 Based on number of outstanding shares.
10 Share price at the end of period in relation to NAV resp. NAV before deduction of deferred taxes.

Major shareholders

Details on the major shareholders[2] are shown in the Holding's "Financial statements" on pages 120 to 121, note 4.2.

Investor relations

Vasco Cecchini, phone +41 (0)44 625 57 23
vasco.cecchini@psp.info

2 Further details on the disclosure notifications are shown under: www.six-exchange-regulation.com > Publications > Significant Shareholders

Financial statements

Consolidated statement of profit or loss

(in CHF 1 000)	Restated 2017[1]	2018	Note
Rental income	272 454	279 373	5
Net changes in fair value of real estate investments	83 253	166 692	13
Income from property sales (inventories)	40 876	29 913	
Expenses from sold properties (inventories)	– 21 262	– 19 429	
Income from other property sales	627	2 472	6
Income from investments in associated companies	4	11	15
Capitalised own services	2 646	4 613	13
Other income	2 393	3 547	7
Total operating income	**380 991**	**467 193**	
Real estate operating expenses	– 11 796	– 12 841	8
Real estate maintenance and renovation expenses	– 16 920	– 16 961	
Personnel expenses	– 19 242	– 20 027	9
Fees to subcontractors	– 48	– 39	
General and administrative expenses	– 7 059	– 7 690	10
Depreciation	– 828	– 1 084	
Total operating expenses	**– 55 892**	**– 58 642**	
Operating profit (ebit)	**325 099**	**408 551**	
Financial income	327	380	11
Financial expenses	– 24 696	– 22 358	11
Profit before income taxes	**300 730**	**386 572**	
Income taxes	– 43 840	– 78 420	12
Net income attributable to shareholders of PSP Swiss Property Ltd	**256 890**	**308 152**	
Earnings per share in CHF (basic and diluted)	5.60	6.72	30

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

The notes are part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in CHF 1 000)	Restated 2017[1]	2018	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	**256 890**	**308 152**	
Items that may be reclassified subsequently to profit or loss:			
– Changes in interest rate hedging	18 101	10 452	
– Attributable taxes	– 1 411	– 819	12
Items that will not be reclassified subsequently to profit or loss:			
– Changes in pension schemes	1 792	8 336	24
– Attributable taxes	– 394	– 1 834	12
Other comprehensive income	**18 088**	**16 135**	
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**274 978**	**324 287**	

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

The notes are part of these consolidated financial statements.

Consolidated statement of financial position

(in CHF 1 000)	Restated 1 January 2017[1]	31 December 2017	31 December 2018	Note
Cash and cash equivalents	21 123	33 428	23 123	
Fixed-term deposits and accounts receivable	10 122	157 917	136 093	16
Contract assets	630	0	1 719	14
Deferrals	1 874	7 098	1 003	
Derivative financial instruments	0	48	32	17
Sites and development properties for sale	51 525	47 192	38 624	13
Investment properties for sale	6 685	0	0	13
Total current assets	**91 959**	**245 683**	**200 594**	
Tangible assets	334	293	252	19
Intangible assets	0	855	1 492	18
Derivative financial instruments	2 664	1 531	1 708	17
Fixed-term deposits and accounts receivable	102 998	130 641	7 431	16
Financial investments	9	9	9	
Investments in associated companies	54	58	70	15
Sites and development properties	544 360	614 700	624 550	13
Own-used properties	35 555	34 969	36 712	13
Investment properties	6 255 728	6 348 932	6 742 220	13
Deferred tax assets	8 335	6 572	4 244	20
Total non-current assets	**6 950 038**	**7 138 560**	**7 418 689**	
Total assets	**7 041 998**	**7 384 243**	**7 619 283**	
Accounts payable	23 806	21 187	21 254	25
Deferrals	52 678	33 266	39 605	
Current tax liabilities	7 212	1 551	1 308	
Financial liabilities	0	0	500 000	23
Bonds	0	0	119 993	23
Derivative financial instruments	2 811	1 726	1 881	17
Total current liabilities	**86 508**	**57 730**	**684 041**	
Financial liabilities	1 280 000	1 300 000	620 000	23
Bonds	968 436	1 191 087	1 271 219	23
Derivative financial instruments	47 653	29 552	19 106	17
Pension liabilities	19 947	18 735	11 819	24
Deferred tax liabilities	772 187	798 580	856 190	20
Total non-current liabilities	**3 088 223**	**3 337 953**	**2 778 335**	
Share capital	4 587	4 587	4 587	21
Capital reserves	503 490	503 463	503 474	
Retained earnings	3 405 469	3 508 701	3 660 903	
Revaluation reserves	– 46 279	– 28 191	– 12 056	22
Total shareholders' equity	**3 867 267**	**3 988 560**	**4 156 908**	
Total liabilities and shareholders' equity	**7 041 998**	**7 384 243**	**7 619 283**	

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

The notes are part of these consolidated financial statements.

Consolidated cash flow statement

(in CHF 1 000)	Restated 2017[1]	2018	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	256 890	308 152	
Net changes in fair value of investment properties	– 83 253	– 166 692	13
Capitalised/released rent-free periods	– 5 444	– 1 572	13
Income from other property sales	– 627	– 2 472	6
Income from investments in associated companies	– 4	– 11	15
Capitalised own services	– 2 646	– 4 613	13
Changes in pension liabilities recorded in the statement of profit or loss	580	1 420	
Depreciation	828	1 084	
Financial result	24 370	21 979	11
Income taxes	43 840	78 420	12
Changes in sites and development properties for sale	13 385	8 904	
Changes in accounts receivable	2 206	– 3 177	
Changes in contract assets	630	– 1 719	
Changes in accounts payable	– 2 628	51	
Changes in deferrals (assets)	– 5 224	6 095	
Changes in deferrals (liabilities)	– 17 751	6 763	
Interest paid	– 28 827	– 23 953	
Interest received	325	378	
Dividends received	1	2	
Taxes paid	– 23 151	– 21 378	
Cash flow from operating activities	**173 499**	**207 660**	
Purchases of investment properties	0	– 203 763	13
Capital expenditures on investment properties	– 27 188	– 51 980	13
Capital expenditures on own-used properties	– 90	– 2 465	13
Capital expenditures on sites and development properties	– 59 056	– 50 333	13
Sales of properties	15 314	80 059	
Payout of loans	– 3 910	– 2 800	
Repayment of loans	1 268	1 010	
Investment of fixed-term deposit	– 175 000	0	
Disinvestment of fixed-term deposit	0	150 000	
Investment in intangible assets	– 966	– 958	18
Cash flow from investing activities	**– 249 628**	**– 81 230**	

(Continued on next page)

Financial statements

(Continued from previous page)

(in CHF 1 000)	Restated 2017[1]	2018	Note
Purchases of own shares	– 1 382	– 1 307	21
Sales of own shares	1 354	1 318	21
Increase in financial liabilities	160 000	240 000	23
Repayment of financial liabilities	– 140 000	– 420 000	23
Issue of bonds	222 943	200 068	23
Issue expenses of bonds	– 833	– 880	23
Distribution to shareholders	– 153 649	– 155 934	31
Cash flow from financing activities	**88 434**	**– 136 735**	
Changes in cash and cash equivalents	**12 305**	**– 10 305**	
Cash and cash equivalents at beginning of period	21 123	33 428	
Cash and cash equivalents at end of period	33 428	23 123	

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

The notes are part of these consolidated financial statements.

Consolidated statement of shareholders' equity

(in CHF 1 000)	Share capital	Capital reserves	Own shares	Retained earnings	Revaluation reserves	Total shareholders' equity
31 December 2016	**4 587**	**503 490**	**0**	**3 404 956**	**– 46 279**	**3 866 754**
Restatement[1]				513		513
1 January 2017	**4 587**	**503 490**	**0**	**3 405 469**	**– 46 279**	**3 867 267**
Net income attributable to shareholders of PSP Swiss Property Ltd				**256 890**		**256 890**
Changes in interest rate hedging					18 101	18 101
Changes in pension schemes					1 792	1 792
Attributable taxes					– 1 805	– 1 805
Other comprehensive income					**18 088**	**18 088**
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**0**	**0**	**0**	**256 890**	**18 088**	**274 978**
Distribution to shareholders				– 153 657		– 153 657
Purchase of own shares			– 1 382			– 1 382
Compensation in own shares		– 27	1 382			1 354
31 December 2017	**4 587**	**503 463**	**0**	**3 508 701**	**– 28 191**	**3 988 560**
Net income attributable to shareholders of PSP Swiss Property Ltd				**308 152**		**308 152**
Changes in interest rate hedging					10 452	10 452
Changes in pension schemes					8 336	8 336
Attributable taxes					– 2 653	– 2 653
Other comprehensive income					**16 135**	**16 135**
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**0**	**0**	**0**	**308 152**	**16 135**	**324 287**
Distribution to shareholders				– 155 951		– 155 951
Purchase of own shares			– 1 307			– 1 307
Compensation in own shares		11	1 307			1 318
31 December 2018	**4 587**	**503 474**	**0**	**3 660 903**	**– 12 056**	**4 156 908**

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

The notes are part of these consolidated financial statements.

Notes to the consolidated 2018 financial statements

1 General information

PSP Swiss Property Ltd is a public company whose shares are traded in the real estate segment of the SIX Swiss Exchange. The registered office is located at Kolinplatz 2, 6300 Zug.

PSP Swiss Property Group owns 163 office and commercial properties as well as 11 development sites and individual projects throughout Switzerland. The properties are mainly in prime locations in Zurich, Geneva, Basel, Bern and Lausanne. At the end of 2018, PSP Swiss Property had 91 employees, corresponding to 86 full-time equivalents (end of 2017: 86 respectively 81).

The consolidated 2018 financial statements are based on the annual accounts of the controlled individual subsidiaries at 31 December 2018 which have been prepared in accordance with uniform accounting policies and valuation principles.

The consolidated financial statements of PSP Swiss Property for the year 2018 were authorised for issue by the Board of Directors on 25 February 2019. The consolidated financial statements are subject to approval by the Annual General Meeting of PSP Swiss Property on 4 April 2019.

2 Summary of significant accounting policies

2.1 Accounting principles

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and comply with Swiss law and the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange.

The Group's consolidated financial statements, which are drawn up on the basis of going concern values, are principally based on the historical cost convention, making allowances for adjustments arising from the revaluation of specific assets and financial instruments. These include, in particular, investment properties, investment properties earmarked for sale, sites and development properties with the intention to hold (if the fair value can be reliably determined), financial investments as well as derivative financial instruments.

PSP Swiss Property decided to present a consolidated income statement and a separate consolidated statement of comprehensive income.

The presentation of cash flows in the cash flow statement is made according to the indirect method. Interest paid and received is recorded as cash flow from operating activities.

The consolidated financial statements are prepared in Swiss francs (functional and presentation currency).

2.2 Modifications of accounting principles

The applied accounting policies are consistent with those of the previous financial year. The following new IFRS standards were passed by the IASB, but will only be applicable from a later period:

IFRS 9 – Financial Instruments

The comprehensive standard includes the sections "Classification and Measurement", "Hedge Accounting" as well as "Impairment of Financial Instruments" and is applicable from 1 January 2018. Contrary to the previously applied impairment method under IFRS, which stipulated that provisions should only be made, if there was concrete evidence for incurred losses, now provisions must also be made in the case of expected losses.

PSP Swiss Property has adopted the section Classification and Measurement (2009) early since 1 January 2009 and the section Hedge Accounting (2013) since 1 January 2015. Due to the credit quality and the volume of outstanding receivables, there are no material effects from the first-time adoption of the section Impairment (2014).

IFRS 15 – Revenue from Contracts with Customers

This standard combines the rules with regard to revenue recognition which were previously included in various standards and interpretations. The new standard introduces a five-stage model regarding revenue recognition. Basically, revenue recognition is now based on the concept of transfer and control instead of benefit and risk. The new standard is applicable from 1 January 2018.

For PSP Swiss Property, the new standard mainly concerns revenue recognition for the sale of condominiums during the construction phase. Revenue and expenses for objects with notarised purchase agreements are now recognised in the income statement at the time of the notarisation of the purchase agreements pro rata according to the percentage of completion (PoC) of the entire building project. The income is realised in full at the transfer of ownership. Therefore, revenue and expenses for projects which are developed for sale will be recognised at an earlier stage.

PSP Swiss Property choses the option of full retrospective initial application. This means that the purchase agreements which were notarised as at 1 January 2017 will be recognised as if they had been recognised according to IFRS 15 from the beginning. The cumulative effect from the transition is recorded directly in the shareholders' equity (retained earnings) and the business year 2017 is shown according to the requirements of IFRS 15. The effect of the first-time adoption is shown in paragraph "2.3 First-time adoption of IFRS 15 – Revenue from Contracts with Customers".

IFRS 16 – Leases

This standard replaces IAS 17 and clarifies the principles with regard to the recognition, valuation, presentation and disclosure of rental agreements. For rental agreements with PSP Swiss Property as lessor, the Company does not expect any major changes. As in the past, rental agreements will basically be recognised on a straight-line basis over the entire rental period. As lessee, PSP Swiss Property is mainly affected with regard to land-lease contracts.

The initial application of IFRS 16 results in an increase in assets of CHF 17.0 million and an equal increase in interest-bearing debt due to the recognition of rights of use as per 1 January 2019. In the income statement, the land-lease interest payments, which were previously recognised in rental income, will now be shown in the positions depreciation and interest expenses. From these changes, PSP Swiss Property expects an increase of CHF 0.7 million in rental income, an increase of CHF 0.6 million in depreciations and additional interest expenses of CHF 0.2 million for the business year 2019.

PSP Swiss Property plans to adopt IFRS 16 as per 1 January 2019, using the modified retrospective method and, therefore, decided against a complete restatement of the comparative periods.

2.3 First-time adoption of IFRS 15 – Revenue from Contracts with Customers

The first-time adoption of IFRS 15 leads to a positive adjustment of retained earnings as of 1 January 2017 of CHF 0.5 million and a negative change of net income for 2017 of CHF 0.5 million. The restatement is related to condominium apartments which were notarised but not yet transferred as at the end of the reporting period. The impact of the implementation is shown in the table below. For reasons of simplicity not all subtotals are listed:

(in CHF 1 000)	Disclosed 2017	Restatement	Restated 2017
Consolidated statement of profit or loss			
Income from property sales (inventories)	46 603	– 5 727	40 876
Expenses from sold properties (inventories)	– 26 360	5 097	– 21 262
Income taxes	– 43 957	117	– 43 840
Net income attributable to shareholders of PSP Swiss Property Ltd	257 403	– 513	256 890
Consolidated statement of financial position as of 1 January 2017			
Contract assets	0	630	630
Deferred tax liabilities	772 070	117	772 187
Retained earnings	3 404 956	513	3 405 469
Income tax expenses			
Deferred income taxes from change in temporary net changes in fair value of investment properties	– 87	– 117	– 204
Reconciliation to tax expenses			
Income taxes at reference tax rate	64 705	– 117	64 587
Deferred tax assets and liabilities			
Net deferred tax liabilities	763 735	117	763 852
Deferred taxes booked to statement of profit or loss	26 467	– 117	26 350
Per share figures			
Net income	257 403	– 513	256 890
Earnings excl. gains/losses on real estate investments	178 251	– 513	177 738
Earnings per share in CHF (basic and diluted)	5.61	– 0.01	5.60
Earnings per share excl. gains/losses on real estate investments in CHF (basic and diluted)	3.89	– 0.01	3.87

2.4 Critical estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain assumptions and estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. PSP Swiss Property makes estimates and assumptions concerning the future. The resulting accounting will not necessarily equal the later actual results. Those areas involving a particularly high degree of judgement or holding a particularly high degree of complexity and areas where assumptions and estimates are highly significant for the consolidated financial statements are discussed below.

Real estate valuations

As required by the Directive on Financial Reporting of the SIX Swiss Exchange combined with the "Scheme C Real Estate Companies", the fair value of the properties classified according to IAS 40 / IFRS 5 is assessed every six months by the external, independent valuation company (see the Property Valuation Report of the valuation company Wüest Partner on pages 98 to 105). Thereby, the appraiser has access to company information with regard to lease contracts, operating costs and investments.

The external valuations are verified internally by PSP Swiss Property by means of random checks of the input factors in the discounted cash flow (DCF) valuations, own DCF valuations, a systematic analysis of deviations from previous valuations as well as a discussion of the valuation results with the external appraiser. Furthermore, PSP Swiss Property carries out a periodic back testing of various input factors (rental income, vacancies, operating costs), which were used by the external valuation company. In addition, the valuation results are discussed in detail by the Executive Board and submitted to the Board of Directors.

For its impairment tests, the independent valuation company also values own-used properties as well as development properties which are valued at historical costs.

Income Taxes

PSP Swiss Property is subject to income taxes in a number of Swiss cantons. The calculation of provisions for income taxes (current and deferred tax liabilities) is based on the respective cantonal laws. The applied parameters (tax rates and multipliers) are checked and, if necessary, adjusted regularly. This allows the minimisation of differences between calculated taxes and the final tax assessment. Where the final tax outcome differs from the amount which was initially recorded, the difference impacts the income tax and the deferred tax provisions in the period in which such determination is made. Cantons with a monistic tax system charge a property gains tax with speculation supplements respectively deductions, depending on the effective holding period of a property. For properties earmarked for sale, PSP Swiss Property applies the effective holding period. For all other properties the applied holding period is either 20 years or the effective holding period, if it is more than 20 years.

2.5 Related parties

In the reporting year, the Board of Directors and parties related to the Board of Directors, the Executive Board, the associated company as well as the Israeli company Alony Hetz Properties & Investments Ltd were considered as related parties (corporate or individual). Details on the transactions with related parties are disclosed in note 32 on page 92.

2.6 Consolidation

Method of consolidation

Group subsidiaries are companies controlled by PSP Swiss Property Ltd. PSP Swiss Property Ltd exercises control, if the Company is exposed to variable returns from its investment in the group subsidiaries, has a claim on these returns and is able to affect the returns due to its position of influence over the subsidiaries. The method of consolidation used is the “acquisition method”. Intercompany transactions and relations are eliminated on consolidation.

Associated companies are companies which are neither group subsidiaries nor joint ventures, where PSP Swiss Property holds, directly or indirectly, between 20% to 50% of the voting rights and over which it can exercise significant influence without actually having control. Associated companies are accounted for using the “equity method”.

Consolidated companies

The consolidated financial statements of PSP Swiss Property include the financial statements of the holding company PSP Swiss Property Ltd and all its group subsidiaries as of 31 December of each respective business year. These in the following table shown companies are fully consolidated in the financial statements.

(in CHF 1 000)	Registered office	Share capital 2017	Ownership 2017	Share capital 2018	Ownership 2018
Directly held investments					
PSP Participations Ltd	Zug	1 000 000	100%	1 000 000	100%
PSP Finance Ltd	Zug	1 000	100%	1 000	100%
Indirectly held investments					
PSP Group Services Ltd	Zurich	100	100%	100	100%
PSP Real Estate Ltd	Zurich	50 600	100%	50 600	100%
PSP Management Ltd	Zurich	100	100%	100	100%
PSP Properties Ltd	Zurich	9 919	100%	9 919	100%
Immobiliengesellschaft Septima AG	Zurich	5 700	100%	5 700	100%
SI 7 Place du Molard Ltd	Zurich	105	100%	105	100%

There are no minority interests in any group subsidiary. Furthermore, there are no restrictions with regard to the use of the group subsidiaries’ funds or other assets.

2.7 Accounting and valuation principles

Real estate income and expenses

Income from the rental of properties is recognised according to “IAS 17 - Leases”. Real estate income includes rental income less vacancy losses, write-offs of defaulting tenants and other income. Income from operating-leasing activities is recorded in the income statement when the rent is due. If the tenants are given significant incentives (such as rent-free periods or step-up leases), the incentive’s equivalent amount is recorded as an adjustment to rental income on a straightline basis over the entire rental period.

At a few properties (see list of properties, note 5, pages 190 to 201), PSP Swiss Property is lessee of building leases. At one property, PSP Swiss Property is lessor of a building lease. According to IAS 17, it must be determined, if building leases are operating or financial leases. Based on analyses it was determined that all building lease contracts are operating leases. PSP Swiss Property records expenses respectively income from land-lease contracts in “Other rental income” when they are due.

Direct real estate expenses include real estate operating expenses (such as general operating expenses, insurance, taxes and fees as well as administrative expenses) as well as maintenance and renovation expenses. In this respect, maintenance expenses do not count as value-enhancing capital expenditures (see section “Acquisition costs” on page 53) and are therefore charged to the income statement.

Revenue

Revenue is recognised in the financial statements of PSP Swiss Property according to the requirements of IFRS 15. They are shown in the positions “Income from sites and development properties earmarked for sale”, “Income from other property sales”, and “Other income” and are related to trading with properties and intercompany services.

Income from sites and development properties earmarked for sale (inventories)

For PSP Swiss Property, the sale of sites and development properties means, especially, the sale of condominiums or complete building projects with a comparable performance obligation. The performance obligation and the corresponding revenue recognition with regard to condominiums usually starts at the time of the notarisation of the purchase agreement for a specific object and there is sufficient evidence that the agreement with the buyer will be fulfilled by both sides with a high degree of probability. At that point, it is impossible for PSP Swiss Property to offer the buyer a different object without breaking the existing agreement. From this point in time, revenue is recognised pro rata according to the percentage of completion of the entire building project (PoC). For its calculation, an input-based method is applied. The percentage of completion is determined based on the proportion between accrued costs and the estimated overall development costs. The pro rata income from fulfilled performance obligations is accumulated in the position “Contract-based assets”.

A condominium is considered as 100% completed at the time of the transfer of ownership, and the income from the individual unit which has not been recognised yet at that time, is fully realised. Generally, 20% of the sales price is due at the time of the notarisation. At the transfer of ownership, the entire purchase price has to be paid.

Income from other property sales
Income from other property sales equals the difference between the net proceeds from the sale and the investment properties' last reported market value. The income is fully recognised at the time of the transfer of control (generally with transfer of ownership).

Revenue from services
PSP Swiss Property exclusively achieves revenue out of intercompany services. This revenue contains on one hand fees for billing of heating and ancillary costs and fees for construction services and on the other hand fees for intercompany group-services. All fees are charged by transfer of services and revenue can be found in the positions Property management services and Other income in the segment information.

Income from investments in associated companies
Income from investments in associated companies includes the proportional income from the respective participations.

Capitalised own services
Capitalised own services arising from the development of own projects and trading activities are valued at production costs.

Other income
Other operating income includes, on the one hand, income from other accounting periods related to the VAT recovery by the voluntary opting in of rental contracts and, on the other hand, income from construction services and trading activities as well as management fees from services related to the management of the Company's own property portfolio.

Interest expenses
Interest expenses are accrued according to the effective interest rate method and charged directly to the income statement (Financial expenses). The treatment of capitalised construction interest rates is explained in the section "Acquisition costs" on page 53.

Investment properties
Investment properties are properties which are held for long-term rental yields and capital appreciation and are reported as non-current assets. Newly acquired investment properties are reported at historical cost (including transaction costs). After initial recognition, investment properties are carried at fair value. An external, independent valuation company establishes a real estate portfolio valuation every six months. The appraisals are made using the discounted cash flow method according to the "Highest and Best Use" concept of IFRS 13. The change in market value, respectively the difference between the purchase price and the initial valuation, is recorded in the statement of profit or loss.

Investment properties earmarked for sale

Investment properties earmarked for sale are valued and recorded like other investment properties. However, investment properties earmarked for sale, which fulfill the criteria of IFRS 5, are reported separately under “Current assets” in accordance with IFRS 5.

Own-used properties

In accordance with IAS 16, own-used properties are stated at historical cost and depreciated over their economically useful life according to their significant components. Depreciable life (linear) is 40 years for buildings and 20 years for facilities (such as air-conditioning, elevators, ventilation etc.). Land belonging to the property is not depreciated. When a property is only partially own-used, utilisation of less than 25% is regarded as immaterial, which means that the whole property is stated at market value as an investment property.

Sites and development properties

Sites and development properties are building land, sites and development properties held with the intention to be developed as future investment properties. This also includes replacement buildings for existing investment properties. According to IAS 40, these are shown in the balance sheet at their fair value, if it can be reliably determined. PSP Swiss Property assumes that a reliable determination of the fair value according to IFRS 13 is possible from the moment a concrete project with corresponding building permission is available and construction is approved by the Executive Board. From that moment, the changes in valuation are recognised in the statement of profit or loss. Until the requirements for a reliable determination of the fair value are met, the valuation during the development phase is made at historical cost.

Sites and development properties earmarked for sale (inventories)

Sites and development properties which are built for sale are treated in accordance with IAS 2 (Inventories). These properties are reported in the balance sheet at historical costs or a possible lower realisable net value. This net value corresponds to the estimated sales price less expected pre-sale investments as well as sales costs. The net value is calculated by the independent appraiser using the discounted cash flow methode (DCF). The sale of such properties is recognised according to IFRS 15 and shown in the statement of profit or loss on a gross basis. In the cash flow statement sales are shown in “Cash flow from operating activities”.

Acquisition costs

All costs directly associated with the purchase or construction of properties as well as all subsequent value-enhancing capital expenditures qualify as acquisition costs and are capitalised. Value-enhancing investments are capitalised at varying rates. As a rule, the maximum capitalisation rate is 70%; in specific cases it may be up to 100%. Interest expenses are capitalised for financing development objects and renovations of investment properties and relieved in financial expenses. The applied interest rate is set periodically based on PSP Swiss Property Group’s external financing structure; in the reporting year it averaged 1.2% (previous year: 1.4%).

Associated companies
Investments in associated companies are recorded as a proportion in the underlying equity according to the equity method. They are carried on the balance sheet at historical cost plus post-acquisition changes in PSP Swiss Property's share of net assets of the associates, less any impairment in value. The income statement reflects PSP Swiss Property's share of net results of these associates.

Financial investments
According to IFRS 9, financial investments are classified "at fair value through the comprehensive income" and reported according to the trade-day principle. At their purchase and in subsequent valuations, financial investments are reported according to market value (fair value). The market value of listed financial investments corresponds to the bid price at the balance sheet date. Changes in market value are recognised directly in shareholders' equity, taking into account deferred taxes. Following a disposal, the resulting income remains in equity, i.e. is not reposted to the statement of profit or loss. Dividends from financial investments are recognised in the income statement as soon as the Group has a claim on the dividends. The fair value of unlisted financial investments corresponds to the proportionate equity value, if this equity value may be considered as a fair approximation of the fair value.

Accounts receivable
Accounts receivable are stated at amortised cost. Accounts receivable liable to default are evaluated on an individual basis, and provisions for bad debts are made accordingly (see section "Impairment" on page 56).

Derivative financial instruments
Derivative financial instruments are recognised in the statement of financial position and subsequently valued at market value (fair value). The market values of these derivative financial instruments cannot be derived directly from published figures; instead, they are determined by discounting future cash flows based on published interest rates. These are calculated by corresponding banks and checked with regard to their plausibility by PSP Swiss Property.

Derivative financial instruments are used exclusively for hedging purposes (interest rate swaps) and serve as a hedge of future cash flows. Combined with fixed credit positions, the interest rate receiver swaps are used for the synthetic representation of variable loans.

Changes in fair value of derivatives which are designated as cash flow hedges and which are highly effective are recognised in shareholders' equity as revaluation reserves. Amounts booked in shareholders' equity are transferred to the statement of profit or loss and classified as income or expense in the same period during which the hedged cash flows affect the income statement. When a hedging contract expires or is sold or if a hedge no longer meets the criteria for hedge accounting according to IFRS 9 any cumulative profit or loss in the revaluation reserves remains in shareholders' equity until the hedged cash flow is recognised in the statement of profit or loss. However, if hedged cash flows are no longer expected to occur, the cumulative profit or loss which was reported in shareholders' equity is immediately released through the statement of profit or loss. Changes in fair value of any derivative financial instrument which does not qualify for hedge accounting is recognised immediately in the statement of profit or loss.

At the inception of a transaction, the Group documents the relationship between the hedging instrument and the hedged item as well as its risk management objectives and strategies for undertaking the hedge transaction. The Group furthermore assesses on a periodic basis whether the derivatives which are used in hedging transactions remain effective in offsetting changes in fair value or cash flows of the hedged items.

Intangible assets (software)
Software is recorded at historical cost less accumulated depreciation. Depreciation is calculated using the straightline method based on the estimated useful life of five years.

Tangible assets
Tangible assets are recorded at historical cost less accumulated depreciation. Depreciation is calculated using the straightline method based on the estimated useful life of five years.

Taxes
Tax expenses include current and deferred income taxes. They are recorded in the income statement, except for income taxes on transactions which are recorded directly in equity (trade in own shares, interest rate hedging operations, financial investments and reclassifications of own-used properties to investment properties). In these cases, income taxes are also booked in equity. Current income taxes include expected taxes due on the taxable profit, calculated according to the tax rates applicable on the balance sheet day, property gains taxes on property sales as well as adjustments of tax debts or tax credits from previous years.

Deferred tax liabilities are calculated using the balance sheet liability method. Provision is made for deferred taxes wherever temporary differences exist between the tax base of an asset or liability and its carrying amount in the balance sheet for the year. Deferred tax assets and liabilities are measured on the basis of tax rates applicable in the respective jurisdictions in which the Group operates and which are expected to be applicable at the time when a deferred tax asset is realised or a deferred tax liability is released.

Deferred tax rates applied to unrealised profits on real estate holdings reflect expected holding periods for individual properties in so far as the applicable tax rate is affected by such holding periods. For cantons with a dualistic tax system, the current income tax rates are applied. In cantons with a monistic tax system, there is a separate property gains tax with speculation supplements respectively deductions, depending on the effective holding period of a property. For properties earmarked for sale, the effective holding period is applied. For all other properties the applied holding period is either 20 years or the effective holding period, if it is more than 20 years. Tax-eligible loss carryforwards are only recognised as deferred tax assets if deductibility from future taxable earnings is likely.

Tax liabilities
Tax liabilities include income taxes (from previous years and the reporting year), which are calculated and deferred within the consolidated financial statements. Tax liabilities are booked under current liabilities.

Cash and cash equivalents
Liquid assets are shown in the balance sheet at their nominal value; they include cash, postal accounts and bank deposits.

Impairment

The value of tangible fixed assets, which are not recorded at fair value (including own-used properties and development properties which are recorded at historical costs), as well as intangible assets with a limited useful life, is checked at least every six months. If a book value exceeds the realisable value, a value reduction is made to the user value or that value which seems realistic with a view to the discounted expected future income (fair value less sales costs).

Sites and development properties earmarked for sale are recorded in the statement of financial position at historical costs or a possible lower realisable net value. This corresponds to the estimated sales price minus expected pre-sale investments and sales costs and is assessed by the external property appraiser using the DCF-method.

Financial investments are checked at each reporting date for impairment by means of special indicators. Financial investments are impaired, if there are objective indications that future cash flows have changed negatively.

For cash and cash equivalents, tenant claims and loans, objective impairment indicators may be the following: i) significant financial difficulties of the issuer or the counterparty, ii) default or delay of interest and/or capital payments and iii) the probability that the counterparty becomes insolvent. Claims from tenant contracts are usually due on the first day of each month respectively quarter. Claims from ancillary expenses are due 30 days from the invoicing date. No interest is calculated for past due claims. Claims which are overdue for more than 90 days are value-adjusted on an individual basis. The valuation adjustment is based on an individual analysis taking into account any possible collateral (e.g. rental deposits) as well as empirical values and the solvency of the counterparty.

Own shares

The Company’s own shares are reported at cost and offset against shareholders’ equity. Sales proceeds received upon disposal of own shares are directly credited to shareholders’ equity (capital reserves).

Reserves

The position “Revaluation reserves” includes, in particular, the change in valuation (after tax) of the derivative financial instruments which are held for cash flow hedging purposes, actuarial gains and losses of the pension institution according to IAS 19 as well as appreciations related to utilisation changes of properties in accordance with IAS 40 para. 61. Revaluation reserves are not at the Company shareholders’ disposition.

Capital reserves mainly result from a capital increase due to a former merger as well as changes from the trading in treasury shares.

The position “Retained earnings” includes undistributed earnings as well as realised gains and losses of financial investments classified as “at fair value through the comprehensive income”.

Financial liabilities

Short- and long-term financial liabilities consist of bank credit lines as well as any bank debt in the form of current account overdrafts are stated at amortised cost. Short-term debt is any loan with a maximum term of one year.

Bonds

Bonds are recognised initially based on the proceeds received, net of transaction costs incurred. In subsequent periods, they are stated at amortised cost using the effective yield method. Any difference between proceeds and redemption value is recognised in the income statement over the lifetime of the bond.

Pension liabilities

Accounting and valuation method for pension liabilities

Benefits following the termination of a work contract include employee pension benefits. These are part of defined benefit pension plans. These are classified either as defined benefit plans or defined contribution plans.

The defined benefit obligations are calculated annually by an independent actuary using the projected unit credit method. Accordingly, the value of pension obligations at the valuation date is equal to the present value of the pension entitlement acquired up to the reporting date, taking into account the duration of insurance, the expected salary on occurrence of the insured event, the periodic adjustment of current pensions and other parameters.

The actuarial assumptions underlying the calculations are based on the expectations at the closing date for the period over which the obligations are to be fulfilled. Pension assets in Switzerland are managed in a foundation separated from the employer. The assets of the plans are accounted for at fair value. An over-funding can only be capitalised at the present value of the future contribution relief.

Actuarial gains and losses arise from changes in previous assumptions, deviations between actual and projected income from plan assets as well as differences between actually acquired benefit claims and claims as projected according to actuarial assumptions. These are recorded under “Other income”.

The pension costs are to be recognised in the income statement. Extraordinary events, such as changes in pension schemes which change employee claims, or plan curtailments or plan settlements are immediately recorded in the income statement.

Description of pension schemes and pension institutions

PSP Swiss Property has joined a collective foundation for occupational benefits and forms its own pension institution. All employees and pensioners are covered by various pension plans. The collective foundation has its own legal personality in the form of a foundation. Its goal is to provide benefits for the employees in the case of retirement or disability as well as these employees’ dependents after their death.

By the end of April 2018, PSP Swiss Property's occupational pension plans had been split into a mandatory and a super-mandatory pension plan. The pension plan for the super-mandatory part was designed as a full insurance solution. It was integrated into the existing mandatory pension plan in May 2018.

The pension schemes exceed the minimum legal provisions in the case of disability, death, old age and contract termination. The risk benefits are determined dependent on the insured salary. The old-age pension is determined according to the projected accrued savings capital (including interest) as well as a conversion rate. The retirement pension results from the savings capital available at the time of retirement and the then applicable conversion rate.

Responsibilities of the employer respectively the foundation board

The foundation board is the foundation's supreme body. Among other things, the foundation board determines possible pension plans, their financing as well as investments. It is responsible for the guidance, supervision and control of the management of the respective collective institutions.

Each pension institution has its own equally represented body. This consists of an equal number of employer and employee representatives, which also applies to PSP Swiss Property. Among other things, the equally represented body issues the pension plan, which in particular describes the nature and extent of the pension benefits and contributions, as well as other regulations specific to the pension scheme.

Special situations

According to the pension plan regulations, the foundation is required to take steps to remedy any instances of insufficient coverage. These measures must be appropriate to the degree of under-funding and be part of a balanced overall concept. They must also be capable of remedying the plan deficit within a reasonable period of time.

If other measures do not solve the problem, the employer and employees may make contributions to remedy the deficit while the plan is underfunded. The contributions made by the employer must be at least as large as the sum of the contributions made by the employees. Should this also prove to be insufficient, the foundation may pay not more than 0.5% less than the minimum interest rate as per art. 15 of the BVG for the duration of the underfunding for a period of not more than five years.

Financing agreements for future contributions

Occupational pension schemes (BVG – Switzerland's federal law on occupations retirement for old-age, dependents and disability with its corresponding ordinances) provide for a minimum of pension benefits at retirement. Legislation requires a minimum of annual contributions. However, employers are allowed to pay higher contributions than those stipulated by law. These contributions are laid down in the pension plans/regulations. In addition, employers are also allowed to make one-off payments or advance payments to the pension institutions, usually as an employer contribution. These contributions may not be repaid to the employer. The employer may, however, use them to pay future employer's contributions (employer contribution reserves).

Even in the case of over-funding, the law requires a minimum of annual contributions. Both the employer and employees must make contributions for those still at work. The employer's contribution must be at least as high as the employees' contributions. The annual contributions depend on the insured person's age and insured salary. They are recorded in the pension plans/regulations.

If an insured person leaves his or her employer before reaching the retirement age, he receives a termination benefit (accrued savings capital). This capital is transferred by the pension institution to the new employer's pension institution.

Provisions

Provisions are made when a legal or factual obligation arises from prior events which is likely to entail an outflow of funds. The amount of provisions made corresponds to the best possible evaluation of the obligation at the time.

Performance-based remuneration in shares for the Executive Board

The Members of the Executive Board receive a performance-based remuneration in company shares with a contractual blocking period of three years – the CEO at 100%, the other Members basically at 50% (there are no further limitations or conditions). Allocation of shares is according to market prices.

According to IFRS 2, the amount related to the allocation of the shares is fully charged to personnel expenses in the corresponding business year.

3 Risk management

3.1 Basis

Great importance is attached to the identification, measurement and control of risks. The Board of Directors and the Executive Board have compiled a list of all the relevant risk factors, which could lead to unexpected fluctuations in results or to a loss of shareholders' equity. Recommendations for risk control measures are derived from the evaluation of the compiled risk factors. Certain risks are also recognised as opportunities. The aim in such cases is to achieve an appropriate balance between the possible losses which might result and the potential gains. Risks which primarily represent loss potential are minimised.

The scenario analysis is complemented by stress tests. These are used to quantify the consequences of extremely unfavourable events. If a stress test shows that certain risks could threaten the normal continuation of business, these risks are strictly avoided. While catastrophic scenarios which assume a broad collapse of economic activity are discussed, they do not form the basis for risk management.

A risk report is submitted to the Board of Directors every six months and discussed by the Board.

The most important risks are associated with:

- Real estate market risk
- Financial risk:
  - Credit risk
  - Liquidity risk
  - Market risk
  - Equity risk

3.2 Real estate market risks

General economic development and structural changes are the main factors which affect the general and specific development of supply and demand on the office and commercial real estate market; these, in turn, influence the level of rents and the risk of vacancies. Furthermore, capital and financial markets impact yield expectations of real estate investors (discount rate). These risks are addressed by appropriate selection and diversification with regard to properties and tenants, by adjustments to the lease expiry profile and by keeping properties attractive.

Within the framework of its periodic property valuations, PSP Swiss Property checks the external, independent valuation company's valuations using an internal DCF model and according to its own experience with regard to market rents, maintenance and renovation expenses, lengths of vacancies, yield expectations of investors, realised property sales prices and so on. What is important in this comparison is the quantification of sensitivities with regard to critical determinants, rather than the comparison of absolute values. By means of scenario analyses, the impact of changing environmental factors, which are economically consistent, is checked regularly. In most scenarios there are compensating effects of various factors; consequently, property values are more stable than generally assumed. The worst scenario is a deflationary one which lasts several years.

Various tables in this annual report give important indications for judging the diversification of property risks, such as the development of rental income and vacancy rates according to regions (pages 188 to 189), the lease expiry profile or the tenant structure (pages 204 to 205). This information shows that PSP Swiss Property has a well-diversified and balanced portfolio within its defined strategy.

With regard to possible changes in the market environment, there is sensitivity in particular related to discount rates. Changes in market value due to changes in the discount rate were as follows (average discount rate for the entire portfolio, approximate calculation):

Average weighted discount rate (nominal)	Change market value in %	Change market value in CHF 1 000	Market value in CHF 1 000
3.90%	– 12.1%	– 894 326	6 472 444
3.80%	– 9.4%	– 690 536	6 676 234
3.70%	– 6.5%	– 475 604	6 891 166
3.60%	– 3.3%	– 245 925	7 120 845
3.50% (Valuation as per 31 December 2018)	**0.0%**	**0**	**7 366 770**
3.40%	3.6%	264 134	7 630 904
3.30%	7.4%	548 545	7 915 315
3.20%	11.6%	855 698	8 222 468
3.10%	16.1%	1 188 648	8 555 418

An increase respectively decrease of the market rents (price level) on which the estimates are based for all properties by 4% would result in an appreciation respectively depreciation of the entire portfolio of approximately CHF 340 million at most (2017: CHF 320 million; assumption: all other valuation variables remain unchanged). This would result in a change in the Company's net income of +/– CHF 267 million (2017: CHF 251 million).

An increase in the structural vacancy rates on which the estimates are based for all properties from 5.8% to 8.8% (2017: from 5.8% to 8.8%) would result in a depreciation of the entire portfolio of approximately CHF 280 million at most (2017: CHF 270 million; assumption: all other valuation variables remain unchanged). This would have the following impact on the Company's results:

- Change in net income: approximately CHF 220 million (2017: CHF 212 million)
- Change in net income excluding gains/losses on real estate investments: no impact (2017: no impact)

The Board of Directors has established the following diversification guidelines for investment activity:

- The potential income per individual property shall represent a maximum of 10% of overall potential rent of the existing real estate portfolio.

- The potential income to be generated from properties categorised under "Other locations" shall represent a maximum of 30% of overall potential rent for the existing real estate portfolio.

- The reported carrying value of "Sites and development properties" shall represent a maximum of 10% of the overall value of the portfolio.

All the guidelines established by the Board of Directors were fulfilled as at 31 December 2018 and 31 December 2017.

3.3 Financial risks

Financial risk management is governed by guidelines set by the Board of Directors regarding the capital structure and the term structure of interest rates. The Board of Directors has defined the following guidelines for financial risk management:

- Interest-bearing debt shall not exceed 50% of the balance sheet total.
- Financial debt with floating rates shall not exceed 20% of the value of the real estate portfolio.
- A balanced distribution of maturities for fixed interest rates is aimed for.
- The interest coverage ratio (ebitda excluding gains/losses on real estate investments / net financial expenses) shall amount to a minimum of 2.0.

All the guidelines established by the Board of Directors were fulfilled as at 31 December 2018 and 31 December 2017.

3.4 Credit risk

Credit risks arise if clients do not meet their obligations vis-à-vis PSP Swiss Property. Credit risks may also arise from active financial positions (derivative financial instruments, cash and cash equivalents, fixed-term deposits and rents receivable as well as tenant loans).

PSP Swiss Property has a broadly diversified tenant base. Credit-worthiness is carefully checked and documented by the property management unit prior to signing any contracts, based on generally available market information. In general, 3 to 6 months gross rents are demanded as deposit or in the form of bank guarantees. As at the end of 2017, PSP Swiss Property had no significant concentration of credit risks from receivables at the end of 2018 (see also tenant structure on page 205). Due to the low default rate of 0.3% (previous year: 0.3%) on receivables from tenant contracts, credit risk is considered low. There are several loans granted to tenants among the accounts receivable. At the end of 2018, the biggest single position amounted to CHF 2.8 million. The counterparty is a internationally active company (end of 2017: CHF 3.1 million). There are no signs for risk of default.

Working with approved banking institutions ensures that positive fair-value positions from derivative financial instruments (interest rate swaps), cash and cash equivalents as well as fixed-term deposits are only exposed to low credit risks. Financial standing plays an important role both in the selection of these banks and in their constant monitoring. The three largest banks all had at least an “A” rating (S&P) or an “A1” rating (Moody’s) at the end of 2018. At the end of 2018, these three accounted for CHF 1.7 million respectively 100% of all the derivative financial instruments with a positive fair value (end of 2017: CHF 1.6 million respectively 100%) as well as CHF 142.6 million respectively 96.3% of cash, cash equivalents and fixed-term deposits (end of 2017: 301.3 million respectively 97.7%).

3.5 Liquidity risk

The capital and financial markets impact the Group's fund-raising opportunities. Prudent liquidity risk management entails maintaining sufficient cash and cash equivalents and ensuring the availability of funding through an adequate amount of committed credit facilities. Furthermore, the liquidity risk is mitigated by an adequate selection and diversification of funding sources.

Together with the accounting department and PSP Swiss Property's operative units, the corporate treasury department carries out continuous cash management planning which ensures the Company's liquidity at all times, taking into account recurring rental income, planned investments as well as upcoming interest and dividend payments.

PSP Swiss Property aims at having available liquidity (cash and cash equivalents plus free credit lines) of at least CHF 100 million at all times. At the end of 2018, available cash and cash equivalents amounted to CHF 23.1 million (end of 2017: CHF 33.4 million). At the same time, PSP Swiss Property had unused credit lines amounting to CHF 930 million (end of 2017: CHF 750 million); thereof, as in the previous year, all were committed credit lines.

The following liquidity-related information required by IFRS 7 is relevant for PSP Swiss Property:

- Credit lines: At the end of 2018, committed credit lines amounted to CHF 2.05 billion; thereof CHF 0.50 billion was subject to short-term notice (end of 2017: CHF 2.05 billion, thereof none subject to short-term notice).

- Financing sources: PSP Swiss Property has bilateral business relations with 10 Swiss banks. In addition, there is a syndicated loan with 14 Swiss cantonal banks. Furthermore, PSP Swiss Property basically has access to the money and capital markets.

3.6 Market risk

Interest rate risk

Scenario analysis is used in judging how to optimise the term structure of interest rates. Careful attention is given to the precise expiry profile of existing lease agreements, planned property purchases and sales as well as the possible development of market rents, inflation and interest rates. This optimisation process does not necessarily lead to an equalisation of the average duration of liabilities with the average duration of contractually fixed rental income. In view of its conservative approach to financial risk, PSP Swiss Property usually concludes interest rate hedging agreements by means of interest rate swaps and forward starting interest rate swaps in cases which are not completely certain, even if this may mean higher overall financing expenses. Also in order to minimise interest rate risks, financial debt with variable interest rates shall not exceed 20% of the real estate portfolio's value.

The interest-bearing debt of PSP Swiss Property consists of long-term capital market bonds and bank loans (fixed-term loans on a floating basis and fixed-rate loans). Fixed-term loans on a floating basis are mostly hedged with interest rate swaps or forward starting interest rate swaps (cash flow hedges) over several years. The hedges are entered into on a rolling basis. All hedging transactions are arranged with first-class banking institutions which have at least an “A” (S&P) or “A1” (Moody's) rating. There are no significant counterparty or cluster risks.

Based on the debt outstanding as at 31 December 2018 with interest rates which are fixed for periods of less than twelve months, an interest rate change of 50 basis points (assumption: all other variables remain unchanged) would result in a change in annualised interest charges of approximately CHF 2.9 million (2017: CHF 0.5 million). This would have the following impact on the Company's results:

- Change in net income: CHF 2.3 million (2017: CHF 0.4 million)
- Change in net income excluding gains/losses on real estate investments: CHF 2.3 million (2017: CHF 0.4 million)
- Change in shareholders' equity (retained earnings): CHF 2.3 million (2017: CHF 0.4 million)

With regard to the valuation of existing interest rate swaps, an interest rate change of 50 basis points would have the following impact (assumption: all other variables remain unchanged):

- Change in net income: no impact (2017: no impact)
- Change in net income excluding gains/losses on real estate investments: no impact (2017: no impact)
- Change in comprehensive income: CHF 3.9 million (2017: CHF 5.2 million)
- Change in shareholders' equity (revaluation reserves): CHF 3.9 million (2017: CHF 5.2 million)

Overall, the financing structure as at 31 December 2018 can be described as well hedged.

Equity market risk

PSP Swiss Property has no financial investment which is exposed to equity market risk.

Currency risk

Due to the fact that PSP Swiss Property is only active in the Swiss property market, there is no currency risk.

3.7 Equity risk

PSP Swiss Property pursues a conservative equity policy. In particular, the Company ensures that it keeps enough flexibility in every market environment and that the dependence on individual banking institutions is limited. Equity risk management is controlled through the equity ratio respectively the relation between interest-bearing liabilities and balance sheet total.

Measures to optimise the equity base respectively the capital structure include the distribution policy, possible share buybacks or issues of own shares or the sale of non-strategic properties.

With shareholders' equity of CHF 4.157 billion at the end of 2018 (end of 2017: CHF 3.989 billion) – corresponding to an equity ratio of 54.6% (end of 2017: 54.0%) – PSP Swiss Property has a strong equity base. Interest-bearing debt amounted to CHF 2.511 billion respectively 33.0% of the balance sheet total at the end of 2018 (end of 2017: CHF 2.491 billion respectively 33.7%). The remaining 12.4 percentage points (in relation to the balance sheet total) are mainly deferred tax liabilities, which do not trigger any interest charges.

4 Segment reporting

Segment reporting was prepared in accordance with IFRS 8 (Operating Segments).

The consolidated results are presented by segments which are based on the Group's internal reporting and organisational structure. Presentation according to segments shall make earnings power as well as the financial situation of the Group's individual activities more transparent.

The Executive Board has determined the operating segments based on the reports which are reviewed by the strategic steering committee and which are used to make strategic decisions.

As of 31 December 2018, the Group was, as in the previous year, organised according to the following three business units:

- Real estate investments: This segment includes the real estate business. It comprises all properties of the Group (investment properties, investment properties earmarked for sale, own-used properties, sites and development properties as well as development projects earmarked for sale). Income in this segment is generated by the properties (mainly rental income and net changes in fair value).

- Property management: This segment includes all services and activities with regard to the management of the Company's own real estate portfolio. Income in this segment is generated by providing the above-mentioned property management services to the other segments.

- Holding: This segment includes the traditional corporate functions (finance, legal, corporate communications, human resources and information technology). Income in this segment is generated by providing the (exclusively internal) mentioned services to the other segments.

For the management of the Company, the Group is divided into three business segments based on the products and services offered. The Executive Board monitors the operational results down to the level of operational income separately for each business segment in order to decide on the distribution of resources and to assess earnings power.

Earnings are determined and the valuation of assets and liabilities is made according to the same principles as in the Group financial statements.

PSP Swiss Property generates income through Real Estate Management and the disposal of properties earmarked for sale. Revenue is recognised according to the accounting principles described in "article 2.7" and is shown in the positions "Rental income", "Income from property sales (inventories)", "Property management services" and "Other income".

Restated
Segment information 2017[1]

(in CHF 1 000)	Real Estate Investments	Property Management	Holding	Subtotal	Eliminations	Total Group
Rental income	273 881			273 881	– 1 426	272 454
Net changes in fair value of real estate investments	83 253			83 253		83 253
Income from property sales (inventories)	40 876			40 876		40 876
Expenses from sold properties (inventories)	– 21 814			– 21 814	552	– 21 262
Income from other property sales	487			487	140	627
Income from investments in associated companies		4		4		4
Property management services		14 107		14 107	– 14 107	0
Capitalised own services		2 646		2 646		2 646
Other income	2 341	1 224	17 984	21 549	– 19 156	2 393
Total operating income	**379 023**	**17 981**	**17 984**	**414 989**	**– 33 998**	**380 991**
Real estate operating expenses	– 25 902			– 25 902	14 107	– 11 796
Real estate maintenance and renovation expenses	– 17 792			– 17 792	872	– 16 920
Personnel expenses		– 10 111	– 9 230	– 19 342	100	– 19 242
Fees to subcontractors		– 48		– 48		– 48
General and administrative expenses	– 18 549	– 3 501	– 3 928	– 25 978	18 919	– 7 059
Depreciation	– 676	– 152		– 828		– 828
Total operating expenses	**– 62 920**	**– 13 812**	**– 13 158**	**– 89 890**	**33 998**	**– 55 892**
Operating profit (ebit)	**316 104**	**4 169**	**4 826**	**325 099**		**325 099**
Financial income						327
Financial expenses						– 24 696
Profit before income taxes						**300 730**
Income taxes						– 43 840
Net income attributable to shareholders of PSP Swiss Property Ltd						**256 890**
Income with third parties	315 671			315 671		315 671
Income with other segments	1 426	17 925	17 984	37 336	– 34 690	2 646
Total revenue	**317 097**	**17 925**	**17 984**	**353 007**	**– 34 690**	**318 317**
Assets	7 071 759	13 791	307 251	7 392 801	– 8 558	7 384 243
Liabilities	3 369 044	20 887	14 310	3 404 241	– 8 558	3 395 683
Capital expenditures	110 547	966		111 512		111 512
Associated companies		58		58		58

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

The Real Estate Investments Segment exclusively invests in commercial properties.
As PSP Swiss Property is exclusively active in Switzerland, no geographical segment information is disclosed.

Segment information 2018

(in CHF 1 000)	Real Estate Invest-ments	Property Manage-ment	Holding	Subtotal	Elimina-tions	Total Group
Rental income	280 982			280 982	– 1 609	279 373
Net changes in fair value of real estate investments	166 692			166 692		166 692
Income from property sales (inventories)	29 913			29 913		29 913
Expenses from sold properties (inventories)	– 19 764			– 19 764	335	– 19 429
Income from other property sales	1 200			1 200	1 272	2 472
Income from investments in associated companies		11		11		11
Property management services		14 118		14 118	– 14 118	0
Capitalised own services		2 634	1 979	4 613		4 613
Other income	2 637	1 100	20 499	24 236	– 20 688	3 547
Total operating income	**461 660**	**17 863**	**22 478**	**502 002**	**– 34 808**	**467 193**
Real estate operating expenses	– 26 960			– 26 960	14 118	– 12 841
Real estate maintenance and renovation expenses	– 17 724			– 17 724	763	– 16 961
Personnel expenses		– 11 280	– 8 846	– 20 127	100	– 20 027
Fees to subcontractors		– 39		– 39		– 39
General and administrative expenses	– 19 309	– 4 258	– 3 950	– 27 517	19 827	– 7 690
Depreciation	– 722	– 361		– 1 084		– 1 084
Total operating expenses	**– 64 715**	**– 15 939**	**– 12 797**	**– 93 450**	**34 808**	**– 58 642**
Operating profit (ebit)	**396 945**	**1 924**	**9 682**	**408 551**		**408 551**
Financial income						380
Financial expenses						– 22 358
Profit before income taxes						**386 572**
Income taxes						– 78 420
Net income attributable to shareholders of PSP Swiss Property Ltd						**308 152**
Income with third parties	311 923			311 923		311 923
Income with other segments	1 609	17 816	21 604	41 029	– 36 416	4 613
Total revenue	**313 532**	**17 816**	**21 604**	**352 952**	**– 36 416**	**316 536**
Assets	7 468 078	10 273	149 903	7 628 254	– 8 970	7 619 283
Liabilities	3 439 345	14 048	17 953	3 471 346	– 8 970	3 462 376
Capital expenditures	125 561	958		126 519		126 519
Associated companies		70		70		70

The Real Estate Investments Segment exclusively invests in commercial properties.
As PSP Swiss Property is exclusively active in Switzerland, no geographical segment information is disclosed.

5 Rental income

(in CHF 1 000)	2017	2018
Potential rent	326 776	329 421
Vacancy	– 48 602	– 42 602
Write-offs of defaulting tenants	– 868	– 829
Net land lease interests	– 1 727	– 1 470
Income from electricity sale	230	228
Other income	– 3 356	– 5 374
Total rental income	**272 454**	**279 373**

The following accumulated rental income will result from fixed-term lease contracts open as at the respective year-ends:

(in CHF 1 000)	31 December 2017	31 December 2018
Rental income < 1 year	229 483	240 831
Rental income 2 to 5 years	555 925	565 405
Rental income > 5 years	175 995	176 276
Accumulated future rental income	**961 404**	**982 512**

Lease contracts for commercial properties usually include an index clause, whereby rents can be raised on the basis of the consumer price index. The overwhelming majority of new contracts contains a clause for a 100% adjustment to the index; for the portfolio as a whole, 76.4% of contracts have a clause for a 100% indexation (end of 2017: 75.2%). At the end of 2018, the average remaining weighted duration for all leases was 4.5 years (2017: 4.6 years).

In the reporting period, the following land-lease interest payments were recognised as expenses:

(in CHF 1 000)	2017	2018
Land lease interest expenses	1 772	1 514
Total land lease interest expenses for the period	**1 772**	**1 514**

The cumulative expenses resulting from land lease contracts will, in future, be as follows:

(in CHF 1 000)	31 December 2017	31 December 2018
Interest payments < 1 year	1 639	725
Interest payments 2 to 5 years	2 798	2 376
Interest payments > 5 years	18 244	17 709
Accumulated future land lease interest expenses	**22 680**	**20 810**

In the reporting period, the following land-lease interest payments were recognised as income:

(in CHF 1 000)	2017	2018
Land lease interest income	44	44
Total land lease interest income for the period	**44**	**44**

The following cumulative income will, in future, result from the land-lease contracts with PSP Swiss Property as lessor:

(in CHF 1 000)	31 December 2017	31 December 2018
Interest payments < 1 year	44	44
Interest payments 2 to 5 years	177	177
Interest payments > 5 years	1 064	1 020
Accumulated future land lease interest income	**1 286**	**1 242**

The existing land-lease contracts will mature in the years 2020 to 2072. All contracts may be extended and are linked to the consumer price index.

6 Income from other property sales

The following figures refer to disinvestments of investment properties.

(in CHF 1 000)	2017	2018
Sales proceeds	15 401	80 400
Transaction costs	– 88	– 341
Carrying value of sold properties	– 14 686	– 77 587
Total income from property sales	**627**	**2 472**

In the reporting year, the sale of three investment properties generated a profit of CHF 2.5 million consisting of a profit of CHF 2.6 million and a loss of CHF 0.2 million. In the previous year, the sale of two investment properties generated a profit of CHF 0.6 million.

7 Other income

(in CHF 1 000)	2017	2018
VAT recovery	2 341	2 002
Other income	52	1 545
Total other income	**2 393**	**3 547**

The voluntary opting of several rental contracts (VAT recovery) resulted in an income of CHF 2.0 million in the reporting year (2017: CHF 2.3 million). Other income results primarily from the reversal of accruals with respect to the former WTF joint venture.

8 Real estate operating expenses

(in CHF 1 000)	2017	2018
General operating expenses	4 792	3 776
Taxes and fees	3 190	3 565
Insurance fees	1 984	1 870
Expenses for caretakers	728	681
Utilities and waste management	585	496
Letting expenses	521	2 263
Administrative expenses	187	375
Ancillary expenses received	– 191	– 184
Total real estate operating expenses	**11 796**	**12 841**

Real estate operating expenses for vacant objects amounted to CHF 6.3 million in 2018. Thereof, CHF 3.3 million were for heating and general operating expenses (2017: CHF 5.7 million resp. CHF 4.3 million).

9 Personnel expenses

(in CHF 1 000)	2017	2018
Wages and salaries	15 408	15 232
Social security expenses	1 335	1 414
Expenses for staff pension schemes	2 027	2 927
Other expenses	471	454
Total personnel expenses	**19 242**	**20 027**
Employees at end of period (people)	86	91
Equal full-time employees (FTE)	81	86

Personal expenses increased basically due to a one-time effect from the change in pension scheme of PSP Swiss Property.

10 General and administrative expenses

(in CHF 1 000)	2017	2018
Administrative expenses	3 311	3 603
IT expenses	1 710	1 943
General operating expenses	1 476	1 546
Current capital taxes	300	259
Occupancy expenses	262	339
Total general and administrative expenses	**7 059**	**7 690**

General and administrative expenses increased mainly due to higher legal fees and expenses for individual digitalisation-projects.

11 Financial results

(in CHF 1 000)	2017	2018
Financial income	325	378
Income from financial investments	1	2
Total financial income	**327**	**380**
Financial expenses	27 165	23 529
Capitalised interest expenses	– 3 010	– 2 108
Amortisation of issue expenses of bonds	541	938
Total financial expenses	**24 696**	**22 358**
Total financial result	**24 370**	**21 979**
Overall financial expenses for financial instruments at amortised cost	**27 706**	**24 467**

Interest-bearing debt amounted to CHF 2.511 billion at the end of 2018 (end of 2017: CHF 2.491 billion). The average interest rate was 0.94% in the reporting year (2017: 1.16%). As at 31 December 2018, the passing average interest rate was 0.87% (31 December 2017: 0.99%).

12 Income tax expenses

(in CHF 1 000)	Restated 2017[1]	2018
Current income taxes of reporting period	16 925	21 291
Adjustments for current income taxes relating to other periods	564	– 157
Total current income taxes	**17 490**	**21 135**
Deferred income taxes from change in temporary net changes in fair value of investment properties	43 592	57 201
Deferred income taxes from changes in tax rates	– 17 039	294
Deferred income taxes from change in temporary net changes in fair value of other balance sheet positions	– 204	– 210
Total deferred income taxes	**26 350**	**57 285**
Total income tax expenses	**43 840**	**78 420**

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

Reconciliation to tax expenses:

(in CHF 1 000)	Restated 2017[1]	2018
Operating profit before taxes	300 730	386 572
Reference tax rate	21.5%	21.5%
Income taxes at reference tax rate	**64 587**	**82 971**
Changes in tax rates on temporary changes in fair value	– 17 039	294
Adjustments for current income taxes relating to other periods	564	– 157
Local tax rate differences	– 4 273	– 4 688
Total income tax expenses	**43 840**	**78 420**

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

The reference tax rate is a mixed rate. It takes into account that for profits which are taxable on the cantonal and communal levels an average tax rate of 21.5% (incl. direct federal tax) is currently applicable (2017: 21.5%). In the reporting year, the actual tax rate was 20.3% (2017: 14.6%).

From 1 January 2019, the revised tax law of the canton of Vaud provides for a lower cantonal tax rate for companies. Therefore, the lower taxe rate was applied for the first time in 2017 for the calculation of deferred income taxes. This results in a one-off release of deferred tax liabilities in 2017 amounting to CHF 17.0 million. Of this amount, CHF 4.1 million (24%) was allocated to “Net income excluding gains/losses on real estate investments” due to the origin of deferred tax assets.

The income tax effect for each component of the consolidated income statement was as follows:

(in CHF 1 000)	2017	2018
Taxes from change in interest rate hedging	– 1 411	– 819
Taxes from staff pension scheme liabilities	– 394	– 1 834
Total income tax expenses (directly reported in equity)	**– 1 805**	**– 2 653**

13 Real estate investments

(in CHF 1 000)	Investment properties	Investment properties for sale	Own-used properties	Sites and development properties at market value	Sites and development properties at cost	Development properties for sale	Total real estate investment
	IAS 40	IFRS 5	IAS 16	IAS 40	IAS 40	IAS 2	
Carrying value at 1 January 2017	**6 255 728**	**6 685**	**35 555**	**544 360**	**0**	**51 525**	**6 893 854**
Capitalised/released rent-free periods[1]	4 619	0	0	826	0	0	5 444
Transfers	– 8 589	0	0	0	0	8 589	0
Capital expenditures	27 188	0	90	59 056	0	12 974	99 308
Capitalised own services	1 206	0	0	1 142	0	298	2 646
Capitalised interest expenses	703	0	0	2 142	0	165	3 010
Disposals	– 8 001	– 6 685	0	0	0	– 26 359	– 41 046
Net changes in fair value of real estate investments	76 078	0	n.a.	7 175	n.a.	n.a.	83 253
Depreciation	n.a.	n.a.	– 676	n.a.	n.a.	n.a.	– 676
Carrying value at 31 December 2017	**6 348 932**	**0**	**34 969**	**614 700**	**0**	**47 192**	**7 045 793**
Historical cost			37 036				
Accumulated depreciation			– 2 066				
Carrying value, net			**34 969**				
Purchases	203 763	0	0	0	0	0	203 763
Capitalised/released rent-free periods[1]	887	0	0	686	0	0	1 572
Transfers	95 891	0	0	– 95 891	0	0	0
Capital expenditures	51 980	0	2 465	50 333	0	10 480	115 258
Capitalised own services	3 175	0	0	1 254	0	185	4 613
Capitalised interest expenses	550	0	0	1 407	0	151	2 108
Disposals	– 77 587	0	0	0	0	– 19 384	– 96 971
Net changes in fair value of real estate investments	114 630	0	n.a.	52 062	n.a.	n.a.	166 692
Depreciation	n.a.	n.a.	– 722	n.a.	n.a.	n.a.	– 722
Carrying value at 31 December 2018	**6 742 220**	**0**	**36 712**	**624 550**	**0**	**38 624**	**7 442 106**
Historical cost			39 501				
Accumulated depreciation			– 2 788				
Carrying value, net			**36 712**				

1 Straightlining of incentives given to tenants.

Class of assets fair value change calculation

(in CHF 1 000)	Zurich	Geneva	Basel	Bern	Lausanne	Other locations	Total real estate invest-ment
Carrying value at 1 January 2017	**4 304 920**	**851 833**	**602 190**	**285 672**	**362 227**	**399 931**	**6 806 773**
Capitalised/released rent-free periods[1]	4 983	– 185	646	0	0	0	5 444
Capital expenditures	50 127	3 832	29 298	464	5 708	– 3 185	86 244
Capitalised own services	1 099	126	610	57	113	343	2 348
Capitalised interest expenses	1 243	118	1 344	27	84	29	2 845
Net changes in fair value recog-nised in the income statement, item Net changes in fair value of real estate investments	24 857	16 188	15 128	6 357	5 548	15 176	83 253
Deductions	– 5 201	0	0	0	0	– 18 074	– 23 276
Carrying value at 31 December 2017	**4 382 028**	**871 912**	**649 216**	**292 576**	**373 680**	**394 220**	**6 963 632**
Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2017; recognised in the income statement	*24 857*	*16 188*	*15 128*	*6 357*	*5 548*	*15 176*	*83 253*
Carrying value at 1 January 2018	**4 382 028**	**871 912**	**649 216**	**292 576**	**373 680**	**394 220**	**6 963 632**
Additions	0	147 839	0	8 090	12 614	35 219	203 763
Capitalised/released rent-free periods[1]	– 289	– 185	1 440	0	0	606	1 572
Capital expenditures	65 964	5 255	19 141	2 806	4 585	4 562	102 313
Capitalised own services	1 673	1 570	422	139	194	431	4 429
Capitalised interest expenses	1 316	86	384	8	122	41	1 957
Net changes in fair value recog-nised in the income statement, item Net changes in fair value of real estate investments	111 644	24 184	12 477	3 862	18 589	– 4 064	166 692
Deductions	– 13 916	– 52 321	0	– 11 350	0	0	– 77 587
Carrying value at 31 December 2018	**4 548 419**	**998 340**	**683 080**	**296 130**	**409 785**	**431 016**	**7 366 770**
Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2018; recognised in the income statement	*109 967*	*24 184*	*12 477*	*4 002*	*18 589*	*– 4 064*	*165 155*

1 Straightlining of incentives given to tenants.

In the reporting period ten investment properties were purchased and four properties were sold (2017: Sale of three properties and no purchase). For further information see overview on pages 204 to 205.

As of 31 March 2018 the property “Grosspeter Tower” in Basel was reclassified to the investment portfolio. As of 1 July 2018 the property located at Rue de Berne 6 in Geneva was reclassified to the development portfolio.

Property valuation differences: The property valuation report of the external, independent valuation company, Wüest Partner Ltd, on pages 98 to 105, shows the basis and assumptions adopted for valuation purposes.

The revaluation of the properties resulted in an overall appreciation of CHF 166.7 million (thereof CHF 114.6 million were related to the investment portfolio and CHF 52.1 million to the project developments). At year-end 2018, the portfolio’s weighted average nominal discount rate – based on a long-term average annual inflation of 0.5% – stood at 3.50% (end of 2017: 3.62%). Along with a lower average weighted discount rate, several lettings and better income prospects related to planned capital expenditures had also a positive effect on the valuations.

With regard to market value adjustments on the properties which were reported as at 1 January 2018, positive valuation changes at the end of 2018 totalled CHF 219.7 million (2017: CHF 162.2 million) while negative valuation changes totalled CHF 50.8 million (2017: CHF 78.9 million).

As at 31 December 2018, the independent valuation company identified eleven properties which may have significant optimisation potential (2017: twelve Properties). The valuation company assessed these properties in accordance with IFRS 13 on the basis of the “Highest and Best Use” concept as at the balance sheet date. At six of these properties in the Zurich region, specific clarifications are being made with regard to the implementation of potential usage optimisations. For three properties the basis for the usage optimisation already exist. Likewise the optimising of the use of one property in Lausanne was continued in dialogue with the city of Lausanne. At the remaining four properties (two in the area Basel and one in Zurich as well as one in Geneva), no concrete measures are planned at the moment.

In accordance with the PSP Swiss Property accounting and valuation principles for properties, own-used properties are recorded at historical cost (IAS 16). The estimated market value for the own-used property (Seestrasse 353, Zurich) was CHF 38.0 million at the end of 2018 (end of 2017: CHF 36.0 million).

Sites and development properties are recorded at market value (fair value), if the market value can be reliably determined; as at the end of 2018, this applied to the following objects: i) project “Rue du Marché” in Geneva, ii) project “Rue Saint-Martin” in Lausanne, iii) project “Bahnhofquai/-platz” in Zurich, iv) project “Hardturmstrasse / Förrlibuckstrasse” in Zurich, v) project “ATMOS” in Zurich and vi) project “Rue de Berne” in Geneva. The market value of all sites and development properties was estimated at CHF 624.6 million at the end of 2018 (end of 2017: CHF 674.6 million). At the end of 2018, payment obligations for current development and renovation projects totalled CHF 136.1 million (end of 2017: CHF 47.6 million).

As at the end of 2018, notary and transfer fees in respect of the sale of all properties were estimated at approximately CHF 91 million (end of 2017: approximately CHF 79 million).

14 Contract assets

(in CHF 1 000)	Carrying value 1 January 2017	Additions from project-progress	Disposals due to transfer of ownership	Carrying value 31 December 2017
Contract assets	630	0	– 630	0
Prepayments	– 168	0	168	0
Net contract assets	**462**	**0**	**– 462**	**0**

(in CHF 1 000)	Carrying value 1 January 2018	Addition from project-progress	Disposals due to transfer of ownership	Carrying value 31 December 2018
Contract assets	0	1 719	0	1 719
Prepayments	0	– 1 574	0	– 1 574
Net contract assets	**0**	**145**	**0**	**145**

In 2018, the increase of contract assets arise from the progress of one single development project. Percentage of completion (PoC) increased from 9% (end of 2017) to 22% (end of 2018) while the share of notarised sales increased from 0% (end of 2017) to 7% (end of 2018). There was no change resulting from transfer of ownership.

15 Investments in associated companies

(in CHF 1 000)	Registered office	Assets	Liabilities	Revenues	Income	Ownership
31 December 2017						
IG REM	Zurich	405	0	142	33	n.a.
31 December 2018						
IG REM	Zurich	342	0	202	87	n.a.

Together with Livit AG and Helvetia Versicherungen, PSP Swiss Property holds an interest in the REM consortium (IG REM). IG REM deals with the maintenance, the further development and the distribution of the property management software “REM”. It is considered as an associated company.

Due to the fact that assets and liabilities as well as expenses and income are allocated according to various distribution keys, there is no percentual capital allocation amongst the three IG REM members. Expenses and income are recognised in the business segment “Property management”.

16 Fixed-term deposits and accounts receivable

(in CHF 1 000)	2017	2018
Resulting from business activities with third parties	15 386	19 984
Fixed-term deposit	275 000	125 000
Value adjustment (accumulated)	– 1 829	– 1 460
Carrying value at 31 December	**288 558**	**143 524**
thereof short-term (current assets)	157 917	136 093
thereof long-term (non-current assets)	130 641	7 431

The short-term accounts receivable (current assets) consists of a fixed-term deposit with maturity with an interest rate of 0.06% and maturity on 10 July 2019 and outstanding rental payments, claims for ancillary expenses as well as claims on the pension foundation. The long-term accounts receivable (non-current assets) consists of loans granted to tenants with interest rates between 2.0% and 5.0%.

The accumulated impaired receivables changed as follows:

(in CHF 1 000)	2017	2018
Carrying value at 1 January	1 183	1 829
Additions debited to income statement	1 104	1 421
Release credited to income statement	– 186	– 540
Outflow	– 273	– 1 250
Carrying value at 31 December	**1 829**	**1 460**

The creation respectively release of provisions for impaired receivables is included in rental income in the statement of profit or loss. Impairments on accounts receivable are made when no additional payments are expected from these receivables.

The accounts receivable had the following age structure:

				Thereof due but not value-adjusted			
(in CHF 1 000)	Carrying value 31.12.17	Thereof value-adjusted at reporting date	Thereof neither due nor value-adjusted at reporting date	< 30 days	30 to 60 days	60 to 90 days	> 90 days
Accounts receivable (current assets)	159 745	1 982	155 391	1 304	147	404	517
Accounts receivable (non-current assets)	130 641	0	130 641	0	0	0	0
Value adjustment	– 1 829						
Total accounts receivable	**288 558**						

				Thereof due but not value-adjusted			
(in CHF 1 000)	Carrying value 31.12.18	Thereof value-adjusted at reporting date	Thereof neither due nor value-adjusted at reporting date	< 30 days	30 to 60 days	60 to 90 days	> 90 days
Accounts receivable (current assets)	137 553	1 772	132 184	2 464	499	6	629
Accounts receivable (non-current assets)	7 431	0	7 431	0	0	0	0
Value adjustment	– 1 460						
Total accounts receivable	**143 524**						

The fair value of the accounts receivable corresponds approximately to their carrying value.

As the Group has a broad client base, there is no cluster risk with respect to receivables from rental agreements. The maximum exposure to credit risk at the reporting date is the carrying respectively fair value of each class of receivables mentioned above. Due to the low default rate of 0.3% (previous year: 0.3%), the quality of accounts receivable from rental agreements considered as good. At the end of 2018, guarantees (at fair value) totalled CHF 10.9 million on accounts receivable which were due and not value-adjusted of CHF 3.6 million (end of 2017: CHF 10.7 million for CHF 2.4 million).

17 Derivative financial instruments

The fair value of derivative financial instruments (interest rate swaps) is calculated as the present value of future cash flows. The fair value is based on counterparties' valuations. These valuations are checked by PSP Swiss Property with regard to their plausibility by means of Bloomberg valuations. The fair value of derivative financial instruments corresponds to their carrying value.

The interest rate payer swaps as at the reporting date are used for hedging existing and future loans in the form of fixed advances against rising interest rates. Combined with fixed credit positions, the interest rate receiver swaps are used for the synthetic representation of variable loans.

The contract volumes and the fair value of the existing interest rate swaps are listed in the following table:

Maturity (in CHF 1 000)	**Contract value Payer Swaps**	**Contract value Receiver Swaps**	**Positive Fair Value**[1]	**Negative Fair Value**[1]
31 December 2017				
2018	250 000	250 000	48	– 1 726
2019	250 000	250 000	114	– 6 242
2020	150 000	50 000	189	– 6 166
2021	150 000	100 000	0	– 9 173
2022	50 000	0	0	– 2 235
2023	50 000	0	0	– 2 154
2024	50 000	50 000	1 228	– 3 246
2025	0	0	0	0
2026	0	0	0	0
2027	50 000	0	0	– 335
Total	**1 000 000**	**700 000**	**1 579**	**– 31 277**
31 December 2018				
2019	250 000	250 000	32	– 1 881
2020	150 000	50 000	244	– 4 069
2021	150 000	100 000	0	– 6 466
2022	50 000	0	0	– 2 094
2023	50 000	0	0	– 2 208
2024	50 000	50 000	1 464	– 3 184
2025	0	0	0	0
2026	0	0	0	0
2027	50 000	0	0	– 1 086
Total	**750 000**	**450 000**	**1 740**	**– 20 987**

1 Excl. accrued interest.

During the reporting period, no new interest rate swap was signed. Five interest rate payer swaps and five interest rate receiver swaps matured.

All interest rate swaps fulfil the requirements for applying hedge accounting. The fixed interest rate basis for the interest rate swaps existing at the end of December 2018 was – 0.9250% to 1.5075% (previous year: – 0.9325% to 1.5075%). The variable interest rates are based on the CHF-Libor.

Value changes (after tax) of the interest rate swaps, excluding accrued interest, are recorded income neutral directly in the other comprehensive income (see note 22 on page 80). Accrued interest is recognised directly as financial income. Consequently there are no transfers between other comprehensive income and financial income. In the reporting period, cash flow hedges were effective (previous year: no ineffectiveness).

The maximum exposure to credit risk at the reporting date is the total of the positive fair value of the derivative financial instruments in the balance sheet.

18 Intangible assets (software)

(in CHF 1 000)	**2017**	**2018**
Carrying value at 1 January	0	855
Purchases	966	958
Depreciation	– 110	– 321
Carrying value at 31 December	**855**	**1 492**
Historical cost	4 358	5 316
Accumulated depreciation	– 3 502	– 3 823
Carrying value, net	**855**	**1 492**

Intagible assets consists of development cost for internal used software.

19 Tangible assets

(in CHF 1 000)	**2017**	**2018**
Carrying value at 1 January	334	293
Purchases	0	0
Depreciation	– 42	– 40
Carrying value at 31 December	**293**	**252**
Historical cost	504	504
Appreciation	200	200
Accumulated depreciation	– 411	– 452
Carrying value, net	**293**	**252**

20 Deferred tax assets and liabilities

Deferred tax assets (in CHF 1 000)	31 December 2017	31 December 2018
Resulting from derivative financial instruments	2 450	1 644
Resulting from pension liabilities	4 122	2 600
Total	**6 572**	**4 244**

Deferred tax liabilities (in CHF 1 000)	31 December 2017	31 December 2018
Resulting from positive net changes in fair value of properties	798 349	855 845
Resulting from contracts with customers	0	46
Resulting from accounts receivable	107	163
Resulting from derivative financial instruments	124	136
Total	**798 580**	**856 190**

Net deferred tax liabilities (in CHF 1 000)	Restated 2017[1]	2018
Carrying value at 1 January	763 852	792 008
Deferred taxes booked to statement of profit or loss	26 350	57 285
Deferred taxes booked to shareholders' equity	1 805	2 653
Carrying value at 31 December	**792 008**	**851 946**

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

As a result of applying the property gains tax rates which theoretically were due if all properties had been sold as at 31 December 2018, tax liabilities would, compared to the reported deferred tax liabilities, increase by approximately CHF 40 million (end of 2017: approximately CHF 45 million).

The expiration profiles with regard to deferred tax assets and liabilities are as follows:

Expiration of tax assets (in CHF 1 000)	31 December 2017	31 December 2018
< 1 year	135	147
> 1 year	6 437	4 097
Total	**6 572**	**4 244**

Expiration of tax liabilities (in CHF 1 000)	31 December 2017	31 December 2018
< 1 year	3 060	2 062
> 1 year	795 519	854 129
Total	**798 580**	**856 190**

21 Share capital

	Number of registered shares in units	Nominal value per registered share in CHF	Total nominal value in CHF 1 000
Issued, fully paid-in share capital			
31 December 2016	45 867 891	0.10	4 587
31 December 2017	45 867 891	0.10	4 587
31 December 2018	45 867 891	0.10	4 587
Conditional share capital			
31 December 2016	2 000 000	0.10	200
31 December 2017	2 000 000	0.10	200
31 December 2018	2 000 000	0.10	200

In the reporting year, a total of 13 576 own shares were purchased at an average price of CHF 96.26 per share totalling CHF 1.3 million and 13 576 own shares were sold at an average price of CHF 97.09 per share totalling CHF 1.3 million (2017: 15 128 own shares purchased at an average price of CHF 91.33 totalling CHF 1.4 million and 15 128 own shares sold at an average price of CHF 89.52 totalling CHF 1.4 million).

Further details on changes in shareholders' equity can be found in the consolidated statement of shareholders' equity on page 45.

22 Revaluation reserves

Revaluation reserves were made up as follows:

(in CHF 1 000)	Real estate appreciation due to change of use	Interest rate hedging	Pension liabilities	Total
1 January 2017	**9 612**	**– 44 062**	**– 11 829**	**– 46 279**
Changes current year	0	18 101	1 792	19 893
Income taxes	0	– 1 411	– 394	– 1 805
31 December 2017	**9 612**	**– 27 372**	**– 10 431**	**– 28 191**
Changes current year	0	10 452	8 336	18 788
Income taxes	0	– 819	– 1 834	– 2 653
31 December 2018	**9 612**	**– 17 739**	**– 3 929**	**– 12 056**

23 Debt

(in CHF 1 000)	31 December 2017	31 December 2018
Short-term financial liabilities	0	500 000
Short-term bonds	0	119 993
Long-term financial liabilities	1 300 000	620 000
Long-term bonds	1 191 087	1 271 219
Total interest-bearing debt	**2 491 087**	**2 511 212**

Financial liabilities consist of bank-loans in the form of unsecured advances. Long-term liabilities consist of loans which cannot be called in by the bank within twelve months. Short-term liabilities have a maturity term of maximum twelve months. Bonds with a maturity term of more than twelve months belong to long-term debt those with a shorter maturity term to short-term debt. Debt's market values can be found in note 26 on page 87.

(in CHF 1 000)	Carrying value 01.01.17	Reclassification	Amortisation of issuer costs	Repayment	Carrying value 31.12.17
Financial liabilities	1 280 000	160 000	n.a.	– 140 000	1 300 000
Bonds	968 436	222 110	541	0	1 191 087
Total interest-bearing debt	**2 248 436**	**382 110**	**541**	**– 140 000**	**2 491 087**

(in CHF 1 000)	Carrying value 01.01.18	Reclassification	Amortisation of issuer costs	Repayment	Carrying value 31.12.18
Financial liabilities	1 300 000	240 000	n.a.	– 420 000	1 120 000
Bonds	1 191 087	199 188	938	0	1 391 212
Total interest-bearing debt	**2 491 087**	**439 188**	**938**	**– 420 000**	**2 511 212**

In the reporting period, fixed-term loans totalling CHF 240 million were drawn using existing credit lines and CHF 420 million were repaid. During the same period, an already existing bond with maturity in 2026 was increased by nominal CHF 100 million and a new bond with a volume of nominal CHF 100 million and maturity in 2022 was issued.

At the end of 2018 (as in the previous year), no debt was outstanding which was secured by mortgages on properties, and no debt was outstanding with an amortisation obligation.

All financial key figures (financial covenants) laid down in the existing credit agreements were adhered to in the reporting period. The most important financial covenants concern the consolidated equity ratio, the interest coverage and the debt ratio.

The exposure of the Group's borrowings to interest rate changes at the balance sheet dates was as follows:

(in CHF 1 000)	31 December 2017	31 December 2018
< 6 months	100 000	139 993
6 to 12 months	0	450 000
1 to 5 years	1 569 555	1 346 933
> 5 years	821 531	574 286
Total interest-bearing debt	**2 491 087**	**2 511 212**

At the end of 2018, the average fixed interest rate period of all debt was 3.0 years (end of 2017: 3.6 years).

Details on the existing bonds are as follows:

(in CHF 1 000)	**Carrying value 01.01.17**	**Reclassifi-cation**	**Issue**	**Amortisa-tion of issuer costs**	**Repay-ment**	**Carrying value 31.12.17**	**Nominal value 31.12.17**
1.000% bond, maturing 08.02.19	119 867	0	0	63	0	119 930	120 000
1.375% bond, maturing 04.02.20	199 604	0	0	126	0	199 730	200 000
0.045% bond, maturing 20.12.21	99 901	0	49 969	26	0	149 896	150 000
0.000% bond, maturing 01.09.23	124 514	0	172 142	276	0	296 931	300 000
0.500% bond, maturing 16.02.24	225 004	0	0	– 1	0	225 003	225 000
1.000% bond, maturing 06.02.25	99 820	0	0	21	0	99 842	100 000
0.375% bond, maturing 29.04.26	99 726	0	0	29	0	99 755	100 000
Total long-term bonds	**968 436**	**0**	**222 110**	**541**	**0**	**1 191 087**	**1 195 000**

(in CHF 1 000)	**Carrying value 01.01.18**	**Reclassifi-cation**	**Issue**	**Amortisa-tion of issuer costs**	**Repay-ment**	**Carrying value 31.12.18**	**Nominal value 31.12.18**
1.000% bond, maturing 08.02.19	n.a.	119 930	0	63	0	119 993	120 000
Total short-term bonds	**n.a.**	**119 930**	**0**	**63**	**0**	**119 993**	**120 000**
1.000% bond, maturing 08.02.19	119 930	– 119 930	0	0	0	n.a.	n.a.
1.375% bond, maturing 04.02.20	199 730	0	0	128	0	199 858	200 000
0.045% bond, maturing 20.12.21	149 896	0	0	22	0	149 917	150 000
0.060% bond, maturing 11.02.22	n.a.	0	99 585	92	0	99 677	100 000
0.000% bond, maturing 01.09.23	296 931	0	0	550	0	297 482	300 000
0.500% bond, maturing 16.02.24	225 003	0	0	– 1	0	225 003	225 000
1.000% bond, maturing 06.02.25	99 842	0	0	22	0	99 863	100 000
0.375% bond, maturing 29.04.26	99 755	0	99 603	62	0	199 420	200 000
Total long-term bonds	**1 191 087**	**– 119 930**	**199 188**	**874**	**0**	**1 271 219**	**1 275 000**

Bonds which are listed on the stock exchange are classified as level 1 according to the fair value hierarchy. Bonds which are not listed on the stock exchange are classified as level 2.

The market values of the outstanding bonds and the effective interest rates were as follows:

	Nominal value in CHF 1 000	Price in %	Market value in CHF 1 000	Effective interest rate in %
1.000% bond, maturing 8 February 2019 Securities number: 19677045				
31 December 2017	120 000	101.4	121 692	1.05
31 December 2018	120 000	100.2	120 192	1.05
1.375% bond, maturing 4 February 2020 Securities number: 22988113				
31 December 2017	200 000	103.2	206 400	1.44
31 December 2018	200 000	101.7	203 460	1.44
0.045% bond, maturing 20 December 2021 Securities number: not listed				
31 December 2017	150 000	100.3	150 435	0.07
31 December 2018	150 000	100.5	150 794	0.07
0.060% bond, maturing 11 February 2022 Securities number: 373476537				
31 December 2017	n.a.	n.a.	n.a.	n.a.
31 December 2018	100 000	101.7	101 700	0.16
0.000% bond, maturing 1 September 2023 Securities number: 33014317				
31 December 2017	300 000	99.6	298 800	0.18
31 December 2018	300 000	99.4	298 200	0.18
0.500% bond, maturing 16 February 2024 Securities number: 30725643				
31 December 2017	225 000	101.8	228 938	0.50
31 December 2018	225 000	100.5	226 125	0.50
1.000% bond, maturing 6 February 2025 Securities number: 26288145				
31 December 2017	100 000	105.4	105 400	1.02
31 December 2018	100 000	104.3	104 300	1.02
0.375% bond, maturing 29 April 2026 Securities number: 31940377				
31 December 2017	100 000	102.1	102 050	0.40
31 December 2018	200 000	99.3	198 600	0.42

24 Pension liabilities

PSP Swiss Property funds various pension schemes for its employees which are legally independent from the Company. The pension schemes are financed by employees' and employer's contributions. In accordance with IAS 19, the pension schemes are qualified as defined benefit pension plans.

Based on the projected unit credit method, the following overview results:

(in CHF 1 000)	31 December 2017	31 December 2018
Pension liabilities (present value)	65 930	42 975
Pension assets at market value	– 47 195	– 31 156
Pension liabilities (technical deficit)	**18 735**	**11 819**

The pension contributions recognised as expense in PSP Swiss Property's consolidated income statement were as follows:

(in CHF 1 000)	2017	2018
Actuarial pension expenses	1 936	2 019
Interest expenses	431	425
Expected income on plan assets	– 311	– 304
Changes in pension scheme	0	676
Administration cost	111	111
Total expenses	**2 167**	**2 927**

The pension liabilities shown in PSP Swiss Property's consolidated balance sheet changed as follows:

(in CHF 1 000)	2017	2018
Carrying value 1 January	19 947	18 735
Expenses for staff pension schemes debited to the income statement	2 167	2 927
Employer contributions	– 1 587	– 1 507
Actuarial gains and losses on OCI	– 1 792	– 8 336
Carrying value at 31 December	**18 735**	**11 819**

Pension liabilities and assets changed as follows:

(in CHF 1 000)	2017	2018
Pension liabilities (present value) at 1 January	72 283	65 930
Actuarial pension expenses	1 936	2 019
Employees' contributions	920	908
Interest expenses	431	425
Changes in pension schemes	0	676
Paid coverage	– 8 411	– 19 452
Actuarial gains and losses	– 1 229	– 7 531
Pension liabilities (present value) at 31 December	**65 930**	**42 975**
Pension assets at market value at 1 January	52 336	47 195
Expected income on plan assets	311	304
Employer contributions	1 587	1 507
Employees' contributions	920	908
Paid coverage	– 8 411	– 19 452
Administration cost	– 111	– 111
Actuarial gains and losses	563	805
Pension assets at market value at 31 December	**47 195**	**31 156**
Effective pension income	**874**	**1 109**

Paid coverage mainly relates to the effect of the reassessment of the pensioners portfolio.

The following table shows the coverage of the defined benefit pension plans and the impact of deviations due to expected or actual values of the pension liabilities and assets.

(in CHF 1 000)	31 December 2017	31 December 2018
Pension liabilities (present value)	65 930	42 975
Pension assets at market value	– 47 195	– 31 156
Pension liabilities recognised in the balance sheet	**18 735**	**11 819**
Adjustments of pension liabilities by experience	826	3 656
Adjustments of pension liabilities caused by amended assumptions	403	3 875
Adjustments of pension assets by experience	563	805
Total actuarial gains and losses	**1 792**	**8 336**

The expected employer contributions for the business year 2019 amount to CHF 1.5 million (expected contributions 2018: CHF 1.5 million).

Calculation of pension liabilities was based on the following assumptions:

(in CHF 1 000)	31 December 2017	31 December 2018
Discount rate	0.65%	0.85%
Expected future salary increases	2.00%	1.25%
Expected future pension increases	0.00%	0.00%
Life expectancy in years at age of retirement (man/woman)	23.44/25.53	23.55/25.64

The assets are managed by an investment foundation. The asset allocation was as follows:

(in CHF 1 000)	31 December 2017	31 December 2018
Cash and cash equivalents	425	312
Bonds	16 660	9 347
Equities	12 837	8 724
Real estate	8 023	6 231
Other	9 250	6 543
Total	**47 195**	**31 156**

The following sensitivity analysis is based on one changing assumption while all other assumptions remain the same (ceteris paribus). The only exception is a change in the discount rate with a concurrent change in the projected interest rate for savings capital. The same method was applied for the valuation of the sensitivity of pension liabilities as for the valuation of the liabilities in the financial statements (projected unit credit method).

Change in pension liabilities[1] (in CHF 1 000)	31 December 2017	31 December 2018
Discount rate		
+ 0.25%	2 005	1 201
– 0.25%	– 2 086	– 1 273
Salary change		
+ 0.25%	– 300	– 219
– 0.25%	292	213
Pension change		
+ 0.25%	– 1 785	– 1 003
– 0.25%	0	0
Life expectancy		
+ 1 year at age of retirement	– 2 646	– 1 253

1 A negative amount leads to an increase of pension liabilities and vice versa.

25 Accounts payable

(in CHF 1 000)	31 December 2017	31 December 2018
Resulting from business activities with third parties	7 938	7 260
Prepayments	13 249	13 994
Total	**21 187**	**21 254**

The fair value of the accounts payable corresponds to their carrying value.

26 Financial instruments according to categories

The carrying values and the market value of all recorded financial instruments are listed in the following table. The fair value of current financial assets and liabilities at amortised cost are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

	31 December 2017		31. December 2018	
Financial assets (in CHF 1 000)	**Carrying value**	**Market value**	**Carrying value**	**Market value**
Accounts receivable at amortised cost	288 558	288 558	143 524	143 524
Financial investments at fair value through comprehensive income	9	9	9	9
Derivative financial instruments (hedging)	1 579	1 579	1 740	1 740
Cash and cash equivalents	33 428	33 428	23 123	23 123
Financial liabilities				
Financial liabilities at amortised cost	1 300 000	1 293 374	620 000	616 678
Bonds at amortised cost	1 191 087	1 213 710	1 391 212	1 403 371
Accounts payable at amortised cost	21 187	21 187	21 254	21 254
Derivative financial instruments (hedging)	31 277	31 277	20 987	20 987

27 Netting agreements

In the case of a counterparty's bankruptcy, accounts receivable and accounts payable may basically be offset against each other. With one counterparty, offsetting accounts receivable and accounts payable has been ruled out explicitly in a contractual agreement. The agreements related to derivative financial instruments provide the right to offset other accounts receivable vis-à-vis the counterparty in the case of a contractually defined liquidation event.

As at 31 December 2017

(in CHF 1 000)	Gross amount	Amount recorded in the balance sheet	Net amount reported in the balance sheet	Clearing options in case of a default of the counterparty	Net amount in case of a default of the counterparty
Financial instruments positive					
Cash and cash equivalents	33 428	0	33 428	– 31 202	2 226
Derivative financial instruments (positive)	1 579	0	1 579	– 1 579	0
Fixed-term deposit	275 000	0	275 000	0	275 000
Total	**310 007**	**0**	**310 007**	**– 32 781**	**277 226**
Financial instruments negative					
Financial liabilities	1 300 000	0	1 300 000	– 298 218	1 001 782
Derivative financial instruments (negative)	31 277	0	31 277	– 9 563	21 714
Total	**1 331 277**	**0**	**1 331 277**	**– 307 781**	**1 023 496**

As at 31 December 2018

(in CHF 1 000)	Gross amount	Amount recorded in the balance sheet	Net amount reported in the balance sheet	Clearing options in case of a default of the counterparty	Net amount in case of a default of the counterparty
Financial instruments positive					
Cash and cash equivalents	23 123	0	23 123	– 19 600	3 523
Derivative financial instruments (positive)	1 740	0	1 740	– 1 740	0
Fixed-term deposit	125 000	0	125 000	0	125 000
Total	**149 864**	**0**	**149 864**	**– 21 340**	**128 523**
Financial instruments negative					
Financial liabilities	620 000	0	620 000	– 141 508	478 492
Derivative financial instruments (negative)	20 987	0	20 987	– 4 832	16 155
Total	**640 987**	**0**	**640 987**	**– 146 340**	**494 647**

28 Fair value hierarchy

The fair value definition is classified into three categories. Level 1 regards instruments with price quotations in a liquid market. If there is no liquid market for a position and there are no official price quotations, the fair value is determined according to a recognised valuation method. At level 2, the valuation method is mainly based on input parameters with observable market data; at level 3, the valuation method is based on one or several input parameters without observable market data.

The following table shows the market values (fair value) of these positions recognised in the balance sheet.

Assets (in CHF 1 000)	Level 1	Level 2	Level 3	Market value 31 December 2017
Investment properties (IAS 40 & IFRS 5)	0	0	6 963 632	6 963 632
Financial investments	0	0	9	9
Derivative financial instruments (hedging)	0	1 579	0	1 579
Total financial assets	**0**	**1 579**	**6 963 641**	**6 965 220**

Liabilities (in CHF 1 000)				
Derivative financial instruments (hedging)	0	31 277	0	31 277
Total financial liabilities	**0**	**31 277**	**0**	**31 277**

Assets (in CHF 1 000)	Level 1	Level 2	Level 3	Market value 31 December 2018
Investment properties (IAS 40 & IFRS 5)	0	0	7 366 770	7 366 770
Financial investments	0	0	9	9
Derivative financial instruments (hedging)	0	1 740	0	1 740
Total financial assets	**0**	**1 740**	**7 366 779**	**7 368 519**

Liabilities (in CHF 1 000)				
Derivative financial instruments (hedging)	0	20 987	0	20 987
Total financial liabilities	**0**	**20 987**	**0**	**20 987**

During the reporting period, no positions were transferred in between the fair value levels (2017: none).

29 Future cash flows from accounts payable

Based on the accounts payable at year-end, the following future payment obligations exist (undiscounted amounts, including interest):

(in CHF 1 000)	Carrying value 31.12.17	< 6 months		6 to 12 months		1 to 5 years		> 5 years	
		Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Financial liabilities	1 300 000	809	0	830	0	1 643	1 300 000	0	0
Bonds	1 191 087	6 450	0	68	0	16 903	470 000	6 750	725 000
Derivative financial instruments[1]	29 698	6 685	0	5 586	0	16 157	0	846	0
Accounts payable[2]	5 643	0	5 643	0	0	0	0	0	0
Total	**2 526 428**	**13 944**	**5 643**	**6 484**	**0**	**34 702**	**1 770 000**	**7 596**	**725 000**

(in CHF 1 000)	Carrying value 31.12.18	< 6 months		6 to 12 months		1 to 5 years		> 5 years	
		Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
Financial liabilities	1 120 000	702	0	463	500 000	350	620 000	0	0
Bonds	1 391 212	6 885	120 000	68	0	14 565	750 000	5 375	525 000
Derivative financial instruments[1]	19 247	4 954	0	3 596	0	8 312	0	304	0
Accounts payable[2]	4 683	0	4 683	0	0	0	0	0	0
Total	**2 535 143**	**12 541**	**124 683**	**4 126**	**500 000**	**23 227**	**1 370 000**	**5 679**	**525 000**

1 Including liabilities resulting from negative CHF-Libor (floating leg).
2 Excluding prepaid rental payments, purchase prices and purchase price advance payments for sold properties.

All instruments were included which were in the portfolio at year-end and for which payments were contractually stipulated.

At the end of 2018, the average weighted duration of the loan agreements was 3.0 years (end of 2017: 3.1 years).

30 Key performance figures and earnings per share

"Ebitda excl. gains/losses on real estate investments" corresponds to the Operating profit (ebit) excluding amortisation and depreciation, net changes in fair value of the real estate investments and net income on sales of investment properties. Income from the sale of properties which were developed by the Company itself is, however, included in "Ebitda excl. gains/losses on real estate investments".

(in CHF 1 000)	Restated 2017[1]	2018
Operating profit (ebit)	325 099	408 551
Impairment charge properties	828	1 084
Net changes in fair value of real estate investments	– 83 253	– 166 692
Net income from other property sales	– 487	– 1 200
Ebitda excl. gains/losses on real estate investments	**242 187**	**241 743**

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

Earnings per share and earnings per share excl. gains/losses on real estate investments are calculated by dividing the reported net income respectively "Net income excl. gains/losses on real estate investments" by the average weighted number of shares, excluding own shares.

"Net income excl. gains/losses on real estate investments" corresponds to the net income excl. net changes in fair value of the real estate investments, net income on sales of investment properties and all of the related taxes. Income from the sale of properties which were developed by the Company itself is, however, included in the "Net income excl. gains/losses on real estate investments".

Annual distribution of PSP Swiss Property Ltd is based on "Net income excl. gains/losses on real estate investments":

	Restated 2017[1]	2018
Net income in CHF 1 000	**256 890**	**308 152**
Net changes in fair value of real estate investments in CHF 1 000	– 83 253	– 166 692
Net income from property sales in CHF 1 000	– 487	– 1 200
Attributable taxes from net changes in fair value of real estate investments in CHF 1 000	4 481	35 710
Attributable taxes from Income from other property sales in CHF 1 000	108	279
Net income excl. gains/losses on real estate investments in CHF 1 000	**177 738**	**176 250**
Number of average outstanding shares	45 867 891	45 867 891
Earnings per share in CHF (basic and diluted)	**5.60**	**6.72**
Earnings per share excl. gains/losses on real estate investments in CHF (basic and diluted)	**3.87**	**3.84**

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

The following table shows the equity per share:

	31 December 2017	31 December 2018
Shareholders' equity in CHF 1 000	3 988 560	4 156 908
Deferred taxes in CHF 1 000	792 008	851 946
Number of outstanding shares	45 867 891	45 867 891
Net asset value per share in CHF[1]	**86.96**	**90.63**
Net asset value per share before deduction of deferred taxes in CHF[1]	**104.22**	**109.20**

1 Based on number of outstanding shares.

31 Dividend payment

Based on a resolution of the Annual General Meeting on 5 April 2018, a payment of an ordinary dividend of CHF 3.40 per share (totalling CHF 156.0 million) was made on 11 April 2018 (previous year: CHF 3.35 per share).

For the business year 2018, the Board of Directors will propose a dividend payment from retained earnings of CHF 3.50 gross per share respectively a maximum of CHF 160.5 million to the Annual General Meeting on 4 April 2019. Treasury shares are not entitled to dividends; therefore, the total amount for dividend payments may deviate from these figures.

32 Related parties

In the reporting year, the Board of Directors and parties related to the Board of Directors, the Executive Board, the associated company as well as the Israeli company Alony Hetz Properties & Investments Ltd as a shareholder with 10.03% of the voting rights (as at the end of 2018), which is controlled by two members of the Board of Directors of PSP Swiss Property Ltd, were considered as related parties (corporate or individual).

The disclosure of the following remunerations to the Members of the Board of Directors and the Executive Board is made according to the accrual principle (relating to the period of service and independent of payments).

	Executive Board		Board of Directors	
(in CHF 1 000)	**2017**	**2018**	**2017**	**2018**
Fixed compensation in cash	1 537	1 376	658	658
Performance-based compensation in cash	510	433	0	0
Performance-based compensation in shares	1 441	1 298	0	0
Other benefits	0	0	0	0
Employer contributions pension benefits	287	236	19	15
Total	**3 775**	**3 343**	**677**	**673**

In the reporting year, fees for legal advice were paid in the amount of CHF 0.004 million to the law firm Niederer Kraft Frey Ltd, Zurich, where Mr. Peter Forstmoser holds the position of a partner (previous year: CHF 0.018 million). No legal fees were paid to Mr. Forstmoser himself. Since 2001, there has been a lease contract, according to which Niederer Kraft Frey Ltd leases storage facilities from PSP Swiss Property with an annual rent of CHF 0.100 million in the reporting year (previous year: CHF 0.119 million). For Niederer Kraft Frey Ltd as well as for PSP Swiss Property, this annual rent is marginal and therefore negligible compared to legal fee turnover respectively rental income.

Further, in the 2018 business year, fees of CHF 0.011 million were paid for the implementation of a social media presence of the company to a communication firm owned by a related party of Mr. Adrian Dudle. No fees were paid to Mr. Dudle himself.

In the 2018 business year, as in the previous year, no further disclosable compensations were paid directly or indirectly to present or past members of the Board of Directors or the Executive Board respectively their related parties.

As at the end of 2017, the members of the Board of Directors (including their related parties) held no options on PSP shares at the end of 2018. As at the end of 2017, the members of the Executive Board (including their related parties) held no options on PSP shares at the end of 2018.

As in the previous year, no loans were granted to members of the Board of Directors or the executive Board respectively their related parties in 2018. As at the end of 2017, there were no such accounts receivable from these groups of persons at the end of 2018. As at the end of 2017, there were no claims on related parties at the end of 2018.

33 Subsequent events

Acquisitions: Retroactively per 1 January 2019, three properties in Bern's historic town were acquired for CHF 48 million. Also retroactively per 1 January 2019, the so-called "Carba portfolio" consisting of six properties in Bern-Liebefeld, valued at CHF 180.5 million, was acquired by purchase of shares.

Disposals: As per 15 January 2019, the property located at Bernerstrasse Süd 167/169 in Zurich was sold for CHF 31 million. As per 6 February 2019, the property located at Route des Arsenaux 41 in Fribourg was sold for CHF 30 million. And finally, the last freehold apartment on the Löwenbräu site in Zurich was sold for CHF 5.6 million on 16 January 2019.

On 8 February 2019, the 1.0% bond of CHF 120 million due was repaid. Also on 8 February 2019, a 0.7% bond with a volume of CHF 100 million and a maturity in 2027 was issued.

There were no further material subsequent events.

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
PSP Swiss Property Ltd, Zug

Zurich, 25 February 2019

Statutory auditor’s report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of PSP Swiss Property Ltd and its subsidiaries (the Group), which comprise the consolidated statement of profit or loss as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated cash flow statement and consolidated statement of shareholders’ equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 40 to 93 and 188 to 205) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with the provisions of article 17 of the Directive on Financial Reporting (DFR) of SIX Swiss Exchange and with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) 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, as well as the IESBA Code of Ethics for Professional Accountants, 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.

Key audit matters

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these

Page 2

matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Valuation of investment properties, sites and development properties

Area of focus	Valuation of investment properties, sites and development properties was important for our audit as the valuation process contains material estimates and the respective properties with a carrying amount of CHF 7.4 billion represent the most significant position within the consolidated financial statements of the group. As disclosed in note 13 Real estate investments as well as in section 2.4 Critical estimates and assumptions of the consolidated financial statements, the fair values were derived by an external appraiser based on a discounted cash flow method. These appraisals are based on various assumptions, particularly with regard to market rents, discount factors, vacancy rates and maintenance and renovation expenses as well as development risks for investment properties.
Our audit response	Among other audit procedures we evaluated the objectivity, independence and competence of the external appraiser as well as the used valuation model. Additionally, we verified the correctness of selected property specific data (among others rental income, maintenance expenses), which was used in the valuation. By discussions with the management and the external appraiser we assessed the key assumptions used in the valuation. Our audit procedures did not lead to any reservations concerning the valuation of investment properties, sites and development properties.

Deferred tax liabilities relating to property valuation differences

Area of focus	Deferred tax liabilities relating to property valuation differences were important for our audit as the process contains material estimates and as the deferred tax liabilities with CHF 856 million represent a significant position within the consolidated financial statements of the group. As disclosed in section 2.7 Accounting and valuation principles of the consolidated financial statements, deferred tax liabilities are calculated using the balance sheet liability method. Deferred tax assets and liabilities are measured on the basis of tax rates (federal, cantonal and communal) which are expected to be applicable at the time a deferred tax asset is realised or a deferred tax liability is released. This method is based on estimates especially related to the applicable tax rates and the expected holding period of the properties.
Our audit response	Among other audit procedures we validated management's assumptions relating to the estimated holding period and compared the tax rates used for income (federal, cantonal and communal) and property gains tax purposes with the currently applicable tax rates. Furthermore we re-performed the calculation of changes in value and

the classification of gains as either capital gains or depreciation recapture.

Our audit procedures did not lead to any reservations concerning deferred tax liabilities relating to property valuation differences.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report, the EPRA reports and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRS 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, ISAs 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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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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.

Ernst & Young Ltd

Daniel Zaugg Licensed audit expert (Auditor in charge)	Tobias Meyer Licensed audit expert

Wüest Partner AG, Bleicherweg 5, 8001 Zurich

PSP Swiss Property
Geschäftsleitung
Kolinplatz 2
6300 Zug

Zurich, 23rd of January 2019

Independent valuer's report

Reference Number
102255.1831

To the Executive Board of PSP Swiss Property AG

Commission
Wüest Partner AG (Wüest Partner) was commissioned by the Executive Board of PSP Swiss Property AG (PSP Swiss Property) to perform a valuation, for accounting purposes, of the properties and property units held by PSP Swiss Property as of the 31st of December 2018 (reporting date). The valuation encompasses all investment properties as well as sites and development properties.

Valuation standards
Wüest Partner hereby confirms that the valuations were performed in accordance with national and international standards and guidelines in particular with the International Valuation Standards (IVS and RICS/Red Book) and the Swiss Valuation Standards (SVS) and as well as in accordance with the requirements of the SIX Swiss Exchange.

Accounting standards
The market values determined for the investment properties conform to the concept of fair value as defined in the International Financial Reporting Standards (IFRS) on the basis of revised IAS 40 (Investment Property) and IFRS 13 (Fair Value Measurement).

Sites and development properties intended for future use as investment properties are listed in PSP Swiss Property's balance sheet in accordance with IAS 40; sites and development properties held for sale are listed in accordance with IAS 2 (Inventories).

Definition of fair value
Fair value is the price that independent market operators would receive on the valuation date if an asset were sold under normal market conditions or the price that such operators would pay on the valuation date if a liability (debt) were transferred under normal market conditions (exit price).

Wüest Partner AG
Alte Börse
Bleicherweg 5
8001 Zurich
Switzerland
T +41 44 289 90 00
wuestpartner.com
Regulated by RICS

Transaction costs, gross fair value

An exit price is the selling price postulated in the purchase contract upon which the parties have jointly agreed. Transaction costs, which normally consist of estate agents' commission, transaction taxes and land registry and notary fees, are not taken into account when determining fair value. This means that in line with paragraph 25 IFRS 13, fair value is not adjusted by the amount of the transaction costs incurred by the purchaser in the event of a sale (gross fair value). This is in line with Swiss valuation practice.

Main market, active and most advantageous market

Valuation at fair value assumes that the hypothetical transaction involving the asset to be valued takes place on the market with the largest volume and the most business activity (main market) and that the frequency and volume of transactions are adequate for there to be sufficient price information available for the market (active market). If no such market can be identified, it will be assumed that the asset is being sold on the main market, which would maximize the assets selling price on disposal.

Implementation of fair value

Highest best use

Fair value is calculated on the basis of the best possible use of a property (highest and best use). The best possible use of a property is that which maximizes its value. This assumption presupposes a use, which is technically and physically possible, legally permitted and financially realizable. As fair value is calculated on the basis of maximization of use, the best possible use may differ from the actual or planned use. In the assessment of fair value, future investment spending for the purpose of improving a property or increasing its value will be taken into account accordingly.

Materiality in relation to the highest and best use approach

The use of the highest and best use approach is based on the principle of the materiality of the possible difference in value in terms of the ratio of the value of the specific property to the total real estate assets and in terms of the possible absolute difference in value. A property's potential added value within the usual estimating tolerance of a specific valuation is regarded as immaterial in this context and is therefore disregarded.

Fair value hierarchy

Fair value is determined according to the quality and reliability of the valuation parameters, in order of diminishing quality/reliability: Level 1 market price, Level 2 modified market price and Level 3 model-based valuation. At the same time, when a property is valued on the basis of fair value, different parameters may be applied to different hierarchies. In this context, the total valuation is classed according to the lowest level of the fair value hierarchy in which the material valuation parameters are found.

Valuation level for property valuations

The value of the properties of PSP Swiss Property is determined using a model-based valuation according to Level 3 on the basis of input parameters, which cannot be directly observed on the market. Here too adjusted Level 2 input parameters are used (e.g. market rents, operating/maintenance costs, discounting/capitalization rates, proceeds of sales of residential property). Non-observable input factors are only used where relevant observable input factors are not available.

wüestpartner

Significant input factors, influence on fair value

Market rents, vacancy levels and discount rates are defined as significant input factors. These factors are influenced to a varying degree by market developments. If the input factors change, the property's fair value also changes. For each input factor, these changes are simulated on the basis of static sensitivity analyses.

Owing to interdependence between the input factors, their effects on fair value may either offset or potentiate each other. For example, the effect of reduced market rents combined with higher vacancies and higher discount rates will have a cumulative negative impact on fair value. However, as the portfolio is diversified geographically and by properties, changes to input factors seldom exert a cumulative effect in the short term.

The economic environment may be regarded as the most important factor influencing the input factors. When negative economic sentiment exerts downward pressure on market rents, real estate vacancies usually increase. But at the same time, such market situations are usually associated with favourable (i.e. low) interest rates, which have a positive effect on discount rates. To an extent, therefore, changes to input factors offset each other. Ongoing measures to optimize the PSP Swiss Property portfolio (e.g. the conclusion or renewal of long-term rental contracts, investments in the fit-out of rental areas etc.) counter such short-term market shocks, which primarily impact on market rents and vacancy levels. As already mentioned, the individual, risk-adjusted discount rate for a property reflects the yield expectations of the respective investors/market actors; the property owner can exert only a limited influence.

Valuation procedures

The valuation procedures used are those that are appropriate under the given circumstances and for which sufficient data are available to determine fair value. At the same time, the use of relevant observable input factors is maximized, while the use of non-observable input factors is minimized. In the case of the present valuation procedure, an income-based approach is applied, using discounted cash flow valuations, which are widespread in Switzerland.

Valuation method

In valuing PSP Swiss Property's real estate holdings, Wüest Partner applied the discounted cash flow (DCF) method, by which the market value of a property is determined as the total of all projected future (infinite period) net earnings discounted to the valuation date. Net income is discounted separately for each property with due allowance for specific opportunities and threats, and adjustment in line with market conditions and risks.

Basis of valuation

Wüest Partner is familiar with all the properties, having carried out inspections and examined the documentation provided. The properties have been analysed in detail in terms of their quality and risk profiles (attractiveness and lettability of rented premises, construction type and condition, micro- and macro-location etc.). Currently vacant premises are valued with allowance made for a reasonable marketing period.

Wüest Partner inspects the properties at least once every three years as well as following purchase and upon completion of larger refurbishment and investment projects. Within the review period from 1st of July 2018 to 31st of December 2018, Wüest Partner visited 3 properties belonging to PSP Real Estate AG and 4 properties belonging to PSP Properties AG.

Results

A total of 162[1] investment properties and property units as well as 8 investment properties under construction were valued as of the 31st of December 2018 by Wüest Partner. The fair value of all 162 investment properties is estimated as of 31st of December 2018 at 6,742,220,000 Swiss Francs and of the investment properties under construction in accordance with IAS 40 at 624,550,000 Swiss Francs.

Changes during reporting period

Within the review period from the 1st of July 2018 to the 31st of December 2018 the following two property were sold:

— Spitalgasse 9, 3011 Bern;
— Alte Winterthurerstrasse 14, 8304 Wallisellen.

During the same period, the land parcel of the property Zeughausgasse 26/28 in 3011 Bern was acquired and the property Rue du Berne 6 in 1201 Geneva was reclassified from the investment properties to the development properties. At the same time no development properties were reclassified to the investment properties.

Independence and confidentiality

Wüest Partner performed the valuation of PSP Swiss Property's real estate holdings independently and neutrally in conformity with its business policies. It was carried out solely for those purposes specified above. Wüest Partner shall accept no liability in respect of third parties.

Valuation fee

The fee of the valuer's services is independent of the valuation results. The rate is based upon the numbers of the valuations performed and the lettable area of the property.

1 Excluded is the property Seestrasse 353, Zurich, which is owner-occupied.

Zurich, 23rd of January 2019
Wüest Partner AG

Marco Feusi
Chartered Surveyor MRICS | dipl. Architekt HTL | NDS BWI ETHZ | Partner

Sam Schwarz
MSc ETH Bauing | GEAK Experte | Manager

Annex: valuation assumptions
Investment properties
The following nominal discount rates were applied to the property valuation:

Table 1 Region	Minimum discount rate in %	Maximum discount rate in %	Average discount rate (weighted average*) in %
Zurich	2.56	5.12	3.41
Geneva	2.61	4.72	3.43
Lausanne	2.86	4.62	3.50
Basel	3.11	3.92	3.61
Bern	2.91	4.52	3.46
Other regions	3.16	5.53	4.19
All regions	2.56	5.53	3.49

* average of discount rates for individual valuations, weighted by market value

The following ranges for achievable long-term market rents were applied to the property valuations:

Table 2 Region	Office CHF / m^2 p.a.	Retail CHF / m^2 p.a.	Storage CHF / m^2 p.a.	Outdoor parking CHF / p. p.mo.	Indoor parking CHF / p. p.mo.	Residential CHF / m^2 p.a.
Zurich	125 - 790	180 – 6,000	40 - 500	35 - 600	100 - 700	158 - 674
Geneva	200 - 700	280 – 3,080	100 - 600	60 - 450	100 - 490	268 - 350
Lausanne	150 - 390	340 – 1,500	80 - 450	67 - 300	150 - 360	130 - 396
Basel	150 - 360	95 – 2,700	95 - 400	120 - 250	120 - 350	170 - 340
Bern	130 - 335	80 – 1,210	30 - 185	60 - 180	140 - 250	216 - 365
Other regions	100 - 350	150 – 1,650	40 - 360	60 - 200	100 – 400	167 - 389
All regions	100 - 790	80 – 6,000	30 - 600	35 - 600	100 - 700	130 – 674

The following ranges for structural vacancy rates were applied to the property valuations:

Table 3 Region	Office in %	Retail in %	Storage in %	Outdoor parking in %	Indoor parking in %	Residential in %
Zurich	2.5 - 20.0	2.0 - 30.0	1.5 - 75.0	1.0 - 30.0	1.0 - 45.0	1.0 - 10.0
Geneva	3.0 - 7.0	3.0 - 5.5	2.0 - 10.0	3.0 - 8.0	3.5 - 10.0	0.5 - 1.5
Lausanne	3.5 - 9.0	2.0 - 5.0	3.0 - 15.0	3.0 - 10.0	2.0 - 15.0	1.0 - 4.0
Basel	4.0 - 7.0	2.0 - 5.0	3.0 - 25.0	1.0 - 3.0	2.0 - 7.0	2.0 - 5.0
Bern	3.5 - 8.0	3.0 - 10.0	2.5 - 15.0	1.0 - 5.0	1.0 - 10.0	1.0 - 2.0
Other regions	4.0 - 20.0	3.0 - 12.0	3.5 - 30.0	1.0 - 5.0	1.0 - 25.0	1.0 - 5.0
All regions	2.5 - 20.0	2.0 - 30.0	1.5 - 75.0	1.0 - 30.0	1.0 - 45.0	0.5 - 10.0

The investment property valuations are based on the following general assumptions:

- The rent rolls from PSP Swiss Property used in the valuation are dated as of the 1st of January 2019.
- A two-phase DCF model was adopted. From the valuation date, the infinite valuation period starts with an implicit residual value in the 11th period.
- Discounting is based on a risk-adjusted interest rate. Rates are determined individually for each property on the basis of appropriate benchmarks derived from arm's-length transactions. They may be broken down as follows: risk-free interest rate + property risk (immobility of capital) + premium for macro-location + premium for micro-location depending on use + premium for property quality and income risk + any other specific premiums or reductions. Nominal discount rates range between 2.56 percent and 5.53 percent depending on the property, use and location (see table 1).
- Unless otherwise stated, the valuations assume 0.5 percent annual inflation for income and all expenditure. Where a nominal discount rate is applied, this is adjusted accordingly.
- Credit risks posed by specific tenants are not explicitly factored into the valuation.
- Specific indexation of existing rental agreements is accounted for on an individual basis. After expiry of the contracts, an indexation factor of 80 percent (Swiss average) and an average contract term of 5 years are assumed.
- For existing tenancies, the timing of individual payments is assumed to comply with the terms of the lease. Following lease expiry, cash flows for commercial premises are taken to be quarterly in advance, for housing monthly in advance.
- In terms of running costs, entirely separate service charge accounts are assumed, with no tenancy-related ancillary costs to be borne by the owner.
- The maintenance (repair and upkeep) costs were calculated using a building analysis tool. This tool is used to estimate the remaining lifespan of individual components based on their present condition, to model periodic refurbishments and to calculate the associated annuity. The calculated values are plausibility tested using cost benchmarks derived from Wüest Partner surveys.

Sites and development properties

Wüest Partner also determined the market values of the sites and development properties. The valuations of these projects are based on the following assumptions:

- PSP Swiss Property has divided the properties into sub-developments. For the sake of transparency, this arrangement has been adopted by Wüest Partner in its valuations. The value of the projects or properties is taken as the sum of the individual premises or property units.
- The PSP Swiss Property strategy regarding project development/promotion (e.g. sale vs. renting), where deemed plausible by Wüest Partner, is adopted in the valuation.
- The background data provided by PSP Swiss Property has been verified and, where appropriate, adjusted (e.g. plot ratio, lettable areas, deadlines/development process, letting/absorption).
- The valuations undergo independent earnings and cost assessment and yield analysis.
- It is assumed that construction cost certainty has been achieved through the agreement of general contracts and design-and-build contracts.
- The services provided by PSP Swiss Property as client representative and project developer are included in the construction costs.
- The valuations of property units held for sale (e.g. freehold flats and offices) make allowance for sales costs.
- Allowance is made in the construction costs for enabling works where these are known (e.g. remediation of contaminated sites, demolitions, infrastructure).
- The construction costs include the usual incidental costs, excl. construction financing. This is implicit in the DCF model.
- Allowance is made for value-relevant services previously provided by third parties or PSP Swiss Property, insofar as these are known.
- It is assumed that income from the planned commercial properties is subject to value-added tax. The posted construction costs are therefore exclusive of VAT.
- The valuations contain no latent taxes.

Valuation of investment properties: Discount rates

Discount rates in % (Market value in CHF 1 000)	Zurich area		Geneva area		Basel area	
	Number of properties	Market value	Number of properties	Market value	Number of properties	Market value
2.50 – 2.74	2	276 300	1	52 480	0	0
2.75 – 2.99	13	890 540	3	69 920	0	0
3.00 – 3.24	11	571 900	3	151 340	3	57 740
3.25 – 3.49	10	520 730	4	170 670	4	211 280
3.50 – 3.74	22	1 027 870	5	238 230	3	135 000
3.75 – 3.99	5	169 609	2	138 030	5	279 060
4.00 – 4.24	6	332 770	0	0	0	0
4.25 – 4.49	1	42 780	0	0	0	0
4.50 – 4.74	8	209 350	1	41 270	0	0
4.75 – 4.99	1	25 220	0	0	0	0
5.00 – 5.24	1	19 600	0	0	0	0
5.25 – 5.49	0	0	0	0	0	0
5.50 – 5.74	0	0	0	0	0	0
Total	**80**	**4 086 669**	**19**	**861 940**	**15**	**683 080**

The discount rates, which are applied at the semi-annual portfolio valuations by the external, independent property valuation company, are property-specific and take into account object-specific factors such as location, tenant quality, ownership conditions and property quality.

At the end of 2018, the portfolio’s average weighted nominal discount rate was 3.50% (end of 2017: 3.62%).

Bern area		Lausanne area		Other areas		All investment properties	
Number of properties	Market value	Number of properties	Market value	Number of properties	Market value	Number of properties	Market value
0	0	0	0	0	0	3	328 780
5	105 470	1	15 490	0	0	22	1 081 420
0	0	4	176 800	3	37 750	24	995 530
1	26 740	2	52 410	2	20 200	23	1 002 030
3	91 910	0	0	1	3 850	34	1 496 860
2	41 540	2	20 570	6	83 305	22	732 114
0	0	3	86 570	4	72 846	13	492 186
0	0	2	17 135	1	116 320	4	176 235
1	30 470	1	14 410	1	46 250	12	341 750
0	0	0	0	0	0	1	25 220
0	0	0	0	2	47 440	3	67 040
0	0	0	0	0	0	0	0
0	0	0	0	1	3 055	1	3 055
12	**296 130**	**15**	**383 385**	**21**	**431 016**	**162**	**6 742 220**

EPRA reporting

EPRA performance key figures

In accordance with EPRA's Best Practices Recommendations, PSP Swiss Property discloses the EPRA performance key figures. Ernst & Young Ltd. has verified these key figures. The corresponding opinion can be found on pages 112 to 113.

Summary table EPRA performance measures	Unit	Restated 2017[1]	2018
A. EPRA earnings per share (EPS)	CHF	3.54	3.64
B. EPRA NAV per share	CHF	105.26	110.24
C. EPRA triple net asset value per share (NNNAV)	CHF	86.92	91.05
D. EPRA net initial yield	%	3.3	3.3
EPRA "topped-up" net initial yield	%	3.5	3.5
E. EPRA vacancy rate	%	8.1	5.0
F. EPRA cost ratio (including direct vacancy costs)	%	20.2	20.6
EPRA cost ratio (excluding direct vacancy costs)	%	18.1	18.3
G. EPRA like-for-like rental change	%	– 1.1	0.9
H. EPRA cap ex	CHF 1 000	101 511	318 119

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

The details for the calculation of the key figures are shown in the following tables:

A. EPRA earnings & EPRA earnings per share (EPS) (in CHF 1 000)	Restated 2017[1]	2018
Earnings per IFRS statement of profit or loss	**256 890**	**308 152**
Adjustments to calculate EPRA earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	– 83 253	– 166 692
Profits or losses on disposal of investment properties, development properties held for investment and other interests	– 627	– 2 472
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	– 19 614	– 10 484
Tax on profits or losses on disposals	4 336	2 660
Negative goodwill / goodwill impairment	n.a.	n.a.
Changes in fair value of financial instruments and associated close-out costs	n.a.	n.a.
Acquisition costs on share deals and non-controlling joint venture interests	n.a.	n.a.
Deferred tax in respect of EPRA adjustments	4 481	35 710
Adjustments to above in respect of joint ventures	n.a.	n.a.
Non-controlling interests in respect of the above	n.a.	n.a.
EPRA earnings	**162 212**	**166 874**
Average number of outstanding shares	45 867 891	45 867 891
EPRA EPS in CHF	**3.54**	**3.64**

1 Restated due to changes in accounting policies, see note 2.3 on page 48.

B. EPRA net asset value (NAV) (in CHF 1 000)	31 December 2017	31 December 2018
NAV per the financial statements	**3 988 560**	**4 156 908**
Effect of exercise of options, convertibles and other equity interests	n.a.	n.a.
Diluted NAV, after the exercise of options, convertibles and other equity interests	**3 988 560**	**4 156 908**
Include:		
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	0	0
Revaluation of own-used properties	1 031	1 268
Revaluation of other non-current investments	n.a.	n.a.
Revaluation of tenant leases held as finance leases	n.a.	n.a.
Revaluation of trading properties	12 660	24 652
Exclude:		
Fair value of financial instruments	29 698	19 247
Deferred tax	796 022	854 383
Goodwill as result of deferred tax	n.a.	n.a.
EPRA NAV	**4 827 972**	**5 056 457**
Number of outstanding shares	45 867 891	45 867 891
EPRA NAV per share in CHF	**105.26**	**110.24**

C. EPRA triple net asset value (NNNAV) (in CHF 1 000)	31 December 2017	31 December 2018
EPRA NAV	**4 827 972**	**5 056 457**
Include:		
Fair value of financial instruments	– 29 698	– 19 247
Fair value of debt	– 15 998	– 8 836
Deferred tax	– 795 400	– 851 880
EPRA NNNAV	**3 986 876**	**4 176 494**
Number of outstanding shares	45 867 891	45 867 891
EPRA NNNAV per share in CHF	**86.92**	**91.05**

D. EPRA net initial yield (NIY) (in CHF 1 000)	31 December 2017	31 December 2018
Investment property – wholly owned	6 963 632	7 366 770
Less developments	– 614 700	– 624 550
Gross up completed property portfolio valuation (B)	**6 348 932**	**6 742 220**
Annualised cash passing rental income	252 974	272 142
Property outgoings	– 45 502	– 46 558
Annualised net rents (A)	**207 473**	**225 584**
Add: notional rent expiration of rent free periods or other lease incentives	15 397	8 590
Topped-up net annualised rent (C)	**222 870**	**234 174**
EPRA NIY (A/B)	**3.3%**	**3.3%**
EPRA “topped-up” NIY (C/B)	**3.5%**	**3.5%**

Lease incentives include rent free periods for one up to six months and step up rents.

E. EPRA vacancy rate (in CHF 1 000)	**31 December 2017**	**31 December 2018**
Estimated rental value of vacant space (A)	24 027	14 670
Estimated rental value of the whole portfolio (B)	296 429	294 628
EPRA vacancy rate (A/B)	**8.1%**	**5.0%**

F. EPRA cost ratio (in CHF 1 000)	**2017**	**2018**
Administrative/operating expense line per IFRS income statement	55 016	57 519
Net service charge costs/fees	0	0
Management fees less actual/estimated profit element	48	39
Other operating income/recharges intended to cover overhead expenses less any related profits	0	0
Share of joint ventures expenses	0	0
Investment property depreciation	0	0
Ground rents payable	0	0
EPRA costs (including direct vacancy costs) (A)	**55 064**	**57 558**
Direct vacancy costs	5 732	6 342
EPRA costs (excluding direct vacancy costs) (B)	**49 332**	**51 216**
Gross rental income less ground rent costs	272 454	279 373
Gross rental income (C)	**272 454**	**279 373**
EPRA cost ratio (including direct vacancy costs) (A/C)	**20.2%**	**20.6%**
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**18.1%**	**18.3%**
Capitalised operating costs	**2 348**	**2 449**

Staff costs for the development of own projects amounting to CHF 2.6 million (2017: CHF 2.6 million) have been capitalised but are not excluded from table F. All costs directly associated with the purchase or construction of properties as well as all subsequent value-enhancing capital expenditures qualify as acquisition costs and are capitalised. Capitalised own services arising from the development of own projects are valued at production costs.

G. EPRA like-for-like rental change (in CHF 1 000)	2017	2018
Rental income	272 408	279 373
Acquisitions	– 703	– 6 507
Disposals	– 1 422	– 1 456
Developments	– 7 433	– 7 214
Properties' operating expenses	– 11 796	– 12 841
Rent-Free-Periods	3 498	5 511
Other	223	145
Total EPRA like-for-like net rental income	**254 775**	**257 011**
EPRA like-for-like change absolute	**– 2 718**	**2 236**
EPRA like-for-like change relative	**– 1.1%**	**0.9%**
EPRA like-for-like change by areas		
Zurich	0.4%	0.2%
Geneva	– 11.9%	6.6%
Basel	– 3.6%	– 0.7%
Bern	1.3%	2.5%
Lausanne	– 1.6%	– 3.2%
Other locations	0.6%	4.7%

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. The value of the portfolio on a like-for-like basis was up 2.3% from CHF 6.272 billion at the end of 2017 to CHF 6.419 billion at the end of 2018.

H. EPRA capex (in CHF 1 000)	2017	2018
Acquisitions	0	203 763
Development (ground-up/green field/brown field)	72 030	60 813
Like-for-like portfolio	26 472	51 444
Capitalised interests	3 009	2 100
Capital expenditure	**101 511**	**318 119**

For further information about EPRA, go to www.epra.com.

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

To the Management of

PSP Swiss Property Ltd, Zug

Zurich, 25 February 2019

Independent assurance report on the EPRA reporting

We have been engaged to perform a reasonable assurance engagement of the EPRA reporting containing the EPRA performance measures (pages 108 to 111) of PSP Swiss Property Ltd for the period ended 31 December 2018.

The EPRA reporting was prepared by Management of PSP Swiss Property Ltd based on the corresponding Best Practices Recommendations of the European Public Real Estate Association (EPRA) as published in November 2016.

Management's responsibility
The Management of PSP Swiss Property Ltd is responsible for the preparation of the EPRA reporting in accordance with the EPRA Best Practices Recommendations. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of an EPRA reporting that is free from material misstatement, whether due to fraud or error. Management is further responsible for the interpretation of the EPRA Best Practices Recommendations.

Independence and quality control
We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Ernst & Young Ltd applies *International Standard on Quality Control 1* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent practitioner's responsibility
Our responsibility is to express an opinion on the EPRA reporting based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information.* That standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the EPRA reporting containing the EPRA performance measures is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the amounts and disclosures in the EPRA reporting. The procedures selected

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depend on the practitioner's judgment, including the assessment of the risks of material misstatement of the EPRA reporting, whether due to fraud or error. In making those risk assessments, the practitioner considers internal control relevant to the entity's preparation of the EPRA reporting. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We performed the following procedures amongst others

- Inquiries with persons responsible for the preparation of the EPRA performance measures
- Assessing the EPRA performance measures regarding completeness and accuracy of the deductions from the underlying IFRS numbers derived from the consolidated financial statements of PSP Swiss Property Ltd as at 31 December 2018 or if applicable other internal source data

Opinion
In our opinion, the EPRA reporting of PSP Swiss Property Ltd containing the EPRA performance measures for the period ended 31 December 2018 is prepared, in all material respects, in accordance with the EPRA Best Practices Recommendations as published in November 2016.

Ernst & Young Ltd

Daniel Zaugg Tobias Meyer

Statement of profit or loss

(in CHF 1 000)	2017	2018	Note
Income from investments	400 000	0	
Other income	0	874	3.1
Total operating income	**400 000**	**874**	
Operating expenses	– 3 647	– 3 645	3.2
Depreciation of investments	– 400 000	0	
Total operating expenses	**– 403 647**	**– 3 645**	
Earnings before interest and taxes (ebit)	**– 3 647**	**– 2 771**	
Financial income	33 147	30 872	3.3
Financial expenses	– 27 707	– 24 485	3.4
Financial result	**5 440**	**6 387**	
Earnings before taxes (ebt)	**1 793**	**3 616**	
Direct taxes	– 25	– 446	
Net profit	**1 768**	**3 170**	

The notes are part of these financial statements.

Balance sheet

(in CHF 1 000)	31 December 2017	31 December 2018	Note
Cash and cash equivalents	16 124	10 511	
Trade receivables			
– to third parties	78	110	
– to investments	0	97	
Financial assets			
– Other financial assets	150 000	125 919	3.5
Total current assets	**166 202**	**136 638**	
Financial assets			
– Loans to investments	2 087 310	2 111 900	3.5
– Other financial assets	128 917	2 871	3.5
Investments	1 322 245	1 322 245	3.6
Total non-current assets	**3 538 471**	**3 437 016**	
Total assets	**3 704 674**	**3 573 654**	
Trade creditors			
– to third parties	320	368	
Other current liabilities			
– to third parties	40	40	
Interest-bearing debt			
– to third parties	0	620 000	3.7
– to investments	185	65	3.7
Deferred income and accrued expenses	11 871	10 794	
Total current liabilities	**12 416**	**631 266**	
Non-current interest-bearing debt			
– to third parties	2 495 003	1 895 003	3.7
– to investments	1 000	3 900	3.7
Total non-current liabilities	**2 496 003**	**1 898 903**	
Share capital	4 587	4 587	
Legal capital reserves			
– Statutory reserves from capital contributions	381	381	
General legal reserves	2 000	2 000	
Voluntary retained earnings			
– Statutory and regulative-decided retained earnings	1 071 962	1 031 974	
– Retained earnings	117 325	4 544	
Total shareholders' equity	**1 196 255**	**1 043 485**	
Total liabilities and shareholder's equity	**3 704 674**	**3 573 654**	

The notes are part of these financial statements.

Notes to the financial statements 2018

1 General information

PSP Swiss Property Ltd is a public company whose shares are traded on the SIX Swiss Exchange. The registered office is located at Kolinplatz 2, 6300 Zug. PSP Swiss Property Ltd was registered in the Commercial Register of the Canton of Zug on 28 July 1999.

The Company's purpose is the acquisition, holding and sale of participations in companies with the following main purposes:
- acquisition, holding and sale of real estate in Switzerland, which serve as permanent establishments
- acquisition, holding and sale of land abroad
- management and brokerage of land
- planning and execution of development and conversion projects of all kinds
- financing of group companies

The Company can incorporate or acquire, finance and participate in companies.

The financial statements of PSP Swiss Property Ltd for the year 2018 were authorised for issue by the Board of Directors on 25 February 2019.

2 Summary of significant accounting policies

2.1 Accounting principles (article 959c, paragraph 1 CO)

The present annual financial statements were drawn up in accordance with the provisions for accounting and reporting of Switzerland's Code of Obligations (CO). The major accounting and valuation principles, which are not already required by the Code of Obligations, are described below.

PSP Swiss Property prepares consolidated financial statements on a Group level according to recognised accounting standards. Therefore, the Company does not publish additional notes, a management report and a cash flow statement (article 961d CO).

2.2 Estimates and assumptions by the Executive Board

The preparation of consolidated financial statements in conformity with Switzerland's Code of Obligations requires the use of certain assumptions and estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. PSP Swiss Property makes estimates and assumptions concerning the future. The resulting accounting will not necessarily equal the later actual results.

2.3 Income from investments

Dividend income results from dividend payments from direct investments. These payments are recorded in PSP Swiss Property Ltd's income statement when they are made.

2.4 Financial result

Financial income consists basically of interests from loans to direct or indirect investments. Financial expenses mainly include interest expenses for financial liabilities to third parties.

2.5 Cash and cash equivalents

Liquid assets are shown in the balance sheet at their nominal value; they include cash, postal accounts and bank deposits.

2.6 Trade receivables

Trade receivables are recorded in the balance sheet at their nominal value. Trade receivables liable to default are evaluated on an individual basis and provisions for bad debts are made accordingly.

2.7 Loans to investments

Loans to direct or indirect investments are recorded in the balance sheet at their nominal value. If necessary, value adjustments are made for potential impairment losses.

2.8 Investments

Investments are recorded at historical costs and valued individually. If necessary, value adjustments are made for potential impairment losses.

2.9 Interest-bearing debt

Short- and long-term financial debts in the form of bank credit lines as well as any bank debts in the form of current account overdrafts are stated at their nominal value. Bonds are recognised at their nominal value; issuing costs and additional financing expenses are capitalised and amortised over the bonds' term.

2.10 Treasury shares

Treasury shares are deducted at historical costs from shareholders' equity (voluntary retained earnings) at the acquisition date. At the disposal date, sales proceeds are credited to shareholders' equity (voluntary retained earnings).

3 Information and comments on items on the balance sheet and the statement of profit or loss

3.1 Other income

(in CHF 1 000)	2017	2018
Other income	0	874
Total other income	**0**	**874**

Other income results from the reversal of accruals with respect to the former WTF joint venture.

3.2 Operating expenses

(in CHF 1 000)	2017	2018
Investor Relations / Company expenses	– 2 805	– 2 829
Management fees	– 701	– 724
Other general and administration expenses	– 141	– 92
Total operating expenses	**– 3 647**	**– 3 645**

3.3 Financial income

(in CHF 1 000)	2017	2018
Income from loans to investments	33 055	30 773
Other financial income	93	99
Total financial income	**33 147**	**30 872**

3.4 Financial expenses

(in CHF 1 000)	2017	2018
Interest expense for liabilities to third parties	– 25 881	– 21 552
Interest expense on cash and cash equivalents	– 76	– 86
Other financial expenses	– 1 750	– 2 847
Total financial expenses	**– 27 707**	**– 24 485**

3.5 Financial assets

(in CHF 1 000)	31 December 2017	31 December 2018
Fixed-term deposit	150 000	125 000
Other financial assets	0	919
Total short-term financial assets	**150 000**	**125 919**
Loans to investments	2 087 310	2 111 900
Fixed-term deposit	125 000	0
Other financial assets	3 917	2 871
Total long-term financial assets	**2 216 227**	**2 114 771**
Total financial assets	**2 366 227**	**2 240 690**

Financial investments are mainly loans to direct or indirect investments as well as one current fixed-term deposit.

3.6 Investments

(in CHF 1 000)	Registered office	Share capital 2017	Ownership 2017	Share capital 2018	Ownership 2018
Directly held investments					
PSP Participations Ltd	Zug	1 000 000	100%	1 000 000	100%
PSP Finance Ltd	Zug	1 000	100%	1 000	100%
Indirectly held investments					
PSP Group Services Ltd	Zurich	100	100%	100	100%
PSP Real Estate Ltd	Zurich	50 600	100%	50 600	100%
PSP Management Ltd	Zurich	100	100%	100	100%
PSP Properties Ltd	Zurich	9 919	100%	9 919	100%
Immobiliengesellschaft Septima AG	Zurich	5 700	100%	5 700	100%
SI 7 Place du Molard Ltd	Zurich	105	100%	105	100%
Associated companies					
IG REM	Zurich	n.a.	n.a.	n.a.	n.a.

None of these investments is listed on a stock exchange.

Together with two other companies, PSP Swiss Property holds a participation in the REM consortium (IG REM). IG REM deals with the maintenance, the further development and the distribution of the property management software "REM".

3.7 Interest-bearing debt

(in CHF 1 000)	31 December 2017	31 December 2018
Liabilities to banks	0	500 000
Liabilities to investments	185	65
Short-term bonds	0	120 000
Total current interest-bearing debt	**185**	**620 065**
Liabilities to banks	1 300 000	620 000
Liabilities to investments	1 000	3 900
Long-term bonds	1 195 003	1 275 003
Total non-current interest-bearing debt	**2 496 003**	**1 898 903**

Financial debt due to third parties consists of loans borrowed from various banks in the form of unsecured advances. Long-term debt includes loans which cannot be called in by a bank within twelve months. Short-term debt is any loan with a maximum term of one year.

At the end of 2018 (as at the end of 2017), no debt or loans were outstanding which were secured by mortgages on properties and no debt or loans were outstanding with an amortisation obligation.

3.8 Bonds according to article 959c, paragraph 4 CO

(in CHF 1 000)	Carrying value 01.01.17	Issue	Amortisation issue costs	Reclassification	Carrying value 31.12.17
1.000% bond, maturing 08.02.19	120 000	0	0	0	120 000
1.375% bond, maturing 04.02.20	200 000	0	0	0	200 000
0.045% bond, maturing 20.12.21	100 000	50 000	0	0	150 000
0.000% bond, maturing 01.09.23	125 000	175 000	0	0	300 000
0.500% bond, maturing 16.02.24	225 004	0	– 1	0	225 003
1.000% bond, maturing 06.02.25	100 000	0	0	0	100 000
0.375% bond, maturing 29.04.26	100 000	0	0	0	100 000
Total long-term bonds	**970 004**	**225 000**	**– 1**	**0**	**1 195 003**

(in CHF 1 000)	Carrying value 01.01.18	Issue	Amortisation issue costs	Reclassification	Carrying value 31.12.18
1.000% bond, maturing 08.02.19	n.a.	0	0	120 000	120 000
Total short-term bonds	**0**	**0**	**0**	**120 000**	**120 000**
1.000% bond, maturing 08.02.19	120 000	0	0	– 120 000	n.a.
1.375% bond, maturing 04.02.20	200 000	0	0	0	200 000
0.045% bond, maturing 20.12.21	150 000	0	0	0	150 000
0.060% bond, maturing 11.02.22	n.a.	100 000	0	0	100 000
0.000% bond, maturing 01.09.23	300 000	0	0	0	300 000
0.500% bond, maturing 16.02.24	225 003	0	– 1	0	225 003
1.000% bond, maturing 06.02.25	100 000	0	0	0	100 000
0.375% bond, maturing 29.04.26	100 000	100 000	0	0	200 000
Total long-term bonds	**1 195 003**	**200 000**	**– 1**	**– 120 000**	**1 275 003**

4 Further information

4.1 Information on the number of full-time positions

The Company does not employ any employees.

4.2 Major shareholders in accordance with article 663c CO

As at 31 December 2018, PSP Swiss Property Ltd was aware of the following major shareholders in accordance with article 663c of the Swiss Code of Obligations (shareholders with more than 5% of the voting rights):

Name	Domicile	Voting rights 31 December 2017	Voting rights 31 December 2018
Alony Hetz Properties & Investments Ltd	Ramat-Gan, Israel	12.21%	10.03%
Nominee exempt from reporting requirements (Chase Nominees Ltd)	London, UK	6.29%	11.04%
BlackRock Inc.	New York, N.Y., USA	5.95%	5.95%

Alony Hetz Properties & Investments Ltd, whose shares are listed on the stock exchange in Tel Aviv, is known as a long-term oriented institutional investor. The company is represented on PSP Swiss Property Ltd's Board of Directors by Nathan Hetz and Aviram Wertheim.

Details on the major shareholders in accordance with article 663c of the Swiss Code of Obligations and shareholders known to the Company with participations of 3% or more of the voting rights as well as the disclosures in accordance with article 120 ff. FMIA are shown in the “Corporate governance” section, figure 1.2, page 145.

At the end of the respective periods, the Members of the Board of Directors and the Executive Board held the following number of PSP shares:

		Number of shares
Participations of members of the Board of Directors (non-executive)	**31 December 2017**	**31 December 2018**
Luciano Gabriel, Chairman[1]	197 456	198 004
Corinne Denzler, Member	250	250
Adrian Dudle, Member	0	0
Prof. Dr. Peter Forstmoser, Member	2 000	2 000
Nathan Hetz, Member[2]	5 600 000	4 600 000
Josef Stadler, Member	168	168
Aviram Wertheim, Member	0	0
Total	**5 799 874**	**4 800 422**

1 Elected as Chairman at the Annual General Meeting of 5 April 2017.
2 Held by Alony Hetz Properties & Investments Ltd which is controlled by Nathan Hetz.

In 2018, no participation rights or options were allocated to Members of the Board of Directors.

		Number of shares
Participations of members of the Executive Board	**31 December 2017**	**31 December 2018**
Giacomo Balzarini, Chief Executive Officer/Chief Financial Officer	41 414	50 031
Adrian Murer, Chief Investment Officer	4 061	7 013
Martin Heggli, Chief Operating Officer	982	2 390
Total	**46 457**	**59 434**

Neither the Members of the Board of Directors nor the Members of the Executive Board held any options on PSP shares in 2018 or 2017. As in 2017, no loans were granted to Members of the Board of Directors or the Executive Board in 2018. As at the end of 2017, there were no claims on these Members at the end of 2018.

4.3 Compensations to the Members of the Board of Directors and the Executive Board

The disclosures required by the federal ordinance against excessive pay in stock exchange listed companies as well as the disclosure of the number and value of participation rights for Members of the Board of Directors and the Executive Board according to article 959c, paragraph 2 (11) CO are shown in the “Compensation report” on pages 128 to 130.

4.4 Treasury shares

	Number of registered shares	Cost/Sale value in CHF 1 000	Average transaction price in CHF
Purchases	15 128	1 382	91.33
Performance-based compensation in shares for the Executive Board	– 15 128	– 1 354	89.52
Effect of performance-based compensation		– 27	
31 December 2017	**0**	**n.a.**	**n.a.**
Purchases	13 576	1 307	96.26
Performance-based compensation in shares for the Executive Board	– 13 576	– 1 318	97.09
Effect of performance-based compensation		11	
31 December 2018	**0**	**n.a.**	**n.a.**

4.5 Contingent liabilities

With regard to value added tax, PSP Swiss Property Group companies are taxed on a Group level. As part of this Group, PSP Swiss Property Ltd bears joint and several liability to the tax authorities for their VAT obligations.

4.6 Subsequent events

Acquisitions: Retroactively per 1 January 2019, three properties in Bern's historic town were acquired for CHF 48 million. Also retroactively per 1 January 2019, the so-called "Carba portfolio" consisting of six properties in Bern-Liebefeld, valued at CHF 180.5 million, was acquired by purchase of shares.

Disposals: On 15 January 2019, the property located at Bernerstrasse Süd 167/169 in Zurich was sold for CHF 31 million. On 6 February 2019, the property located at Route des Arsenaux 41 in Fribourg was sold for CHF 30 million. And finally, the last freehold apartment on the Löwenbräu site in Zurich was sold for CHF 5.6 million on 16 January 2019.

On 8 February 2019, the 1.0% bond of CHF 120 million due was repaid. Also on 8 February 2019, a 0.7% bond with a volume of CHF 100 million and a maturity in 2027 was issued.

There were no further material subsequent events.

Board of Directors' proposal concerning the appropriation of the retained earnings

The Board of Directors will propose to the Annual General Meeting on 4 April 2019, the appropriation of the retained earnings 2018 and the statutory and regulative-decided retained earnings as well as the distribution of a dividend of **CHF 3.50 gross per share** to the shareholders as follows.

Retained earnings (in CHF 1 000)	2017	2018
Profit carried forward from the previous year	115 557	1 374
Net profit	1 768	3 170
Retained earnings	**117 325**	**4 544**
Allocation from statutory and regulative-decided retained earnings	40 000	157 000
Total available to the Annual General Meeting	**157 325**	**161 544**
Dividend payment of CHF 3.50 gross per share	– 155 951	– 160 538
Balance carried forward	**1 374**	**1 006**

If the proposal is approved, the statutory and regulative-decided retained earnings will change as follows:

Statutory and regulative-decided retained earnings (in CHF 1 000)	2017	2018
Balance carried forward from the previous year	1 071 990	1 031 962
Effect of performance-based compensation	– 27	11
Statutory and regulative-decided retained earnings	**1 071 962**	**1 031 974**
Transfer to retained earnings	– 40 000	– 157 000
Balance carried forward	**1 031 962**	**874 974**

If the proposal is approved, the dividend payment of CHF 3.50 gross per share – less withholding tax – is expected to be made from 10 April 2019 on. Accordingly, as of 8 April 2019, the shares will be traded ex-dividend.

The proposed dividend distribution is based on the Company's 45 867 891 registered shares. Any own shares owned by the Company are not entitled to dividend. The number of dividend-entitled shares is not determined until the payout record date. The amounts for the dividend distribution and the balance-carried forward may therefore change accordingly.

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
PSP Swiss Property Ltd, Zug

Zurich, 25 February 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of PSP Swiss Property Ltd, which comprise the balance sheet, income statement and notes (pages 114 to 123), for the year ended 31 December 2018.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements 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 entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

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.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and 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 retained earnings and statutory and regulative-decided retained earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Daniel Zaugg Licensed audit expert (Auditor in charge)	Tobias Meyer Licensed audit expert

Compensations of the Board of Directors and the Executive Board

Compensation report

The compensation report follows the requirements of the Swiss federal ordinance against excessive pay in stock exchange listed companies of 20 November 2013 (VegüV). It replaces the respective information in the notes to the financial statements pursuant to Article 663b^bis of the Swiss Code of Obligations (CO).

1 Compensation of the Board of Directors

Compensation to members of the Board of Directors (non-executive) business year 2017 (in CHF 1 000)	Fixed compensation in cash	Fixed compensation in shares	Other benefits	Employer contributions pension benefits[1]	Total compensation
Luciano Gabriel, Chairman[2]	120	0	0	3	123
Günther Gose, Chairman[3]	40	0	0	0	40
Corinne Denzler, Member	75	0	0	3	78
Adrian Dudle, Member	75	0	0	3	78
Peter Forstmoser, Member	75	0	0	0	75
Nathan Hetz, Member	91	0	0	3	94
Josef Stadler, Member	75	0	0	3	78
Aviram Wertheim, Member	107	0	0	4	111
Total	**658**	**0**	**0**	**19**	**677**

1 The mandatory employer contributions to the company pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 19 that entitles to the maximum AHV pension benefits – included as compensation elements and listed under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 31. No non-executive member is insured under a company pension scheme.
2 Elected as Chairman at the Annual General Meeting of 5 April 2017.
3 Until the Annual General Meeting of 5 April 2017.

Compensation to members of the Board of Directors business year 2018 (in CHF 1 000)	Fixed compensation in cash	Fixed compensation in shares	Other benefits	Employer contributions pension benefits[1]	Total compensation
Luciano Gabriel, Chairman	160	0	0	2	162
Corinne Denzler, Member	75	0	0	3	78
Adrian Dudle, Member	75	0	0	3	78
Peter Forstmoser, Member	75	0	0	0	75
Nathan Hetz, Member	99	0	0	0	99
Josef Stadler, Member	75	0	0	3	78
Aviram Wertheim, Member	99	0	0	4	103
Total	**658**	**0**	**0**	**15**	**673**

1 The mandatory employer contributions to the company pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 15 that entitles to the maximum AHV pension benefits – included as compensation elements and listed under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 32. No non-executive member is insured under a company pension scheme.

2 Compensation of the Executive Board

Compensations to members of the Executive Board (incl. executive member of the Board of Directors) business year 2017 (in CHF 1 000)	Fixed compensation in cash	Performance-based compensation in cash	Other benefits	Performance-based compensation in contractual blocked shares[1]		Employer contributions pension benefits[2]	Total compensation
				Amount	in number of shares		
Luciano Gabriel, Delegate of the Board of Directors and Chief Executive Officer[3]	221	0	0	286	3 166	56	563
Giacomo Balzarini, Chief Executive Officer/ Chief Financial Officer[4]	618	90	0	734	8 114	116	1 558
Adrian Murer, Chief Investment Officer	452	286	0	286	3 166	81	1 106
Martin Heggli, Chief Operating Officer[5]	204	107	0	107	1 188	21	440
Ludwig Reinsperger, Chief Investment Officer[6]	42	27	0	27	296	13	108
Total	**1 537**	**510**	**0**	**1 441**	**15 930**	**287**	**3 775**

1 Allocated at the market value per share (average of daily closing prices week 50/2017: CHF 90.45).
2 The mandatory employer contributions to the state pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 11 that entitles to the maximum AHV pension benefits – included as compensation element and listed – together with the employer contributions to the company pension scheme – under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 167. The performance-based compensation is not insured under the company pension schemes; the fixed compensation only up to an amount of TCHF 700.
3 Until 31 March 2017.
4 Until 31 March as Chief Financial Officer, as from 1 April 2017 as Chief Executive Officer/Chief Financial Officer.
5 As of 1 April 2017.
6 The information includes the compensation owed during the 12 months' notice period, which encompasses for the business year the fixed and perfomance-based compensation, the other benefits and the employer contributions for January 2017.

Compensations to members of the Executive Board business year 2018 (in CHF 1 000)	Fixed compensation in cash	Performance-based compensation in cash	Other benefits	Performance-based compensation in contractual blocked shares[1]		Employer contributions pension benefits[2]	Total compensation
				Amount	in number of shares		
Giacomo Balzarini, Chief Executive Officer/ Chief Financial Officer	652	0	0	866	8 745	126	1 643
Adrian Murer, Chief Investment Officer	452	289	0	289	2 915	82	1 111
Martin Heggli, Chief Operating Officer	272	144	0	144	1 458	28	589
Total	**1 376**	**433**	**0**	**1 298**	**13 118**	**236**	**3 343**

1 Allocated at the market value per share (average of daily closing prices week 50/2018: CHF 98.97).
2 The mandatory employer contributions to the state pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 11 that entitles to the maximum AHV pension benefits – included as compensation element and listed – together with the employer contributions to the company pension scheme – under employer contributions pension benefits. The total employer contributions to the social security insurances (AHV/IV/EO) amount to TCHF 148. The performance-based compensation is not insured under the company pension schemes; the fixed compensation only up to an amount of TCHF 700.

3 Additional comments and information

The listed compensations refer to the 2018 business year and are disclosed according to the accrual principle (relating to the period of service and independent of the payment flows).

The compensation system and the compensations 2018 compared to those of the previous year are lined out in the following explanations on page 132 ff.

Further details as to the provisions of the Articles of Association on the compensations of the Board of Directors and the Executive Board are shown in section 5.2 of the Corporate Governance report on page 160 ff.

In the 2018 business year, as in the previous year, no loans and credits were granted to present or past members of the Board of Directors or the Executive Board respectively their related parties. In addition, as per 31 December 2018 – as likewise per 31 December 2017 – there were no such claims vis-à-vis of this group of people.

In the 2018 business year, legal fees of TCHF 4 were paid to the lawyers of the law firm Niederer Kraft Frey Ltd, Zurich, where Mr. Peter Forstmoser holds the position of a partner (2017: TCHF 18). No legal fees were paid to Mr. Forstmoser himself. Since 2001, there has been a lease contract, according to which Niederer Kraft Frey Ltd leases storage facilities from PSP Swiss Property with an annual rent of TCHF 100 p.a. in the reporting year (2017: TCHF 119). For Niederer Kraft Frey Ltd as well as for PSP Swiss Property, this annual rent is marginal and therefore neglectable compared to legal fee turnover respectively rental income (see the respective confirmation of Mr. Peter Forstmoser at www.psp.info > company > governance > corporate covernance).

Further, in the 2018 business year, fees of TCHF 11 were paid for the implementation of a social media presence of the company to a communication firm owned by a related party of Mr. Adrian Dudle. No fees were paid to Mr. Dudle himself.

In the 2018 business year, as in the previous year, no further disclosable compensations were paid directly or indirectly to present or past members of the Board of Directors or the Executive Board respectively their related parties.

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zürich

Telefon: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
PSP Swiss Property Ltd, Zug

Zurich, 25 February 2019

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of PSP Swiss Property Ltd (pages 128 to 130) for the year ended 31 December 2018.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

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

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

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2018 of PSP Swiss Property Ltd complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Daniel Zaugg
Licensed audit expert
(Auditor in charge)

Tobias Meyer
Licensed audit expert

Explanations on the compensation system

1 Key features of the compensation system

The compensation system for the Board of Directors and the Executive Board of PSP Swiss Property is laid down in the Articles of Association (see Articles 22 ff. of the Articles of Association) and can be summarized for the **2018 business year** as follows:

- *The compensations of the members of the Board of Directors and the Executive Board are determined adequately and in line with market by the Board of Directors based on the proposal of the Compensation Committee.*

- *The members of the Board of Directors exclusively receive a fixed compensation, payable in cash and/or in equity securities.*

- *The members of the Executive Board receive a fixed compensation in cash and a variable, performance-based compensation, payable in cash and/or equity securities or option rights.*

- *The variable, performance-based compensation of the Executive Board is calculated pursuant to a formula – as explained in section 5.2 below – taking mainly into account the net earnings per share (EPS) without gains/losses on real estate investments and its change compared to the previous year. It is paid in shares with a contractual blocking period of three years, for the Chief Executive Officer (CEO) in 100% of such shares, for the remaining members of the Executive Board in 50% of such shares.*

- *As from 2015, the Annual General Meeting approves with binding effect and prospectively the maximum total amounts of compensations for the Board of Directors (for the period until the next Annual General Meeting) and for the Executive Board (for the next business year).*

- *As from 2015, the shareholders have a say on pay by way of an advisory vote on the compensation report.*

These key features remained the same as in the previous business year.

2 Determination of the compensations

The procedure for determination of the compensations of the members of the Board of Directors and the Executive Board was effective – without change compared to the previous year – for the **entire 2018 business year**.

The compensations are discretionary determined by the Board of Directors both adequately and in line with market and they are reviewed periodically. The Compensation Committee submits respective proposals to the Board of Directors, namely as to the compensation principles, the individual compensations and the corresponding employment contracts respectively mandates (for specific activities in the reporting year, see section 6 below).

The Board of Directors submits annually, based on the proposal of the Compensation Committee, the maximum total amounts of the compensations for the Board of Directors (for the period until the next Annual General Meeting) and for the Executive Board (for the next business year) to the Annual General Meeting for approval. The compensations determined by the Board of Directors are subject to such approvals by the Annual General Meeting. The employment contracts of the members of the Executive Board contain a corresponding proviso.

In the meetings of the Compensation Committee, the other members of the Board of Directors and the members of the Executive Board do not take part in general. The Chairman of the Board of Directors, the CEO and other invitees, however, may attend the meetings upon invitation of the Chairman of the Compensation Committee. They have only advisory vote. All members of the Board of Directors have access to the minutes of the Compensation Committee (for the work method of the Compensation Committee in the reporting year, see also section 3.4.2 f. on page 154 f. of the Corporate Governance report).

These procedures have not changed compared to the previous year.

3 Compensation Committee

The members of the Compensation Committee are elected at the Annual General Meeting for a **term of office of one year** until the next Annual General Meeting. The Compensation Committee constitutes itself. **After the elections at the Annual General Meeting of 5 April 2018,** it is composed as follows:

Members	For the first time elected by the Annual General Meeting
Peter Forstmoser, Chairman	Annual General Meeting 2014
Adrian Dudle	Annual General Meeting 2016
Nathan Hetz	Annual General Meeting 2014
Josef Stadler	Annual General Meeting 2014

4 The compensations of the Board of Directors

4.1 Basis and elements of the compensations of the Board of Directors

The basis and elements of the compensations of the Board of Directors were effective – without change compared to the previous year – for the **entire 2018 business year:**

- *Non-executive members of the Board of Directors receive a **fixed compensation**, payable in cash and/or equity securities.*

- *The company pays the **employer's contributions to social security insurances (AHV/IV/EO/ALV)** and to the compulsory family compensation fund as well as allowances for out-of-pocket business expenses, which are not part of the salary. Only the employer contributions to the state pension scheme (Old Age and Survivors' Insurance, "AHV") are – to the extent that they entitle to the maximum AHV pension benefits – regarded as compensation element.*

- *Executive members of the Board of Directors, if any, are remunerated as members of the Executive Board and do not receive an additional remuneration for activities as members of the Board of Directors. Respective compensations are disclosed – and approved by the General Meeting – as part of the compensations of the Executive Board.*

- *The activities and the chairmanship in the Committees are not separately remunerated.*

- *Non-executive members of the Board of Directors are not insured under an employee pension scheme.*

4.2 The amounts of compensations of the members of the Board of Directors

The last modification of the **fixed compensations** of the Board of Directors was made on **18 August 2008** and the respective amounts have **remained unchanged since, also for the reporting year:**

- *The Chairman of the Board of Directors receives an annual gross compensation of CHF 160 000, irrespective of the number of meetings of the Board of Directors.*

- *A member of the Board of Directors receives an annual gross compensation of CHF 75 000 and an additional CHF 8 000 gross for each meeting of the Board of Directors in excess of six meetings.*

- *Members of the Board of Directors who travel from abroad receive an additional CHF 8 000 gross for each meeting of the Board of Directors.*

- *The activities and chairmanship in the Committees are not separately remunerated.*

The compensations of the members of the Board of Directors for the 2018 business year are set out in **section 1** of the compensation report.

4.3 Addendum: The compensations of the members of the Board of Directors for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018

The Annual General Meeting of 5 April 2017 has approved a maximum total amount of compensations for the members of the Board of Directors, including the Chairman, of TCHF 1 000 until the Annual General Meeting 2018. Such amount was calculated based on the assumption of a maximum of ten Board Meetings during the term of office. Because at the time of the publication of the 2017 compensation report on 26 February 2018 the number of Board Meetings to be held until the Annual General Meeting 2018 was still uncertain, the total amount of compensations could only be stated tentatively therein with an amount of TCHF 678. The definite total amount of compensations is **TCHF 677** and is composed as follows:

Total compensations of the Board of Directors[1] (in CHF 1 000)	from AGM 2017 to 31 December 2017	from 1 January 2018 to AGM 2018	from AGM 2017 to AGM 2018[2]
Luciano Gabriel, Chairman	123	41	164
Corinne Denzler, Member	59	20	78
Adrian Dudle, Member	59	20	78
Peter Forstmoser, Member	56	19	75
Nathan Hetz, Member	67	27	93
Josef Stadler, Member	59	20	78
Aviram Wertheim, Member	83	28	111
Total	**504**	**173**	**677**

1 See section 1 of the compensation report.
2 Inclusive of the mandatory employer contributions to the state pension scheme (Old Age and Survivors' insurance, "AHV") that entitle to the maximum AHV pension benefits in the amount of TCHF 19.

The total amount of compensations for the members of the Board of Directors of **TCHF 677** (previous period: TCHF 683) for the period from the Annual General Meeting 2017 to the Annual General Meeting 2018 was thus well **below the approved maximum total amount of TCHF 1 000.**

4.4 The compensations of the members of the Board of Directors for the period from the Annual General Meeting 2018 to the Annual General Meeting 2019

The Annual General Meeting of 5 April 2018 has approved a maximum total amount of compensations for the Board of Directors of **TCHF 1 000 until the Annual General Meeting 2019** (previous period: TCHF 1 000). Such amount was calculated based on the assumption of a maximum of ten Board Meetings during the term of office.

The compensations for the 2018 business year are listed in section 1 of the compensation report. They amount to TCHF 673 in total (previous year: TCHF 677). The compensations for the period from the Annual General Meeting 2018 to 31 December 2018 are based on three Board Meetings and total TCHF 501. On the assumption that only one more ordinary Board Meeting will be held until the Annual General Meeting 2019, such amount will increase by TCHF 172 to **TCHF 672**.

Total compensations of the Board of Directors[1, 2] (in CHF 1 000)	from AGM 2018 to 31 December 2018	from 1 January 2019 to AGM 2019[3]	from AGM 2018 to AGM 2019[3]
Luciano Gabriel, Chairman	121	40	161
Corinne Denzler, Member	59	20	78
Adrian Dudle, Member	59	20	78
Peter Forstmoser, Member	56	19	75
Nathan Hetz, Member	72	27	99
Josef Stadler, Member	59	20	78
Aviram Wertheim, Member	75	28	103
Total	**501**	**172**	**672**

1 See section 1 of the compensation report.
2 Inclusive of the mandatory employer contributions to the state pension scheme (Old Age and Survivors' insurance, "AHV") that entitle to the maximum AHV pension benefits in the amount of TCHF 14.
3 Based on the assumption of one Board Meeting from 1 January 2019 until AGM 2019 with all members participating.

Thus, the compensations for the members of the Board of Directors for the current term of office will most likely be **below the approved maximum amount of TCHF 1 000.** The Board of Directors will disclose the definite total amount of compensations in the 2019 compensation report.

5 The compensations of the Executive Board

5.1 Basis and elements of the compensations of the Executive Board

The basis and the elements of the compensations of the members of the Executive Board were effective – without change compared to the previous year - for the **entire 2018 business year:**

- *The Chief Executive Officer (CEO) and the other members of the Executive Board receive a* ***fixed compensation in cash and a variable, performance-based compensation.***

- *The* ***performance-based compensation*** *is calculated in full by applying a mathematical* ***formula*** *as further* ***described under section 5.2 below****. It may be paid in cash and/or by granting of equity securities or option rights.*

- *The performance-based compensation of the CEO is paid* ***100% in shares with a contractual blocking period of three years,*** *while such compensation of the other members of the Executive Board is paid* ***in cash (one half) and in shares with a blocking period of three years (one half).*** *When granting shares, the amount of compensation equals the market value of such shares at the time of allocation. The value will be derived from the stock market price at the day of allocation or an average stock market price of prior trading days.*

- *For the purposes of the* ***employee pension scheme*** *(obligatory and over-obligatory components), only the fixed compensation up to CHF 700 000 is insured; the performance-based compensation is not insured*[1]*.*

- *The employer pays the* ***employer's contributions to the social security insurances (AHV/IV/EO/ALV).*** *However, only such partial amount of the employer's contributions to the state pension scheme (Old Age and Survivors' Insurance, "AHV") that entitle to the maximum AHV pension benefits are regarded as compensation element.*

- *The employer reimburses* ***out-of-pocket business expenses*** *by lump sum payments according to its business expenses policy as approved by the tax authorities. It also pays the premiums of risk insurances (for accidents and daily allowances during illness) and the employer's contributions to the compulsory family compensation fund. These payments, premiums and contributions respectively are not part of the compensations.*

In addition, as from 2018, **share ownership guidelines** apply to the Chief Executive Officer, prescribing a holding of a minimum number of **22 000 shares of the company**, which number was based on **three times** the amount of the CEO's **annual fixed compensation 2018** and the **average of the end of day share prices of week 50/2017**, i.e. CHF 90.45.

1 The merger of the obligatory and over-obligatory employee pension plans mentioned in note 2.7 of the consolidated financial statements on page 57 ff. did not change the pension scheme coverage in place for the Executive Board. As it was the case since the inception of the respective pension scheme, the members of the Executive Board were insured under identical plans with the members of the senior management, which plans insure 15% of all employees.

Presentation of the elements of the total compensation of a member of the Executive Board:

Fixed compensation	Variable, performance-based compensation	Employer contributions for pension benefits
– Gross, in cash	– According to the formula – Gross, in cash and/or equity securities/option rights	– Employer's contributions to the employee pension scheme, only for fixed compensations up to a maximum of CHF 700 000; performance-based compensations are not insured – Employer's contributions to the state pension scheme (AHV) *(partial amount)*

5.2 The performance-based compensation

The basis and the formula for the calculation of the variable, performance-based compensation of the members of the Executive Board were effective – without change compared to the previous year – for the **entire 2018 business year**.

With the **performance-based compensation,** a sustainable maximisation of the net earnings per share (EPS) and of the net asset value per share (NAV) shall be targeted and honoured. The amount of the performance-based compensation shall be derived from the overall economic results of the Company, whereas the net earnings per share (EPS) exclusive of gains/losses on real estate investments have priority.

The specific amount of the performance-based compensation is calculated entirely based on a **mathematical formula** as set out below. The formula takes mainly into account the EPS excluding gains/losses on real estate investments (see the respective definition on page 91, note 30) of the respective business year, its difference to the previous business year as well as a multiplier. The multiplier is individually set forth for each member of the Executive Board (the "individual factor"). Except for such individual factors, the formula is **identical for each member of the Executive Board.** The formula and the individual factors are contained in their respective **employment contracts.**

$$\textbf{Performance-based compensation} = K \times (1.60 \times EPS^{\,w/o\,\Delta RE} + 0.40 \times EPS^{\,\Delta RE} + 2.00 \times \Delta EPS^{\,w/o\,\Delta RE})$$

Legend:

K = Individual Factor
$EPS^{\,w/o\,\Delta RE}$ = EPS (excluding gains/losses on real estate investments)
$EPS^{\,\Delta RE}$ = Contribution of gains/losses on real estate investments to the EPS
$\Delta EPS^{\,w/o\,\Delta RE}$ = Difference in EPS (excluding gains/losses on real estate investments) compared to the previous year

K for Giacomo Balzarini = 120 000 (2017: 120 000, respectively 100 000 as CFO and member of the Executive Board until 31 March 2017)
K for Martin Heggli = 40 000 (2017: 40 000 as COO and member of the Executive Board as from 1 April 2017)
K for Adrian Murer = 80 000 (2017: 80 000)

The size of the real estate portfolio itself is consciously not taken into account for the formula, because acquisitions are not a primary goal but a means to increase the EPS. Not only the absolute amount of EPS (excl. gains/losses on real estate investments) is considered, but also its change. A positive (negative) change in EPS (excl. gains/losses on real estate investments) compared to the previous year has a positive (negative) impact on the compensation. If the formula results in a negative figure for the performance-based compensation, it will not be deducted from the respective fixed compensation, it will, however, be carried forward to the following years. In this case, payments of variable compensations will only be made when all loss carry-forwards have been compensated ("catch up").

5.3 Individual caps and approval required by the Annual General Meeting

Each employment contract contains an **individual maximum amount** ("cap") of the **maximum total compensation owed** by the employer per calendar year. Such caps were for the 2018 business year: TCHF 2 200 for Mr. Giacomo Balzarini (2017: TCHF 2 200 as CEO/CFO as from 1 April 2017; TCHF 1 600 as CFO until 31 March 2017); TCHF 1 500 for Mr. Adrian Murer (2017: TCHF 1 500) and TCHF 800 for Mr. Martin Heggli (2017: TCHF 800 as COO as from 1 April 2017).

The **maximum amount of the performance-based compensation** for each member of the Executive Board can be calculated by deducting from the above mentioned caps (i) the fixed compensation and (ii) the employer contributions for pension benefits relating thereto. For the 2018 business year such calculation results in the following caped amounts for the perfomance-based compensations: TCHF 1 423 for Mr. Giacomo Balzarini (2017: TCHF 1 316), TCHF 966 for Mr. Adrian Murer (2017: TCHF 967) and TCHF 500 for Mr. Martin Heggli (2017: TCHF 375).

In addition, the employment contracts contain **a proviso as to the approval** of the maximum total amount of compensations of the Executive Board by the Annual General Meeting.

5.4 Compensations of the Executive Board 2018

The compensations of the Chief Executive Officer (CEO) and the other members of the Executive Board are determined in the **respective individual employment contracts,** which were entered into with **Mr. Giacomo Balzarini** and **Mr. Martin Heggli** as per taking their new positions as **CEO/CFO** and **COO respectively, on 1 April 2017,** and with **Mr. Adrian Murer** as per taking office as **CIO on 1 July 2016.**

The employment contracts, containing namely the discretionary determined fixed and performance-based compensations, including the individual cap, the formula and the individual factor "K", all as described in **section 2** of the compensation report and in sections 5.2 and 5.3 above respectively, were effective for **the entire 2018 business year** and without changes in comparison to the previous year (based on the same functions), namely as regards the cap, the formula and the individual factors "K".

The compensations of each member of the Executive Board for the **2018 business year** are listed in **section 2** of the compensation report and can be summarized as follows:

Executive Board compensations (in CHF 1 000)	**Fixed compensations**		**Other benefits**		**Employer contributions pension benefits**		**Performance-based compensation**[1]		**Total compensations**		
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	Δ
Giacomo Balzarini[2]	652	618	0	0	126	116	866	823	1 643	1 558	85
Martin Heggli[3]	272	204	0	0	28	21	289	215	589	440	149
Adrian Murer	452	452	0	0	82	81	577	573	1 111	1 106	5
Luciano Gabriel[4]	–	221	–	0	–	56	–	286	–	563	– 563
Ludwig Reinsperger[5]	–	42	–	0	–	13	–	54	–	108	– 108
Total	**1 376**	**1 537**	**0**	**0**	**236**	**287**	**1 731**	**1 951**	**3 343**	**3 775**	**– 432**

1 The ratios compared to the fixed compensations are for Giacomo Balzarini 133% (2017: 133%), for Martin Heggli 106% (2017: 105%) and for Adrian Murer 128% (2017: 127%).
2 CFO until 31 March 2017; CEO/CFO as from 1 April 2017.
3 Taking office in the Executive Board on 1 April 2017.
4 Until leaving the Executive Board on 31 March 2017.
5 Leaving the Executive Board end of January 2016, with 12 months' notice period until end of January 2017, pro-rated for January 2017.

The **total amount of compensations** amounted to **TCHF 3 343** (2017: TCHF 3 775). Compared to the previous year, this means a **decrease of TCHF 432**. This decrease is mainly due to the above mentioned changes in the Executive Board and the effects of the respective new employment contracts with the CEO/CFO and COO respectively.

The **performance-based compensations** decreased in comparison with the previous year from TCHF 1 951 to **TCHF 1 731**, mainly driven by the effects of the new employment contracts mentioned above. On a like-for-like basis and due to a **positive change in the earnings per share** used in the formula (CHF 6.72; 2017: CHF 5.61) on the one side and a **slightly negative change in the earnings per share excluding gains/losses on real estate investments** (CHF 3.84; 2017: CHF 3.89) on the other side, the performance-based compensations only increased minimally compared to the previous year.

The **shares for the 2018 business year** were allocated based on the average of the end of day share prices of week 50/2018, i.e. CHF 98.97 (2017: CHF 90.45).

5.5 Compensations of the Executive Board for the 2018 business year within the approved total amount

The Annual General Meeting of 5 April 2017 has approved a maximum total amount of compensations for the Executive Board of **TCHF 4 500 for the 2018 business year** (2017: TCHF 5 700). This prospectively approved total amount was sufficient for the actually incurred compensations of the members of the Executive Board of **TCHF 3 343** (see section 5.4 above).

5.6 Shareholdings of the members of the Executive Board

As already in previous years, the actual members of the Executive Board participated in the success of the company in the 2018 business year through their personal shareholdings and they will continue to do so in the future:

	Number of shares	
Shareholdings of members of the Executive Board	31 December 2018	31 December 2017
Giacomo Balzarini, Chief Executive Officer/Chief Financial Officer[1]	50 031	41 414
Martin Heggli, Chief Operating Officer	2 390	982
Adrian Murer, Chief Investment Officer	7 013	4 061
Total	**59 434**	**46 457**

1 The shareholding of Mr. Balzarini was within the applicable CEO share ownership guidelines, see section 5.1 above.

6 Compensation-related activities in respect to the reporting year

For the reporting year, the Board of Directors has not seen any reason to change the compensations of the Board of Directors and the Executive Board in comparison to the 2017 business year. Thus, in the 2018 business year, the basis applicable to the Board of Directors since 18 August 2008 (see section 4.2 above) and the basis applicable to the Executive Board in its composition as of 1 April 2017 (see section 5.4 above) remained unchanged. Only, the Board of Directors has, upon recommendation of the Compensation Committee, approved the CEO share ownership guidelines as described above in section 5.1.

Proposals to the Annual General Meeting 2019

The Board of Directors will submit the following compensation-related proposals to the Annual General Meeting of Thursday, 4 April 2019. Details will be stated in the invitation to the Annual General Meeting, which will govern in any event.

1 Advisory vote on the compensation report

The Board of Directors has decided to submit the 2018 compensation report to the Annual General Meeting for approval by way of non-binding advisory vote.

2 Approval of the maximum total amount of compensations for the Board of Directors until the Annual General Meeting 2020

In accordance with the Articles of Association, the Board of Directors will propose to the Annual General Meeting 2019 to approve the maximum total amount of compensations for the Board of Directors from the Annual General Meeting 2019 **until the Annual General Meeting 2020.**

The **maximum total amount** will be calculated based on the **sum of the fixed compensations – which remained unchanged compared to the previous year** – of the seven current members of the Board of Directors (including the Chairman) proposed for re-election and the **potential additional amounts** payable to members arriving from abroad and on the assumption of a maximum of ten board meetings during the term of office. The proposed maximum total amount is **CHF 1 000 000** (previous period: CHF 1 000 000). For details, refer to the invitation to the Annual General Meeting of 4 April 2019.

3 Approval of the maximum total amount of compensations for the Executive Board for the 2020 business year

In accordance with the Articles of Association, the Board of Directors will propose to the Annual General Meeting 2019 to approve the maximum total amount of compensations for the Executive Board **for the 2020 business year.**

The maximum total amount is calculated based on the **sum of the individual caps of the maximum compensations payable** to the current members of the Executive Board **per calendar year** as contained in their employment contracts and amounts to **CHF 4 500 000** (previous period: CHF 4 500 000). For details, refer to the invitation to the Annual General Meeting of 4 April 2019.

The actual compensations for the 2020 business year will be established on the basis of the employment contracts and the 2020 business year results. They will be shown in detail in the 2020 compensation report, which will be submitted to the Annual General Meeting 2021 for approval by way of non-binding advisory vote.

Corporate Governance

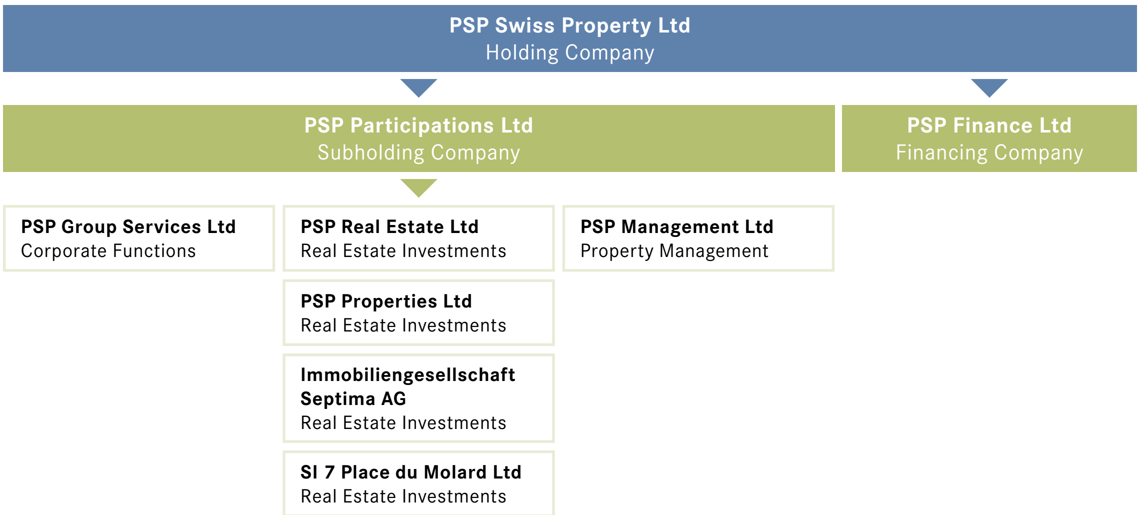
Corporate Governance

This Corporate Governance report shows generally the situation as at 31 December 2018 and follows the Directive of 20 March 2018 of the SIX Exchange Regulation on Information relating to Corporate Governance ("DCG")[1].

References made in this Corporate Governance report to Articles of Association relate to the Company's Articles of Association of 3 April 2014[2].

1 Group structure and shareholders

1.1 Group structure[3]



(English company names only when entered in the Commercial Register.)

Listed holding company

Company	PSP Swiss Property Ltd
Registered office	Zug, Switzerland
Listing	SIX Swiss Exchange, Zurich
Market capitalisation 31 December 2018	CHF 4.442 billion
PSP shares held by subsidiaries	0%
Symbol	PSPN
Security number	1829415
ISIN	CH 0018294154

Non-listed participations

See note 3.6 on page 119 of PSP Swiss Property Ltd's annual financial statements.

1 Available at: www.six-exchange-regulation.com > Regulations > Issuer Regulations > Directive Corporate Governance
2 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA
Only the German original of the Articles of Association is legally binding.
3 After 31 December 2018, PSP Participations Ltd acquired on 31 January 2019 100% of the shares of Carba Immobilien AG domiciled in Muri/Bern (business segment Real Estate Investments).

Business segments

For information about the three business segments of PSP Swiss Property, which did not change compared to the previous business year, namely Real Estate Investments, Property Management and Holding (corporate functions), see note 4 on page 65 ff. of the consolidated financial statements.

1.2 Major shareholders as at 31 December 2018

The information about major shareholders (voting rights > 3%) is based on entries in the share register and statements or disclosure notifications, respectively, made by the shareholder. In the reporting year, there were three disclosure notifications/publications reported on the electronic disclosure platform for the disclosure of shareholdings of the Disclosure Office of SIX Swiss Exchange[4].

The following major shareholders are known by the Company:

(a) ***According to the information*** given by **Alony Hetz Properties & Investments Ltd,** Ramat-Gan, Israel, the company held 4 600 000 shares, corresponding to 10.03% of the voting rights (31 December 2017: 5 600 000 shares). There was no disclosure notification in the reporting year.

(b) **Credit Suisse Funds AG,** Zurich, to the extent of 3.01% of the voting rights, pursuant to the ***disclosure notification/publication on 14 February 2018[5].***

(c) **BlackRock, Inc.,** New York, N.Y., United States of America, to the extent of 5.86% of the voting rights (purchase position) respectively 0.09% (sale position), pursuant to the ***latest disclosure notification/ publication on 2 September 2017.*** There was no disclosure notification in the reporting year.

(d) **UBS Fund Management (Switzerland) AG,** Basel, to the extent of 3.06% of the voting rights, pursuant to the ***latest disclosure notification/publication on 13 July 2017.*** There was no disclosure notification in the reporting year.

(e) **T. Rowe Price Associates, Inc.,** Baltimore, MD, United States of America, to the extent of 3.04% of the voting rights, pursuant to the ***latest disclosure notification/publication on 8 October 2015***. There was no disclosure notification in the reporting year.

(f) **One nominee exempt from reporting requirements** to the extent of 11.04% of the voting rights (Chase Nominees Ltd, London, United Kingdom; 6.29% in the previous year).

1.3 Cross-shareholdings

As at 31 December 2018, there were no cross-shareholdings.

4 Further details on the disclosure notifications are shown under: www.six-exchange-regulation.com > Publications > Significant Shareholders
5 Pursuant to the latest disclosure notification/publication on 30 January 2019, Credit Suisse Funds AG, Zurich, holds 2.98% of the voting rights.

1.4 Shareholders as at 31 December 2018

Distribution of PSP shares

Number of registered shares	Registered shareholders		Registered shares		Non-registered shares		Total number of issued shares
	Number	%	Number	% issued shares	Number	% issued shares	
1 to 1 000	3 803	82.19	898 353	1.96			
1 001 to 10 000	585	12.64	1 873 088	4.08			
10 001 to 100 000	188	4.06	5 997 059	13.08			
100 001 to 1 000 000	46	1.00	10 849 012	23.65			
1 000 001 to 1 376 036	3	0.07	3 266 462	7.12			
1 376 037 (3%) to 2 293 394	0	0	0	0			
2 293 395 (5%) and above	2	0.04	9 664 676	21.07			
Total registered shareholders/shares	**4 627**	**100.00**	**32 548 650**	**70.96**			
Total non-registered shares					**13 319 241**	**29.04**	
Total							**45 867 891**

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Individuals	3 959	85.56	2 761 898	8.49
Legal entities	668	14.44	29 786 752	91.51
(thereof nominees/trustees)	(38)	(0.82)	(8 642 988)	(26.55)
Total	**4 627**	**100.00**	**32 548 650**	**100.00**
Switzerland	4 358	94.19	18 407 790	56.55
Europe (excluding Switzerland)	211	4.56	8 427 179	25.89
North America	25	0.54	1 038 035	3.19
Other countries	33	0.71	4 675 646	14.37
Total	**4 627**	**100.0**	**32 548 650**	**100.0**

2 Capital structure

2.1 Share capital as at 31 December 2018

Share capital	Total	Number of registered shares	Nominal value per share
Share capital	CHF 4 586 789.10	45 867 891	CHF 0.10
Conditional share capital	CHF 200 000.00	2 000 000	CHF 0.10

2.2 Conditional share capital in particular

The conditional share capital is governed by Article 6 of the Articles of Association:

"Article 6 Conditional share capital
1) The share capital can be increased by an amount not exceeding CHF 200'000.- by issuing, to employees of the Company and of its subsidiaries, a maximum of 2'000'000 fully paid-up registered shares with a nominal value of CHF 0.10 per share. The subscription rights and the advance underwriting rights of the shareholders of the Company are excluded. The issue of shares, or of warrants in respect thereof, or of a combination of shares and warrants, to employees takes place pursuant to regulations of the Board of Directors. The issue of shares, or of warrants in respect thereof, to employees can take place at a price below the stock exchange price.

(2) The acquisition of shares within the framework of employee participation as well as all subsequent transfer of shares are subject to the restrictions set out in Article 8 of these Articles of Association."

The conditional share capital of not more than CHF 200 000 amounts to 4.36% of the existing share capital of CHF 4 586 789.10.

2.3 Changes of capital during the last three financial years

	Number of registered shares	Nominal value per share in CHF	Nominal value in CHF 1 000
Issued, fully paid-in share capital at 31 December 2016	45 867 891	0.10	4 587
Issued, fully paid-in share capital at 31 December 2017	45 867 891	0.10	4 587
Issued, fully paid-in share capital at 31 December 2018	45 867 891	0.10	4 587
Conditional share capital at 31 December 2016	2 000 000	0.10	200
Conditional share capital at 31 December 2017	2 000 000	0.10	200
Conditional share capital at 31 December 2018	2 000 000	0.10	200

2.4 Shares, participation certificates, bonus certificates

The 45 867 891 issued registered shares with CHF 0.10 nominal value each are fully paid in. Each share carries the right to dividend payments. Voting rights are described in section 6.1 below. No preferential rights or similar rights are granted.

As at 31 December 2018, no participation certificates or bonus certificates were issued.

2.5 Restrictions on the transferability of registered shares

The registered shares of the Company are issued and administered in the form of book-entry securities. The transfer of registered shares administered in the form of book-entry securities is governed by the Book-Entry Securities Act and the Articles of Association. The Company keeps a share register in which the owners and usufructuaries of the registered shares are entered. Only those with valid entries in the share register are recognised by the Company as shareholders or usufructuaries. Purchasers of registered shares will upon request be entered, without limitation, as shareholders with voting rights in the share register, provided they expressly declare that they have acquired these registered shares in their own name and on their own account. The transfer restrictions pursuant to Article 8 (3) ff. of the Articles of Association remain reserved (see section 2.6 below). As regards the transferability of registered shares and nominee registrations, see further Article 7 (Shares, transfer of shares) and Article 8 (1) and (2) (Share register, nominees) of the Articles of Association[6].

2.6 Nominee registrations

As regards nominee registrations, see the following Article 8 (3) to (5) of the Articles of Association:

“(3) Persons who do not expressly declare in the entry application that they hold the shares on their own account (hereafter “nominees”) will, without further ado, be entered with voting rights in the share register up to a maximum of 2% of the share capital entered in the Commercial Register. Nominees linked with each other by way of capital, voting power, management or otherwise, or acting in concert in order to circumvent this entry restriction, are regarded as one nominee.

Over and above this limit, registered shares held by nominees will only be entered with voting rights when the nominee concerned reveals the names, addresses, nationalities and shareholdings of those persons on whose account he holds 0.5% or more of the share capital entered in the Commercial Register.

(4) After interviewing registered shareholders or nominees, the Board of Directors is entitled to delete entries from the share register, with retroactive effect from the date of entry, should these have been obtained by misrepresentation. The affected shareholder or nominee must be immediately informed of the deletion.

(5) The Board of Directors settles the details and issues the necessary instructions to ensure compliance with the provisions set out above. The Board of Directors is authorised to conclude agreements with nominees about their duties of notification.”

As at 31 December 2018, one agreement existed with a nominee regarding the requirements for registration respectively disclosure which adopts the terms of Article 8 (3) of the Articles of Association.

2.7 Convertible bonds and options

As at 31 December 2018, neither convertible bonds nor options were outstanding.

6 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

3 Board of Directors

3.1 Members of the Board of Directors

In the reporting year, there were no changes in the Board of Directors. It consists of the following seven members:

Luciano Gabriel, 1953, CH, Wollerau, Dr. rer. pol., Chairman, non-executive member.

Education: Mr. Gabriel completed his studies in economics at the Universities of Bern and Rochester (NY, USA). Thereafter, he was teaching assistant at the University of Bern and obtained the title of Dr. rer. pol. in 1983.

Professional activity: From 1984 to 1998 Mr. Gabriel worked for Union Bank of Switzerland in Zurich, London and Milan, where he held management positions in corporate finance, risk management, international corporate banking and business development. From 1998 to 2002 he was responsible for corporate finance and group treasury at Zurich Financial Services. Mr. Gabriel has worked for PSP Swiss Property since March 2002, initially as Chief Financial Officer and, from April 2007 until April 2017, as Delegate and Chief Executive Officer.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Gabriel did perform, as at 31 December 2018, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors of the publicly listed COIMA RES S.p.A. SIIQ., Milan, Italy, member of the Board of Directors of the association Verband Immobilien Schweiz VIS, Bern, and member of the external Advisory Board of BrickMark Ltd, Zug.

Corinne Denzler, 1966, CH, Baar, business graduate, non-executive member.

Education: Ms. Denzler is a business graduate from the KV Zurich Business School in Zurich (1984) and a qualified innkeeper from GastroSuisse/GastroGraubünden in Chur (1991). She completed the course for small and middle sized companies at the University of St. Gallen (1996).

Professional activity: From 1985 to 1993, Ms. Denzler performed various functions in the Swiss hotel industry, from 1993 to 1995 she ran her own restaurant in Gossau and from 1995 to 1998 she managed the Swiss Snowsports School Davos. From 1998 to 2005, Ms. Denzler worked as a member of the Executive Board of Grand Resort Bad Ragaz. Between 2005 and 2008, Ms. Denzler was Director of Spas of the Tschuggen Hotel Group, and since 2008 she is working as Chief Executive Officer of the Tschuggen Hotel Group, with hotels and spas in Ascona, Arosa and St. Moritz.

Other activities and vested interests: In addition to her mandate at PSP Swiss Property Ltd, Ms. Denzler did not perform, as at 31 December 2018, any activities or functions which are subject to disclosure in accordance with the DCG.

Adrian Dudle, 1965, CH, Kilchberg (Zurich), lic. iur., MBL-HSG, non-executive member.

Education: Lic. iur. University Freiburg i. Ue. (1989), Attorney-at-Law and notary public (1992), MBL-HSG (2000).

Professional activity: As from 2012 Chief Legal Officer of Ringier AG, Zofingen/Zurich. Prior, Mr. Dudle worked as Group General Counsel & Secretary to the Board for Orascom Development Holding Ltd (2008 – 2012) and Mövenpick Holding Ltd (2001 – 2007). Previously he performed various functions inter alia for Swiss Air Group, Universal Music Ltd and KPMG Ltd. Mr. Dudle is also founder of DEGAP business • law, a legal consultancy firm based in Kilchberg.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Dudle did not perform, as at 31 December 2018, any activities or functions which are subject to disclosure in accordance with the DCG.

Peter Forstmoser, 1943, CH, Horgen (Zurich), Dr. iur. University of Zurich, LL.M. Harvard Law School, Professor Emeritus University of Zurich, non-executive member.

Education: Dr. iur. University of Zurich (1970), Attorney-at-Law (1971), LL.M. Harvard Law School (1972).

Professional activity: Private Lecturer from 1971, Extraordinary Professor from 1974 and Ordinary Professor from 1978 to 2008 for civil law, commercial law and capital-market law at the Faculty of Law of the University of Zurich (Head from 1988 to 1990). Member of various federal expert commissions, author of numerous books and articles in his field of expertise. As an Attorney-at-Law, Prof. Forstmoser is since 1975 a Partner at the law firm Niederer Kraft Frey AG in Zurich. Since 2015 he is a permanent visiting Professor at the University of Lucerne.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Forstmoser did perform, as at 31 December 2018, the following activities or functions which are subject to disclosure in accordance with the DCG: Chairman of the Board of Directors of Hesta AG, Baar.

Nathan Hetz, 1952, IL, Ramat-Gan, B.A. / CPA, non-executive member.

Education: Mr. Hetz completed his studies in accounting at the University of Tel Aviv in Israel with a B.A./CPA (certified public accountant).

Professional activity: Mr. Hetz is co-founder and Chief Executive Officer (since 1989) of Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Hetz did perform, as at 31 December 2018, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors and Chief Executive Officer of the publicly listed Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, as well as Chairman of the Board of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, and of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, both controlled by Alony Hetz Properties & Investments Ltd, as well as Chairman of the Board of Directors of Carr Properties Corporation, Washington D.C., USA, and of the Board of Directors of Brockton Everlast Inc. Limited, London, UK, both associated companies of Alony Hetz Properties & Investments Ltd.

Josef Stadler, 1963, CH, Grüningen (Zurich), lic. oec. HSG, MBA Harvard Business School, non-executive member.

Education: Lic. oec. HSG, University of St. Gallen (1987), MBA Harvard Business School (1994).

Professional activity: UBS AG, member of the Global Executive Committee Wealth Management (since 2009); previously, Mr. Stadler was Head of JP Morgan Switzerland (2000–2009) and, prior to that, he performed various functions for Morgan Stanley London and UBS AG.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Stadler did not perform, as at 31 December 2018, any activities or functions which are subject to disclosure in accordance with the DCG.

Aviram Wertheim, 1958, IL, Ramat Hasharon, CPA, non-executive member.

Education: Mr. Wertheim is a CPA (certified public accountant) and holds a degree in business administration.

Professional activity: Mr. Wertheim is Chairman of the Board of Directors (since 1996) of Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, which he represents together with Mr. Nathan Hetz on the Board of Directors of PSP Swiss Property Ltd.

Other activities and vested interests: In addition to his mandate at PSP Swiss Property Ltd, Mr. Wertheim did perform, as at 31 December 2018, the following activities or functions which are subject to disclosure in accordance with the DCG: Chairman of the Board of Directors of the publicly listed Alony Hetz Properties & Investments Ltd, Ramat-Gan, Israel, as well as member of the Board of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, and of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, both controlled by Alony Hetz Properties & Investments Ltd.

General representations

Except for Mr. Luciano Gabriel, none of the members of the Board of Directors belonged to the Executive Board of PSP Swiss Property Ltd or a subsidiary in the three years preceding the 2018 business year.

Furthermore, there were no substantial business relationships between the members of the Board of Directors and PSP Swiss Property Ltd or a subsidiary.

3.2 Rules in the Articles of Association on the number of permitted activities of the members of the Board of Directors pursuant to Article 12 para. 1 section 1 of the Swiss federal ordinance against excessive pay in stock exchange listed companies of 20 November 2013 (VegüV)

Article 25 (5) of the Articles of Association provides the following rules in respect to the permitted activities of the members of the Board of Directors:

"(5) The members of the Board of Directors may not hold more than 12 additional mandates, of which no more than 6 may be in publicly listed companies.

The members of the Executive Board may not hold more than 4 additional mandates, of which no more than 1 may be in publicly listed companies.

Mandates are defined as mandates in the supreme governing or administrative bodies of legal entities that are required to be registered in the commercial register or in a comparable foreign register. Mandates in several legal entities which are under common control are counted as one mandate.

These restrictions do not include:
- *Mandates with legal entities controlled by the Company or controlling the Company.*
- *Mandates with associations, foundations and non-profit organisations; no member of the Board of Directors or the Executive Board may hold more than 6 of such mandates."*

General representation

No member of the Board of Directors has exceeded the statutorily allowed number of additional mandates.

3.3 Elections and terms of office

3.3.1 Composition of the Board of Directors and first election of its members by the Annual General Meeting

	for the first time elected
Luciano Gabriel	Annual General Meeting 4 April 2007
Corinne Denzler	Annual General Meeting 31 March 2016
Adrian Dudle	Annual General Meeting 3 April 2014
Peter Forstmoser	Annual General Meeting 30 March 2010
Nathan Hetz	Annual General Meeting 4 April 2007
Josef Stadler	Annual General Meeting 2 April 2009
Aviram Wertheim	Annual General Meeting 2 April 2009

As at 31 December 2018, there were no term limits.

3.3.2 Chairman of the Board of Directors and its first election by the Annual General Meeting

	for the first time elected
Luciano Gabriel	Annual General Meeting 5 April 2017

3.3.3 Composition of the Compensation Committee and first election of its members by the Annual General Meeting

	for the first time elected
Peter Forstmoser	Annual General Meeting 3 April 2014
Adrian Dudle	Annual General Meeting 31 March 2016
Nathan Hetz	Annual General Meeting 3 April 2014
Josef Stadler	Annual General Meeting 3 April 2014

3.3.4 Additional information

The Articles of Association do not contain any rules that differ from the statutory legal provisions with regard to the appointment of the chairman of the board of directors and the independent shareholder representative.

In the event of vacancies, pursuant to the Articles of Association, the Board of Directors appoints missing members of the Compensation Committee for the remaining term of office only, if the number of remaining members appointed by the General Meeting falls below the statutory minimum of two members (Article 22 (3) of the Articles of Association[6]); the Articles of Association thus take no advantage of Article 7 para. 4 VegüV, which allows to complete the Compensation Committee immediately upon occurrence of any vacancy.

3.4 Internal organisational structure

3.4.1 Allocation of tasks within the Board of Directors

The Board of Directors exercises the powers conferred to it under Article 17 of the Articles of Association[6] as a body. The Board of Directors has delegated the management and the representation of the Company to the Chief Executive Officer, respectively the Executive Board, based on the provisions of Article 18 of the Articles of Association[6] governing the delegation of duties and as permitted by law (see section 3.5 below). Besides that, tasks among Board Members are not specifically allocated.

The individual members of the Board of Directors have the following special competencies: Mr. Luciano Gabriel, as Chairman, contributes his real estate expertise and financing know-how as well as his management expertise. Mr. Nathan Hetz adds his real estate expertise. Messrs. Josef Stadler and Aviram Wertheim support the Board of Directors in strategic respectively investor and real estate issues, Mr. Forstmoser in legal, strategic and corporate governance issues, Mr. Adrian Dudle in communication matters and with his background on special real estate and Ms. Corinne Denzler with her experience in special real estate objects and projects.

6 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

3.4.2 Committees of the Board of Directors

In view of its current size, the Board of Directors sees in general no necessity to delegate tasks to Board Committees unless provided for by law or the Articles of Association. The Board of Directors ensures that it has sufficient time to deal with all major business issues at the meetings of the entire Board.

The Board of Directors has an **Audit Committee**, a **Compensation Committee** and a **Nomination Committee,** which basically have only advisory and preparatory tasks.

The **Audit Committee** consists of the following four members of the Board of Directors. Mr. Peter Forstmoser is its Chairman.

	Member since the General Meeting of respectively since the existence of the Audit Committee
Peter Forstmoser	30 March 2010
Adrian Dudle	3 April 2014
Nathan Hetz	9 May 2007
Josef Stadler	2 April 2009

The Audit Committee submits recommendations to the Board of Directors above all with regard to the approval of the annual, interim and quarterly financial statements as well as with regard to the relationship with the external auditors. All members have appropriate expertise in accounting and finance, be it as acting or former Chief Executive Officer (CEO) or because of actual or former education and/or professional activities as Certified Public Accountant (CPA) or legal expert.

The **Compensation Committee** (see section 3.3.3 above) was elected at the Annual General Meeting 2018. It appointed Mr. Forstmoser as Chairman. The duties of the Compensation Committee are set forth in Articles 22 (4) ff. of the Articles of Association as follows:

"(4) The Compensation Committee shall prepare the resolutions of the Board of Directors on compensations of the members of the Board of Directors and the Executive Board. It shall in particular submit proposals to the Board of Directors for:

- *the determination of the compensation principles, namely in respect to the performance-based compensations and the grant of equity securities or option rights, as well as the respective implementation control;*
- *the individual compensations for the members of the Board of Directors and the Executive Board as well as the respective employment contracts;*
- *the proposal to the General Meeting for the approval of the maximal total amounts of compensations for the Board of Directors and the Executive Board in the sense of Article 24 of these Articles of Association;*
- *the compensation report.*

(5) For the fulfilment of its duties, the Compensation Committee may consult other persons and external advisors and invite them to its meetings with advisory vote.

(6) The Board of Directors may assign further preparatory tasks to the Compensation Committee."

The **Nomination Committee** consists of the following three members of the Board of Directors. Mr. Josef Stadler is its Chairman.

	Member since the existence of the Nomination Committee
Josef Stadler	26 February 2018
Corinne Denzler	26 February 2018
Adrian Dudle	26 February 2018

The Nomination Committee has preparatory tasks and supports the Board of Directors in respect to its relevant decisions concerning the nomination of members of the Board of Directors, of its Committees and of the Executive Board and it submits respective proposals. They include in particular an evaluation as to the composition of the Board of Directors, its independence and the availability of its members. The overall responsibility remains with the Board of Directors. It may assign further preparatory tasks to the Nomination Committee.

3.4.3 Work method of the Board of Directors and its Committees

In principle, four ordinary meetings of the Board of Directors are held annually. Between such meetings, extraordinary meetings may be called as required and resolutions may be passed by written consent. The Secretary is responsible for keeping minutes of the Board meetings and for recording any resolutions passed by written consent in the subsequent minutes.

The Chairman of the Board of Directors is in constant contact with the Chief Executive Officer (CEO). The CEO informs the Chairman – and as the case may be directly the other members of the Board of Directors – between Board meetings, not only regarding extraordinary business events, but also about other events of importance or high-visibility. In the reporting year, for example, this was the case regarding the fire incident in August 2018 at the properties at Bahnhofquai/-platz in Zurich.

Discussions of the Compensation Committee take place as required, namely in preparation of the proposals to the Annual General Meeting concerning the compensation report and the maximum total amounts of compensations for the Board of Directors and the Executive Board. Discussions of the Audit Committee take place mainly in preparing the annual, interim and quarterly reports. The Nomination Committee meets as often as required, above all in preparation of the proposals to the Annual General Meeting regarding the election of (new) members of the Board of Directors.

In the 2018 business year, four ordinary Board of Directors meetings took place, lasting two hours on average. The Audit Committee met four times, one hour on average; the Compensation Committee met once for half an hour, and the Nomination Committee met for its constitution. The average attendance rate was over 95% for meetings of the Board of Directors and of its Committees respectively. The individual attendance rate was at least 75% in respect to both Board of Directors and Committee meetings.

With regard to the participation of members of the Executive Board and of the Statutory Auditors at the meetings of the Board of Directors and its Committees, see section 3.6, respectively section 8.4 below. In the reporting year, all acting members of the Executive Board participated in the meetings of the Board of Directors. The representatives of the Statutory Auditors participated at four meetings of the Board of Directors and at four meetings of the Audit Committee.

3.5 Definition of the areas of responsibility of the Board of Directors and the Executive Board

The Board of Directors has delegated the management and the representation of the Company to the Chief Executive Officer, respectively the Executive Board, based on the provisions of Article 18 of the Articles of Association[6] governing the delegation of duties and as permitted by law. The Board of Directors determines the levels of authority applying to any decisions to be made by the Chief Executive Officer in consultation with the Chairman, respectively the Chief Executive Officer on his own or in consultation with the members of the Executive Board.

The duties of the Chief Executive Officer respectively the members of the Executive Board are laid down in Articles 5.2 and 5.3.1 to 5.3.4 respectively 6.3 of the Organisational Guidelines and Regulations ("OGR") as follows (versions of 28 March 2007/16 August 2010/16 August 2012/6 March 2017):

Article 5 The Chief Executive Officer (CEO)

"(5.2) The CEO is Chairman of the Executive Board and – unless these OGR or further regulations, guidelines or directives issued by the Board of Directors stipulate otherwise – responsible for the Company's and the Group's management. The CEO decides in all matters of the management of the Company and the Group which are not reserved to (i) the Board of Directors, (ii) the CEO in consultation with the Chairman or (iii) the CEO in consultation with the members of the Executive Board, based on these OGR or further regulations, guidelines or directives issued by the Board of Directors.

In particular, the CEO has the following duties:

- *Leading, controlling and coordinating the members of the Executive Board reporting to him as well as the other members of management ("Direktoren") and staff reporting directly to him;*
- *Preparation and implementation of the resolutions of the Board of Directors, in particular with regard to Group strategy;*
- *Preparation of the allocation and the deployment of the resources (funds and personnel) necessary to achieve the Company's and the Group's goals, including staff training and development courses as well as human resources development;*
- *Representation of the Company's and the Group's overall interests vis-à-vis third parties in so far as these are not taken care of by the Board of Directors.*

(5.3.1) The CEO informs the Board of Directors at its meetings of the ongoing activities and the important business incidents as well as of the activities of the members of the Executive Board. Between meetings he informs the Chairman immediately of extraordinary and serious business incidents.

(5.3.2) In exceptional, urgent cases which would be in the Board of Directors' competence but for which the Board of Directors' approval cannot be obtained in time, the CEO makes his decision and reports to the Board of Directors immediately.

(5.3.3) The CEO makes sure that an effective auditing concept for the Company and the Group is in place.

(5.3.4) The CEO decides on the infrastructure necessary for his support."

6 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

Article 6 Members of the Executive Board

"(6.3) In particular, the individual members of the Executive Board have the following duties:

- *Implementation of the overall strategy and development of their business segment, complying with the Group's targets and focus;*
- *Achieving their business segments' stated strategic and operative goals;*
- *Regular reporting to the CEO, usually at least once a month. The members of the Executive Board also report directly to the Board of Directors at its meetings if asked to do so by the Chairman."*

3.6 Information and control instruments vis-à-vis the Executive Board

As a rule, the members of the Executive Board attend all ordinary meetings held by the Board of Directors and the Audit Committee for the purpose of ensuring direct communication between the Board of Directors and the Executive Board and an appropriate level of control. In the reporting year, all acting members of the Executive Board participated at the meetings of the Board of Directors and of the Audit Committee.

The Board of Directors is informed regularly and within the framework of the quarterly, interim and annual reporting requirements on key financial figures and any financial and operational risks to which PSP Swiss Property Group may be exposed (pages 60 to 64 of the consolidated financial statements contain information on risk management and the risk report, which is issued twice a year).

Based on a comprehensive risk evaluation and a corresponding strategy, the Board of Directors implemented, in the 2008 business year, an internal control system (ICS) regarding the financial reporting. At least once a year the Board of Directors re-evaluates the risks and is informed by the Executive Board regarding the functioning and the effectiveness of the ICS.

At the moment, there are no internal auditors. However, the Board of Directors and its Audit Committee liaise directly with the Statutory Auditors and are entitled to assign special auditing duties to them, if required (see section 8.4 below). In the reporting year, no special auditing duties were assigned.

4 Executive Board

4.1 Members of the Executive Board

	Member since
Giacomo Balzarini, Chief Executive Officer/Chief Financial Officer	1 April 2007
Martin Heggli, Chief Operating Officer	1 April 2017
Adrian Murer, Chief Investment Officer	1 July 2016

Giacomo Balzarini, 1968, CH and IT, Wollerau, lic. oec. publ., MBA, Chief Executive Officer/ Chief Financial Officer of PSP Swiss Property Group (in this position as of 1 April 2017; prior since 1 April 2007 Chief Financial Officer) and Chairman of the Board of Directors of all PSP Swiss Property Ltd subsidiaries.

Education: Mr. Balzarini completed his studies in economics at the University of Zurich in 1996. In 2002 he obtained an MBA from the University of Chicago (Ill., USA).

Professional activity: From mid-1993 to 1996 Mr. Balzarini worked for Union Bank of Switzerland in Zurich in the areas of corporate account management and business development. From 1997 until 2006 he worked at Swiss Reinsurance Company in risk and project management, strategic development and asset management; his last position at Swiss Reinsurance Company was Managing Director, responsible for building up the company's indirect international real estate portfolio. Mr. Balzarini has worked for PSP Swiss Property since 1 December 2006.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Balzarini did perform, as at 31 December 2018, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Trustees of Ernst Göhner Foundation, Zug, and Chairman of the Board of Directors of Seewarte Holding Ltd, Zug, – which is entirely controlled by Ernst Göhner Foundation – and of its subsidiaries Seewarte Ltd, Zurich, Seewarte Agrar Ltd, Zug, and Seewarte Romandie Ltd, Lausanne.

Martin Heggli, 1977, CH, Mettmenstetten, Swiss Certififed Expert for Accounting and Controlling, MAS Accounting & Finance, Chief Operating Officer (as of 1 April 2017) and member of the Board of Directors of all PSP Swiss Property Ltd subsidiaries.

Education: Mr. Heggli obtained his degree as a Swiss Certified Expert for Accounting and Controlling in 2005. In 2009, he graduated from the University of Applied Sciences Zurich, obtaining a Master in Advanced Studies (MAS) in Accounting & Finance.

Professional activity: From 1999 until 2005, Mr. Heggli was responsible for accounting at the real estate trust department of BDO Visura. He started working for PSP Swiss Property in September 2005, initially responsible for merging and organising the accounting department following the merger with REG Real Estate Group and, since 2010, responsible for accounting and financial reporting.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Heggli did not perform, as at 31 December 2018, any activities or functions which are subject to disclosure in accordance with the DCG.

Adrian Murer, 1974, CH, Wollerau, dipl. Ing. ETH, M.A. HSG, Attorney-at-Law, Chief Investment Officer (since 1 July 2016) and member of the Board of Directors of all PSP Swiss Property Ltd subsidiaries.

Education: Mr. Murer completed his studies at the Swiss Federal Institute of Technology Zurich as dipl. Ing. ETH (2000) and at the University of St. Gallen as M.A. HSG (2007). In 2008, he was admitted to the Bar of the Canton of Aargau.

Professional activity: After various engagements as project engineer with construction and engineering firms in Spain, Switzerland and Singapore (1998, 2002 – 2004), Mr. Murer worked as a lawyer at the law firm Baur Hürlimann AG in Zurich from 2007 to 2011 and as Director at Orascom Development Holding AG in Altdorf from 2011 to 2013. From mid-2013 until mid-2016, Mr. Murer was a partner at the law firm Baur Hürlimann AG in Zurich.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Murer did perform, as at 31 December 2018, the following activities or functions which are subject to disclosure in accordance with the DCG: Member of the Board of Directors of Andermatt-Sedrun Sport AG, Andermatt.

4.2 Rules in the Articles of Association on the number of permitted activities of the members of the Executive Board pursuant to Article 12 para. 1 section 1 VegüV

See Article 25 (5) of the Articles of Association for the rules in respect to the number of permitted activities of the members of the Executive Board (see section 3.2 above).

General representation

No member of the Executive Board has exceeded the statutorily allowed number of additional mandates.

4.3 Management contracts

As at 31 December 2018, there were no management contracts with companies outside the PSP Swiss Property Group.

5 Compensations, shareholdings and loans

5.1 Content and determination of the compensations

As to content and determination of the compensations of the Board of Directors and the Executive Board, see pages 128 ff. in the compensation report together with the explanations on the compensation system on pages 132 to 140.

With regard to the shareholdings and loans of members of the Board of Directors and of the Executive Board, see also the financial statements, note 4.2 page 121.

5.2 Rules on compensations in the Articles of Association

5.2.1 Principles applicable to performance-related pay and to the allocation of equity securities, convertible rights and options, as well as to the additional amount for payments to members of the Executive Board appointed after the vote on pay at the General Meeting of shareholders

a) Members of the Executive Board receive a variable, performance-related compensation. In this respect, Article 23 (3) of the Articles of Association provides as follows:

"(3) The members of the Executive Board receive a fixed compensation in cash and a variable, performance-based compensation. With the performance-based compensation, a sustainable maximisation of the net earnings per share (EPS) and of the net asset value per share (NAV) shall be targeted and honoured. The amount of the performance-based compensation shall be derived from the overall economic results of the Company, whereas the net earnings per share (EPS) exclusive of gains/losses on real estate investments have priority. The performance-based compensation can be paid in cash and/or by granting of equity securities or option rights."

With regard to the variable, performance-based compensation, see the compensation report page 129.

b) In respect to the allocation principles of equity securities, convertible rights and options, Article 23 (4) of the Articles of Association provides as follows:

"(4) When granting equity securities or option rights, the amount of compensation equals the value of the securities or rights respectively at the time of allocation. The value will be derived from the stock market price at the day of allocation or an average stock market price of prior trading days. Apart from that, the Board of Directors specifies the terms and conditions of granting and exercising such securities and rights, inclusive of blocked periods and forfeiture clauses, if any."

With regard to the allocation of shares to the members of the Executive Board as part of the variable, performance-based compensation, see the compensation report page 129.

c) In respect to the additional amount for payments to members of the Executive Board appointed after the vote on pay at the General Meeting, Article 24 (2) of the Articles of Association provides as follows:

"(2) To the extent that the maximum total amount approved prospectively for the Executive Board is not sufficient to compensate new members appointed after the respective approval by the General Meeting up to the beginning of the next approval period, the Company may pay an additional amount not exceeding 50% of the total amount of compensation approved for the respective approval period. The General Meeting does not vote on the additional amount used."

No additional amount was required in the 2018 business year.

5.2.2 Loans, credit facilities and post-employment benefits

a) In respect to loans and credits, Article 25 (4) of the Articles of Association provides as follows:

"(4) Loans and credits, if any, to members of the Board of Directors and the Executive Board shall not exceed 100% of the yearly fixed compensation of the respective person. Advances of legal and similar cost to defend against any liability claims do not constitute loans or credits."

In the 2018 business year, no loans and credits were granted (see the compensation report page 130).

b) In respect to post-employment benefits, Article 25 (2) of the Articles of Association provides as follows:

"(2) The members of the Executive Board are insured under employee benefit schemes and receive the benefits in accordance with the respective plans and regulations, inclusive of over-obligatory benefits. The members of the Board of Directors may join such employee benefit schemes, to the extent this is allowed under the respective regulations. The Company pays the employer's contributions to the employee benefit schemes as prescribed by the regulations. In connection with retirements before reaching the orderly pension age, the Company may make bridge payments to the benefit scheme beneficiaries or additional payments to the employee benefit schemes up to a maximum amount of half of the annual fixed compensation which the beneficiary has received in the year before his early retirement."

With regard to the post-employment benefits in the 2018 business year, see the compensation report page 129.

5.2.3 The vote on pay at the General Meeting of shareholders

The General Meeting votes on the compensations of the members of the Board of Directors and of the Executive Board in accordance with Article 24 (1) and (3) of the Articles of Association as follows:

"(1) The General Meeting annually approves – based on the proposal of the Board of Directors – separately and with binding effect, the maximum total amounts of compensations for the Board of Directors for the period until the next annual General Meeting and for the Executive Board for the business year following the annual General Meeting (the "approval period"). Within these maximum total amounts, compensations may be paid by the Company itself and/or by one or several other group companies.

[…]

(3) If the General Meeting rejects the approval of a proposed maximum total amount of compensation, the Board of Directors has to call a new General Meeting within six months."

6 Shareholders’ participation rights

6.1 Voting-rights restrictions and representation

According to Article 14 of the Articles of Association[6], each share confers on the owner or usufructuary thereof entered in the share register as shareholder with voting rights the right to cast one vote.

There are no statutory voting-rights restrictions.

The right to attend General Meetings and to be represented by proxy are governed by Article 12 of the Articles of Association[6].

Voting-rights representation by the independent shareholder representative is governed by Article 13 of the Articles of Association[6] and Article 8 ff. VegüV.

6.2 Rules on the issue of instructions to the independent shareholder representative and on the electronic participation in the General Meeting

Pursuant to Article 13 (4) of the Articles of Association[6], the Company ensures that the shareholders may submit their proxies and instructions to the independent shareholder representative also by electronic means. The Board of Directors determines the requirements for proxies and instructions. No electronic real-time participation in the General Meeting is foreseen.

6.3 Quorums stipulated by the Articles of Association

No quorums exceeding those prescribed by law are required under the Articles of Association in order to pass resolutions at General Meetings. According to Article 16 (1) of the Articles of Association[6], the General Meeting passes its resolutions and carries out its elections with an absolute majority of the share votes represented, if not otherwise required by law.

6.4 Calling the General Meeting, shareholders’ right to request the inclusion of an agenda item

Calling the General Meeting, the procedure for calling a General Meeting, the right to call General Meetings and the right to request the inclusion of an agenda item are governed by Articles 10 and 11 of the Articles of Association[6].

The right to request the inclusion of an agenda item is governed by Article 11 (2) of the Articles of Association as follows:

“(2) Up to 45 days before the date of a General Meeting, shareholders with voting rights, together representing shares with a nominal value of at least CHF 10'000.-, may submit items for inclusion on the agenda. This demand must be made in writing stating the respective proposals.”

In respect to the next Annual General Meeting of 4 April 2019, the 45th day before the date of the General Meeting is 18 February 2019.

Proposals at the General Meeting regarding items on the agenda do not need to be announced in advance (see Article 11 (3) of the Articles of Association[6]).

6 The unofficial English translation of the German Original of the Articles of Association is available at: www.psp.info/AoA

6.5 Record date for entries in the share register

According to Article 12 (1) of the Articles of Association[6], the Board of Directors is responsible for setting the record date by which entries in the share register must be made for the purpose of attending General Meetings. Shareholders are informed of this record date, at the latest, in the notice convening the General Meeting.

In respect to the next Annual General Meeting of 4 April 2019, such record date is Monday, 1 April 2019.

For further information regarding the entry of shareholders and usufructuaries of PSP shares in the share register, we refer to Article 8 of the Articles of Association[6].

7 Changes of control and defence measures

7.1 Duty to present a bid

The Articles of Association do not provide for any “opting out” or “opting up” arrangements within the meaning of Articles 125 respectively 135 FMIA (Financial Market Infrastructure Act, in force since 1 January 2016).

7.2 Change of control clauses

There are no changes of control clauses.

8 Statutory Auditors

8.1 Duration of the mandate and term of office of the head auditor

Ernst & Young AG, Zurich, was elected for the first time as new Statutory Auditors by the Annual General Meeting of 5 April 2017 for the 2017 business year. Ernst & Young AG was re-elected as Statutory Auditors for the 2018 business year at the Annual General Meeting of 5 April 2018.

The Lead Engagement Partner responsible for the existing auditing mandate in the 2018 business year took up office with the election of the Statutory Auditors at the Annual General Meeting on 5 April 2017. The maximum term of office is determined by Article 730a para. 2 CO and lasts seven years. It will expire by the end of the 2023 business year.

8.2 Auditors’ fees

The costs for auditing the financial statements of the subsidiaries and the consolidated financial statements 2018 as well as for reviewing the interim financial statements as per 30 June 2018 and the quarterly financial statements as per 31 March and 30 September 2018 amounted to CHF 0.535 million (previous year: CHF 0.535 million).

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8.3 Additional fees

For the reporting period, additional fees of CHF 0.05 million were charged by Ernst & Young AG for advice in the segments sustainability reporting as well as review of the EPRA performance key figures (previous year: CHF 0.05 million for the same services).

8.4 Supervisory and control instruments via-à-vis the Statutory Auditors

The Board of Directors and the Audit Committee liaise directly with the Statutory Auditors regarding the audit and review work to be carried out for the annual respectively interim and quarterly reports. On request, representatives of the Statutory Auditors attend meetings of the Board of Directors respectively the Audit Committee in which such matters are discussed.

At the ordinary February meeting the representatives of the Statutory Auditors usually submit their auditors' reports for the examined business year. At the ordinary November meeting they usually submit their review plan for the business year which is about to end. At further meetings the Statutory Auditors report on their review work for the quarterly respectively interim reports. The Chairman of the Audit Committee meets with the Lead Engagement Partner at least once before the ordinary February meeting.

In the reporting year, the representatives of the Statutory Auditors attended four meetings of the Board of Directors and of the Audit Committee. The Lead Engagement Partner met with the Chairman of the Audit Committee in respect to the audit and review work to be carried out for the annual report 2018.

As mentioned under section 3.6 above, the Board of Directors and the Audit Committee may entrust the Statutory Auditors with special reviews, if required. In the reporting year, no such special reviews were requested.

Each year, when deciding on its proposal to the Annual General Meeting regarding the election of the Statutory Auditors, the Board of Directors and the Audit Committee evaluate the auditors' performance, fees and independence.

9 Information policy

PSP Swiss Property Ltd keeps its shareholders and the capital market supplied with full and up-to-date information as well as optimum transparency.

Financial reporting consists of quarterly, interim and annual reports. These are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) and comply with Swiss law and the standards laid down by the SIX Swiss Exchange's Listing Rules.

Contact addresses

Investor Relations
Vasco Cecchini, Chief Communications Officer
Phone +41 (0)44 625 57 23
E-mail vasco.cecchini@psp.info
PSP Group Services Ltd, Seestrasse 353, P.O. Box, 8038 Zurich

Office of the Board of Directors
Ronald Ruepp, Secretary of the Board of Directors
Phone +41 (0)41 728 04 04
E-mail ronald.ruepp@psp.info
PSP Swiss Property Ltd, Kolinplatz 2, 6300 Zug

Agenda

4 April 2019	Annual General Meeting 2019, Lake Side, Zurich
7 May 2019	Publication Q1 2019
15 August 2019	Publication H1 2019
12 November 2019	Publication Q1–Q3 2019

Preview

25 February 2020	Publication FY 2019
2 April 2020	Annual General Meeting 2020

www.psp.info
Additional information and all publications including, in particular, the **2018 annual report** and the **Articles of Association** of the Company, are available under www.psp.info, namely under www.psp.info/en/investors/downloads/financial-reports respectively under www.psp.info/AoA; the information service (E-mail distribution) under www.psp.info/en/investors/investor-relations/information-service; the ad hoc notices under www.psp.info/en/news-media/press-releases. **The publications may also be requested at the above Investor Relations address.**

Sustainability report

Sustainability report

Since the launch of our sustainability programme in 2010, we were able to reduce our properties' specific emissions from 21.0 to 11.5 kg CO_2e per square meter; this corresponds to a reduction of 45%. This total saving of around 30 million kWh is roughly equivalent to the annual heat requirement of 3 000 average single-family homes.

For us, sustainability means assuming responsibility with regard to the environment, tenants, business partners and employees as well as the community and our shareholders. This pertains to the strategic as well as the daily operational level.

Ecological sustainability[1]

A real estate company with a large property portfolio such as PSP Swiss Property has a certain obligation when it comes to ecological sustainability, especially with regard to energy and resource efficiency. Therefore, we want to keep our ecological footprint as small as possible.

We take environmental factors into account at all stages of business activity:

- In the purchase of properties
- In new constructions and renovations
- In property management

One staff member in real estate asset management and three staff members in the construction unit are technically responsible for ecological sustainability (concept, planning, control and analysis). Implementation is mainly in the hands of employees in property management and the construction unit, in close cooperation with the caretakers or facility managers.

Since the launch of our sustainability programme in 2010, we were able to reduce our properties' specific emissions from 21.0 to 11.5 kg CO_2e per square meter; this corresponds to a reduction of 45%. Compared to the 15.7 kg CO_2e we reached in the base year 2015, this represents a reduction of emissions by 25%.

Three measures are relevant for this success:

- We continuously improve our organisation and know-how in the fields of energy and sustainability.
- In the course of heating renovations, we keep converting existing installations to less CO_2e intensive systems (from oil to gas, district heating or heat pumps). In renovations and new constructions, we try to minimise consumption and emissions levels.
- We pay special attention to energy efficiency in our daily operations. Thereby, our central energy control and alarm management system plays a crucial role. Finally, we optimise our contracts with energy suppliers (electricity and gas) with regard to the share of renewable sources.

1 The information marked with ☑ in this chapter has been externally reviewed by Ernst & Young AG.

Our goal is a further reduction of our properties' specific CO_2e emissions in the coming years. However, it will become increasingly difficult to achieve further significant reductions, because many operational measures have already been implemented. What is important, in any case, is to safeguard our achievements so far for the long term and to continue lowering consumption and emissions systematically.

We regularly participate in sustainability surveys such as the "CDP, Carbon Disclosure Project" or the "GRESB, Global Real Estate Sustainability Benchmark".

The following topics are relevant for PSP Swiss Property:

Goal
Reducing CO_2 emissions by at least 5% from 2015 to 2020.

Operational optimisation
Improving the handling and operation of existing facilities.

Renovations
Optimising or replacing existing facilities as part of conversions and renovations.

New buildings
Investments in state-of-the-art technology.

Energy sourcing
Optimising purchasing volumes and conditions as well as the energy mix with regard to sustainable production.

Controlling
Central monitoring system to control current energy consumption.

Training
Building awareness and continuously training employees.

Know-how
Providing resources to establish and monitor technical energy measures.

Communication
Dialogue with relevant stakeholders.

Audit
Assessment of consumption and emission levels by external auditors.

Purchase and/or construction of properties, renovations and improvements: In addition to economic and legal aspects, we also evaluate potential acquisitions as well as new constructions and conversions with regard to their impact on the environment. In other words: we always take sustainability criteria and energy efficiency into account. In new constructions and conversions, we basically follow the Swiss "Minergie" standard (Minergie is a protected trademark for new buildings and conversions).

We apply a holistic approach, when developing new buildings and conversions. This includes optimising the properties' energy efficiency, an optimal connection to public transport and the impact on the town quarter's specific social environment. In city centres, it is not always possible to implement all the desired measures for better energy efficiency. Here, the preservation of historical monuments and, consequently, social sustainability may be more important. On the other hand, such properties benefit from excellent public transport, which results in correspondingly low traffic-related pollution.

Property management: We want to keep the environmental impact of our property management and maintenance activities as low as possible, especially in the areas of energy consumption, water consumption and CO_2e emissions.

In 2018, we analysed 151 investment properties with 930 696 m^2 floor space (2017: 155 investment properties with 970 786 m^2 floor space). The portfolio included 163 investment properties at the end of 2018 and 157 at the end of 2017.

The difference to the 151 investment properties (at the end of 2018) considered in the sustainability report is due to the following circumstances: at properties with a single tenant or co-ownership, PSP Swiss Property does not exercise operational control. This applies to the following properties: Via Respini 7/9, Locarno; Port Noir Hammam & Bain Genève Plage, Cologny; Bahnhofstrasse 66, Brandschenkestrasse 70 and 72 as well as Mühlebachstrasse 6 (all located in Zurich); Seilerstrasse 8a, Bern. The property at Rue de Sébeillon 2 in Lausanne is a car park with no energy consumption. The portfolio Edmond de Rothschild (Suisse) S.A. (nine properties) bought in 2018, has not been recorded yet in terms of energy consumption. Consequently, these 17 properties were not included in the sustainability report. On the other hand, – despite ongoing renovations – the properties located at Bahnhofplatz 2, and Hardturmstrasse 161 / Förrlibuckstrasse 150 (both in Zurich), as well as the one at Rue de Berne 6 in Geneva were taken into account. The properties sold during the reporting period, Bahnhofstrasse 21 in Rheinfelden and Spitalgasse 9 in Bern, are also part of the analysis.

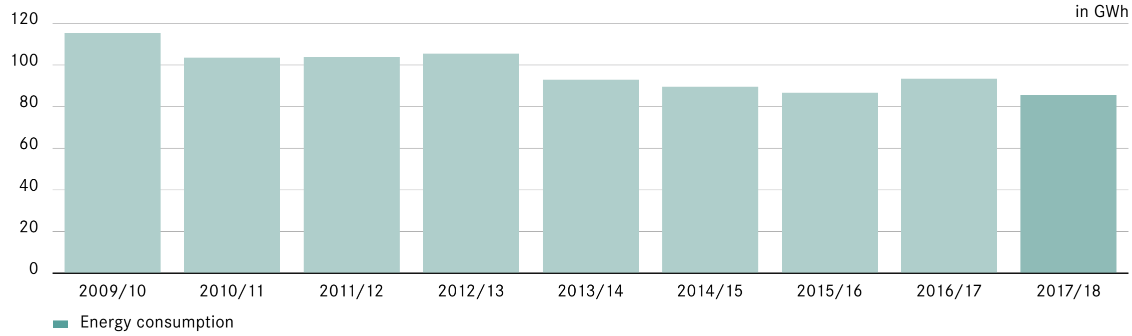
New buildings and conversions are usually included in the analysis after their completion.

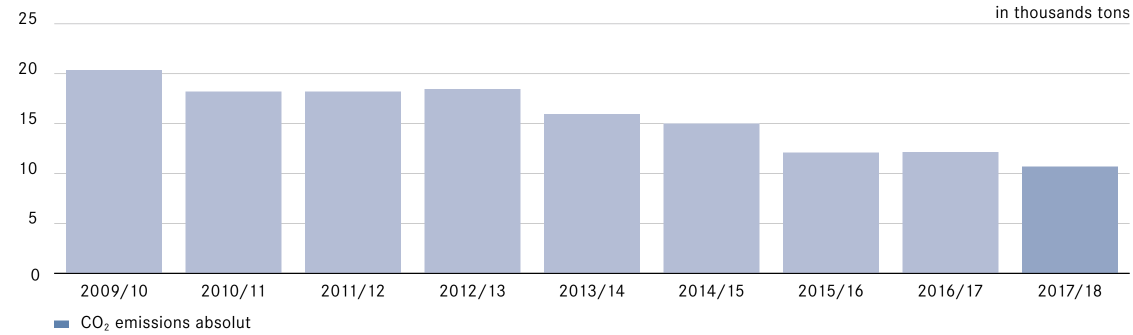
The complete data collection with regard to energy and water consumption at our properties enables us to take measures which continuously reduce energy and water consumption and therefore do minimise the CO_2e output.

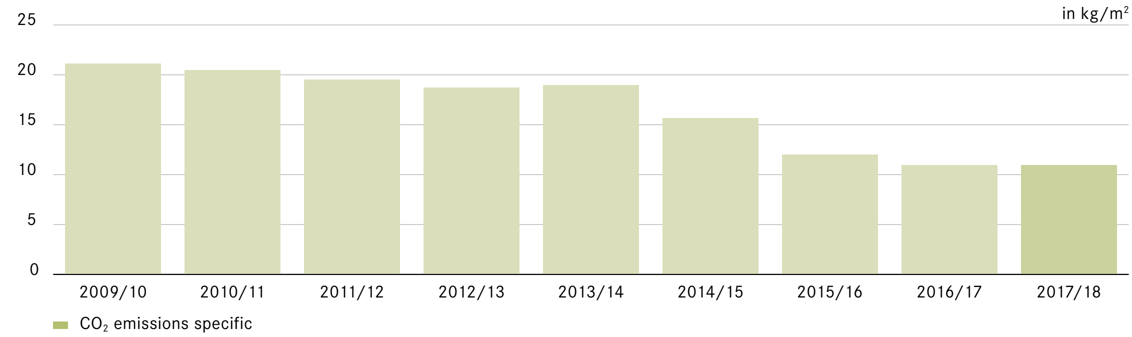
Key environmental indicators:

	2017		2018 ☑	
	Absolute value	Specific figure per m²	Absolute value	Specific figure per m²
Heating[1]	72.34 million kWh	74.51 kWh	65.09 million kWh	69.93 kWh
Electricity[2]	21.13 million kWh	21.77 kWh	20.47 million kWh	21.99 kWh
CO_2e (heating and electricity)[3]	12 157 t	12.52 kg	10 693 t	11.49 kg
Water consumption[4]	472 108 m³	0.486 m³	440 289 m³	0.473 m³

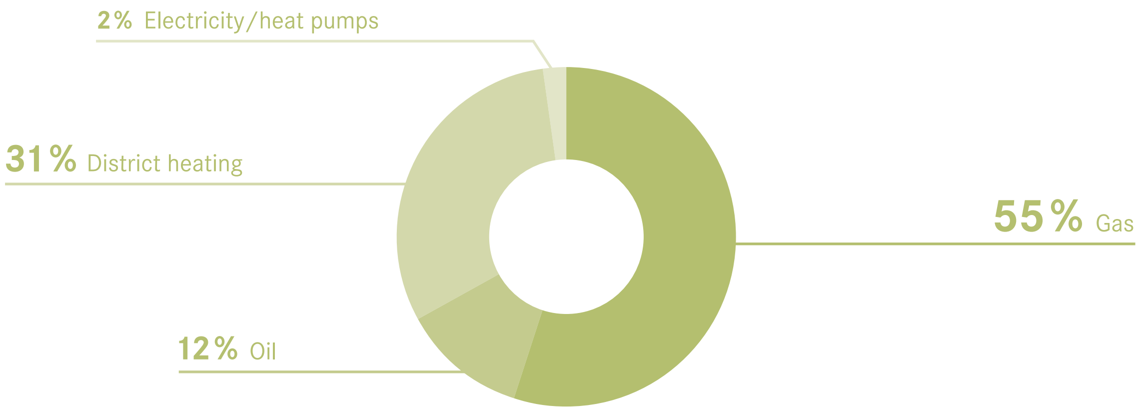
1 Energy for heating, hot water and ventilation; not adjusted for heating degree days (incl. increased demand by gastronomic use). The specific figure adjusted for heating degree days related to the base year (2015) was 66.36 kWh/m² for 2018 (2015: 69.77 kWh/m²).
2 Energy for general electrical use (incl. increased demand by air-conditioning, excl. direct energy use by tenants). Overall, 84% of all the electricity used today is from renewable sources (previous year: 82%).
3 In the calculation of the fuels' greenhouse gas emissions, only direct emissions were taken into account. The factors are based on the specifications in the Swiss greenhouse gas inventory fact sheet 2016 of the Federal Office for the Environment (FOEN). On the other hand, we obtain the figures for electricity and district heating from the producers and suppliers, respectively the summary report on emission factors (FOEN 2016). The figures are not adjusted for heating degree days. The specific figure adjusted for heating degree days relating to the base year (2015) was 10.94 kg/m² for 2018 (2015: 15.67 kg/m²).
4 Overall water consumption (incl. increased consumption by gastronomic use).







The following chart illustrates the energy sources for heating in 2018: ☑



In 2017, the figures were as follows: gas 52%, oil 16%, district heating 30%, electricity/heat pumps 2%.

Since 2014, we have been pooling the electricity purchases for our larger buildings; this lowers overall costs. We obtain this supply exclusively from renewable sources, mainly hydro power (currently 84% of our total energy needs).

Heating energy consumption: Comparing 2017 to 2018 like-for-like, there was a reduction in oil and gas consumption by 8% in 2018. However, during 2018 the number of weighted heating degree days was for the surveyed portfolio 8.6% lower than in 2017. The lower consumption is thus attributable to our efforts, but also to the decrease in heating degree days. The increase in energy consumption adjusted for heating degree days is also due to the 2% reduction in vacancies across the entire portfolio compared with mid-2017, with the associated increase of heated space. In absolute terms, the CO_2e emissions from fossil fuels decreased by 9.3%. This was mainly because of the reduction of the heating degree days by 8.6% as well as the further changes to more CO_2e efficient heating systems. Energy consumption from district heating decreased by 1.3% like-for-like. Emissions from district heating fell by 101 tons CO_2e in absolute terms. Overall, CO_2e emissions from heating energy consumption decreased by 12.8% in absolute terms, respectively 1 448 tons. Adjusted for heating degree days, emissions declined by 4.2% or 471 tons.

Electricity consumption: In 2018, electricity consumption like-for-like rose by 2.3% to 21.15 million kWh/m^2. This corresponds to additional emissions of approximately 26 tons of CO_2e (or 3.5%). We assume that the warmer summer and the associated greater need for cooling have contributed significantly to increased consumption.

Water consumption: In 2018, the specific water consumption like-for-like was 0.47 m^3/m^2 (2017: 0.48 m^3/m^2).

Trend in environmental indicators: Comparing 2017 to 2018 like-for-like, specific energy consumption decreased by 4% in 2018 (adjusted for heating degree days: increase by 2.7%). Absolute CO_2e emissions for heating and electricity declined by 12% or 1 464 tons. Adjusted for heating degree days, however, emissions fell by 4.5%, respectively 481 tons.

Business travel: ☑ We also track the CO_2e emissions from our business travels (airplane, car, train). In 2018, these emissions amounted to 39 tons of CO_2e (2017: 53 tons). This 26% reduction is due to a decrease in air travel.

Projects

In 2018, we continued with our proven strategy of going beyond the minimum with regard to energy efficiency in renovations: by means of effective, targeted measures, we were able to obtain significant energy savings. The following large-scale renovations, which we completed in the reporting year, deserve special mention in this respect (the stated volumes are estimates of the expected savings).

Conversions from oil or gas to district heating or heat pumps: At one property (Hardturmstrasse 161 / Förrlibuckstrasse 150, Zurich) we replaced an existing oil heating installation by connecting the building to the district heating system. Due to this conversion and a number of further restoration measures, we will be able to save approximately 182 000 kWh of heating energy annually and to reduce emissions by around 460 tons of CO_2e.

Replacement of old by new gas heating systems: At five properties (Richtistrasse 5 and 7, Wallisellen, Stauffacherstrasse 31 and Gerbergasse 5, Zurich, as well as Rue du XXXI-Décembre 8, Geneva) we replaced existing gas heating systems with new ones and fitted them with new regulation systems meaning new measurement and control systems. This will allow us to save approximately 90 000 kWh of heating energy annually and to reduce emissions by around 18 tons of CO_2e.

Building technology: In addition to some minor restoration measures concerning ventilation and air-conditioning systems at a number of properties (Av. de Sévelin 40 and 46, Rue de Sébellion 1, 3, 5 in Lausanne as well as Hardturmstrasse 169 – 175 in Zurich), we replaced the measurement and control system. As a result, we expect savings in energy consumption of approximately 96 000 kWh and a reduction of CO_2e emissions by around 17 tons annually.

Central energy control and alarm management system: Thanks to a comprehensive energy control and alarm management system, we are in a position to monitor our properties' relevant consumption levels from one central control office. In the meantime, two thirds of our properties are connected to this central energy control and alarm management system and they can be monitored from our central control office. Due to our central energy control and alarm management system, we can see at a glance, if the current figures are within the tolerance range. If they deviate from normal levels – for instance, in the case of excessive water consumption – we can react immediately.

The constant monitoring of energy and water consumption not only increases energy efficiency, it also makes sense from an economic point of view: it lowers ancillary expenses and thus offers benefit to tenants. Moreover, if heating costs and CO_2 tax decline, tenants are more willing to pay higher net rents. Eventually, ecological sustainability generates an "eco yield" for our Company and our shareholders.

Photovoltaic installations: Our goal is not only to save energy, but to produce it as well. In 2018, we generated around 1 370 MWh of clean solar energy with our own photovoltaic installations; this corresponds to approximately 57 tons of "prevented" CO_2e emissions. At the "Grosspeter Tower" in Basel, we integrated a photovoltaic installation onto the building's façade and another one on the roof. Initial measurements show that the expected energy yield of approximately 260 MWh per year may even be exceeded. At the end of 2018, we connected another photovoltaic system on the roof of the property at St. Alban 46 in Basel. There, we have implemented for the first time, the model "integrated for self-consumption". Thus, our tenants benefit from clean electricity and lower costs. Further projects are planned and will be implemented over the next few years if the initial experience is positive.

Impact of projects, which were completed during the reporting period: Due to a great deal of interdependence as well as internal and external influences, it is difficult to measure the impact of our renovation projects on energy consumption. Approximations are, however, possible: in 2018, absolute CO_2e emissions amounted to 10 693 tons, corresponding to 1 464 tons fewer than in 2017. A decrease in the heating degree days and the reclassification of several investment properties to development properties led to a reduction of 1 247 tons. The successful reduction of vacancies in the whole portfolio by 2% compared to mid-2017, led to increased emissions by 243 tons in 2018. Consequently, approximately 460 tons of savings were due to our optimisation projects.

EPRA reporting

Sustainability Reporting according to EPRA Best Practices Recommendations (sBPR)

Since 2015, we report according to the EPRA's (European Public Real Estate Association) sBPR. In 2018 again, PSP Swiss Property received the EPRA Gold Award for its 2017 reporting.

EPRA's sBPR require information about the Environmental performance, the Social performance and Governance. We are anxious to disclose our performance according to these indicators. This is an ongoing process and as such, figures which were not available at the time of reporting have been marked as "N/A" (not available).

Environmental performance

The following overarching recommendations do apply:

Reporting boundaries: The organisational boundary for property reporting is defined by the full operational control over individual properties. Consequently, co-owned properties as well as properties where a single tenant has sole operational control are not taken into account. In 2018, the data of 151 properties was measured and analysed (2017: 155 properties). Compared to the financial reporting, this reporting is delayed by six months (corresponding to the heating and ancillary costs statements). Therefore, the current reporting period is from 1 July 2017 to 30 June 2018.

Coverage: We cover all operational properties within the defined organisational boundary.

Estimations: 15% of the total energy we purchased in 2018 was based on estimations (2017: 2.8%). Since the data collection process for this reporting period had to be completed earlier for organisational reasons, fewer invoices were available at the time of completion than in the previous year. For properties where no final settlement is available from the providers at the balance-sheet date, we apply the previous year's figures. Some of our properties are leased by major tenants; these receive their utilities statements directly from the providers. Since we offer air-conditioned offices at these premises (which is part of the basic configuration) and because multi-tenant leases would be possible, we estimate the consumption at these premises (where a statement from the tenant is not available) according to the consumption at comparable properties.

Boundaries tenant/landlord: We always obtain heating energy ourselves and pass the costs on to the tenants in the heating bill. Consequently, heating energy is factored into our total calculations. This also applies to electricity for common areas (development) as well as ventilation and air-conditioning, where ventilated or air-conditioned rooms are leased. Electricity consumed by a tenant on his floor area is settled directly between tenant and provider by means of a separate meter; this does not enter our calculation.

Reference value: We use the leased floor space according to the figures published in the annual report for the specific figures.

Reporting segments: Our property portfolio consists mainly of office space. At several properties, there is a mixed use, i.e. there are both offices and retail areas (mostly on the ground floor) and, occasionally, apartments as well. In addition, we own hotels and spas. However, complete non-office use accounts for just an insignificant percentage of our total lease area (< 2%). Therefore, we do not define or disclose specific segments for these areas.

Own-used properties: We are the tenant of our own properties in Zurich, Geneva, Olten and Zug. Heating energy and general electricity as well as the water consumption of the properties concerned are recorded as well.

Like-for-like performance: We analyse and explain our like-for-like performance across selected performance indicators for the 149 properties that constitute our like-for-like portfolio.

Waste: We do not disclose waste indicators, because we, as landlord, have no direct influence on waste production. In Switzerland, waste management is in the hands of local authorities and the amount of waste produced, is the tenants' responsibility. However, we try to sensitise our tenants in this respect.

Certified buildings: A total of four buildings or 4.7% of the rental area are now either Minergie- or LEED-certified. The Minergie standards were integrated into many cantonal energy acts. Therefore, these certifications are of minor importance for PSP Swiss Property today. The LEED certification is less known in Switzerland, expensive and rarely asked for by tenants. We prefer to invest these funds into concrete, energy-saving measures, while considering possible certifications for our new constructions.

The following table provides the EPRA environmental performance measures for the 2017 and 2018 calendar years.

Impact area	EPRA Sustainability performance measures (Environment)			
Energy	**EPRA code**	**Units of measure**	**Indicator**	**Scope**
	Elec-Abs, Elec-LfL	kWh	Electricity	For landlord shared services, air-conditioning, ventilation
				(Sub)metered exclusively to tenants
				Total landlord-obtained electricity
				Proportion of landlord obtained electricity from renewable sources[1]
	DH&C-Abs, DH&C-LfL		District heating and cooling	Heating passed on to tenants
				(Sub)metered exclusively to tenants
				Total landlord-obtained district heating and cooling
				Proportion of landlord obtained district heating and cooling from renewable sources[2]
	Fuels-Abs, Fuels-LfL		Fuels (oil/gas)	Heating passed on to tenants
				(Sub)metered exclusively to tenants
				Total landlord-obtained fuels
				Proportion of landlord obtained fuels from renewable sources
Greenhouse gas emissions				
	GHG-Dir-Abs	Tonnes CO_2e	Direct	Scope 1
	GHG-Indir-Abs		Indirect	Scope 2
	GHG-Indir-Abs		Indirect	Scope 3
Water				
	Water-Abs, Water-LfL	m^3	Water Intensity	Water passed on to tenants
				(Sub)metered exclusively to tenants
				Total landlord-obtained water
Specific				
	Energy-Int	kWh/m^2	Energy Intensity	Landlord-obtained energy
	Water-Int	m^3/m^2	Water	Landlord-obtained water
	GHG-Int	kg/m^2	Direct	Scope 1
			Indirect	Scope 2/3
Certified buildings				
	Cert-Tot	4 buildings or 4.7% of lettable space as a percentage of the reported portfolio are certified (LEED and Swiss «Minergie» standard)		

1 Emissions are calculated using market-based emissions-factors. For 84% of our landlord obtained electricity we have marked based contracts with our suppliers with 100% renewable energy. For the remaining 16% we use the grid average emissions.
2 Currently we are not able to report this information as the proportion of district heating supplied from renewable sources is not available from our providers at the time of publication.

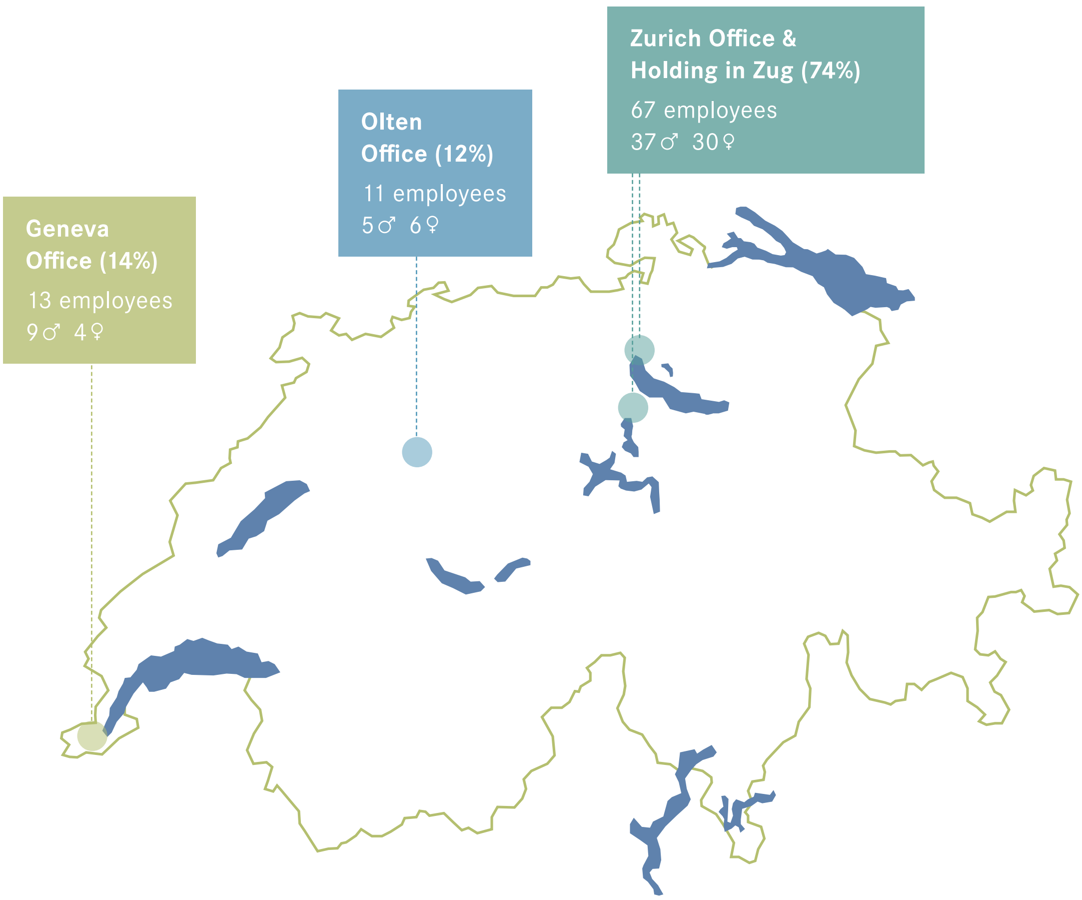
	Absolute measures (Abs)			Like-for-like (LfL)				
	2017	2018	+/–	2017	2018	+/–	Energy and associated GHG disclosure coverage	Proportion of energy and associated GHG estimated
	22 428 663	21 986 523	– 2.0%	20 686 402	21 153 025	2.3%		
	22 428 663	**21 986 523**	– 2.0%	**20 686 402**	**21 153 025**	2.3%	100%	21.0%
	82%	**84%**						
	21 964 363	19 827 145	– 9.7%	20 083 413	19 827 145	– 1.3%		
	21 964 363	**19 827 145**	– 9.7%	**20 083 413**	**19 827 145**	– 1.3%	100%	12.5%
	N/A	**N/A**						
	49 016 387	43 384 873	– 11.5%	46 731 235	43 004 833	– 8.0%		
	49 016 387	**43 384 873**	– 11.5%	**46 731 235**	**43 004 833**	– 8.0%	100%	13.1%
	8.0%	**8.0%**						
	10 051	**8 704**	– 13.4%					
	2 106	**1 989**	– 5.6%					
	53	**39**	– 26.4%					
	472 108	440 289	– 6.7%	461 459	455 263	– 1.3%		
	472 108	**440 289**	– 6.7%	**461 459**	**455 263**	– 1.3%	100%	3.6%
	96.220	**91.543**	– 4.9%					
	0.486	**0.473**	– 2.7%					
	10.354	**9.353**	– 9.7%					
	2.169	**2.137**	– 1.5%					
							100%	

Social performance

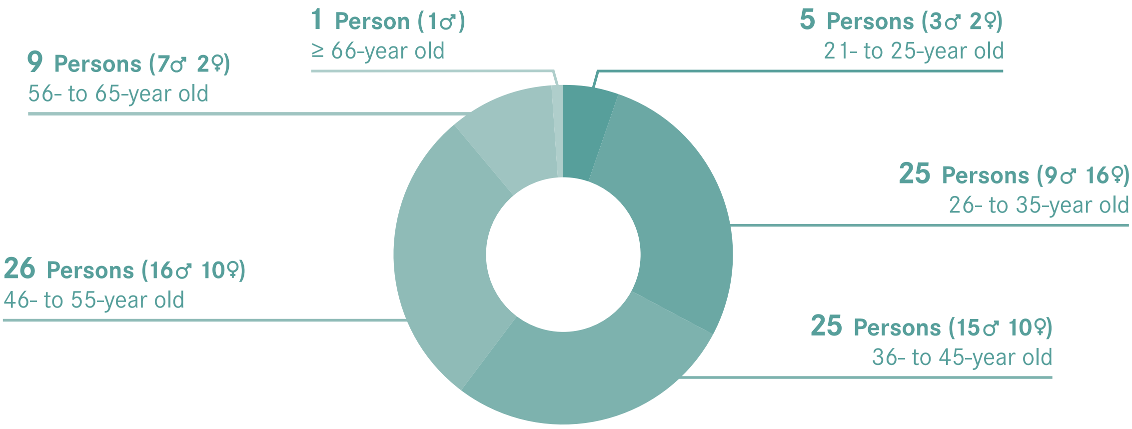
Employees

Our employees are our Company's key to success. In order to retain them in the long term, we offer them an attractive, safe and diversified work environment which increases their motivation and enables high-quality performance. Thanks to our open culture of dialogue, flat hierarchy and manageable size, we can easily share and discuss ideas, information and concerns. We actively promote our employees' professional and social potential. Creativity and responsibility are welcomed.

At the end of 2018, PSP Swiss Property had 91 employees (end of 2017: 86); the proportion of men was 56% (51 men). With 40 women employed in the company, their share was 44% and increased by 2% points compared to the previous year. In addition, we also employed 26 caretakers at the end of 2018 (end of 2017: 25). These caretakers carry out property-related work and are managed by PSP Management Ltd's property managers.

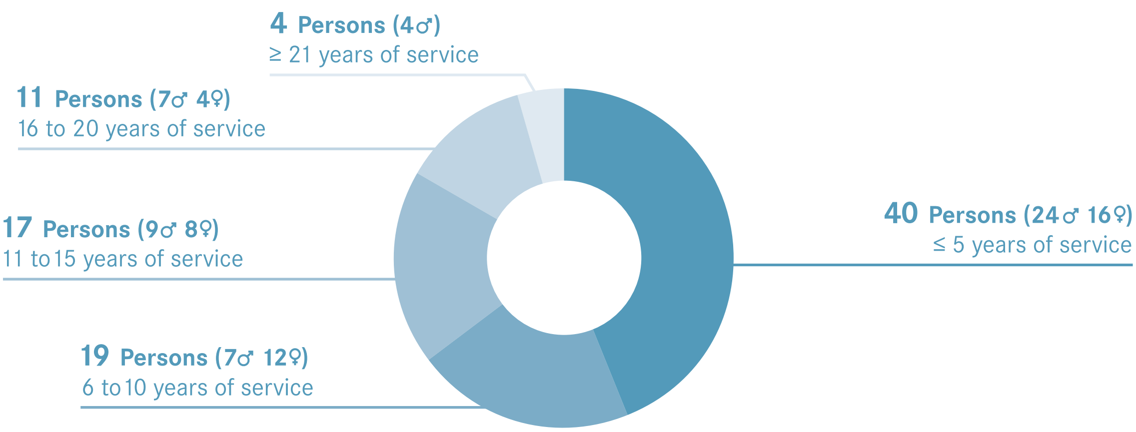


Age of employees



The average age of all employees is 42 years,
44 years for men and 40 years for women.

Years of service of employees



Our organisation is structured as follows:

Number of employees: 91 (FTE 86)
*Number of caretakers: 26

Recruitment: We are looking for people who fit our company culture and identify with our values. This presupposes expertise and the motivation to perform, but also a high level of service and customer orientation. We take great care in carefully introducing all new employees to our organisation.

Compensation and equality: We pay market-based salaries, which are set individually, based on criteria such as education, function, amount of work experience and performance. All employees receive a bonus based on the business performance, and benefit from additional advantages. These include loyalty commission, travel subsidies and paid trainings. It goes without saying that we guarantee equal opportunities for all employees. We do not tolerate any discrimination on grounds of nationality, gender, sexual orientation, age, religion or belief.

Communication: We inform all employees promptly about major business cases and internals (e.g. personnel information and organisational changes) in German and French. In this way, the Executive Board informs regularly – also by way of good internal networking – about current topics, developments and company goals and on the occasion of the quarterly reportings, about the current business performance of the company.

Assessment and development: Staff appraisals between senior management and employees are held on a regular basis. They provide our employees with important feedback on their work and define their personal contribution to achieving the company's goals. Specific performance, results reached and social behaviour will also be part of the conversation.

Education: PSP Swiss Property is supporting its employees in their professional development, also through personal education. Our special-topic luncheons (PSP Academy), which we organise on a regular basis, covering current business cases and topics, have become popular among our employees. We also offer our employees the opportunity for further internal training while, at the same time, broadening their horizon, by working in a different PSP location for up to three months.

External education and advanced training include courses in real estate, IT, management and communications as well as accounting. With language skills becoming increasingly important in the local property business as well, we have long been offering our employees free German, French and English lessons, which they can attend during their working hours directly at their workplace.

In the reporting year 2018, each employee took an average of four days of internal or external education.

Health and safety: Health and safety are important for a positive work atmosphere. Spacious, modern working spaces, a pleasant working environment and a high-quality infrastructure are a given matter for us and create the best of working conditions. In line with the strict SUVA standards (Swiss Accident Insurance Institution), we also provide all employees with electric height-adjustable desks and ergonomic chairs.

In 2018, we established in-house fitness facilities with a broad range of sports equipment and a generously furnished kitchen. We are pleased to see that both fitness centre and kitchen are well used by our employees, which has a positive effect on our corporate culture.

As far as safety at work is concerned, there is an evacuation plan which is used in emergencies. Our human resources department and our designated security officer organise the required courses (first aid, use of defibrillator, fire safety) for the helpers. There are exercises with the entire staff. In addition, we offer our employees the opportunity to seek free advice anonymously from external experts on personal or professional issues.

Work-Life balance: We do offer flexible working time models like part-time work, employment on an hourly basis after retirement, or early retirement while also benefitting the company. In 2018, 18 employees were employed part-time, which corresponds to a proportion of about 20%. Ten female employees, seven staff members (two women and five men) as well as one male member of the management had part-time work contracts.

During the reporting period, we introduced the so-called “annual working time” for all employees and caretakers. The annual working time should give employees more flexibility in organising their own time. It takes both fluctuations in the workload and the employees’ individual needs into consideration. This will, on the one hand, improve operational efficiency, and, on the other hand, make it easier for employees to balance the time they spend with their family, their free time and their time at work.

The following table provides our response to the EPRA social performance measures for the 2017 and 2018 calendar years.

	EPRA Sustainability performance measures (Social)				Corporate performance	
Impact area	EPRA code	Units of Measure	Indicator	Scope	2017	2018
Diversity	Diversity-Emp	% of employees	Gender diversity	Board of Directors	86% Male / 14% Female	86% Male / 14% Female
				All other direct employees	58% Male / 42% Female	56% Male / 44% Female
	Diversity-Pay	Female to male ratio	Gender pay	Board of Directors	0.8	0.8
				All other direct employees[1]	0.9	0.8
Employees	Emp-Training	Average hours	Training and development[2]	Direct employees	N/A	32.9 h
	Emp-Dev	% of total workforce	Performance appraisals		N/A	80%
	Emp-Turnover[1]	Total number[3]	New hires		7	10
			Leavers		11	9
			Number of employees at year end		86	91
		Rate	New hire rate		8%	11%
			Turnover		13%	10%
Health and safety	H&S-Emp	per 200,000 hours worked	Injury rate	Direct employees	N/A	0%
			Lost day rate		N/A	0%
		Days per employee	Absentee rate		N/A	2.1%
		Total number	Fatalities (total number)		0	0
	H&S-Asset	% of assets	H&S impact assessments	Assets under operational control[4]	100%	100%
	H&S-Comp	Total number	Number of incidents	Incidents of non-compliance scope: assets and assessments identified under H&S-Assets	N/A	0
Community	Comty-Eng	% of assets	% of assets with community engagement initiatives[5]		N/A	N/A

1 Excl. members of the Executive Board, directors and caretakers.
2 Incl. internal and external education per employee (excl. caretakers).
3 Excl. caretakers.
4 Quality management is implemented on our processes and in all our properties and sites. Health and safety checks are carried out in particular at our development projects. We strictly follow the standard requirements by the federal government, SUVA (Swiss National Accident Insurance Fund), SIA (Swiss Society of Engineers and Architects) and our internal regulations.
5 PSP Swiss Property's community initiatives have mainly involved memberships and sponsorships. The performance measure is not reported as the information was not available at the time of publication. We are looking to report against this performance measure in future reports.

Governance

The following table provides our response to the EPRA governance performance measures for the 2017 and 2018 calendar years.

	EPRA Sustainability performance measures (Governance)			Corporate performance	
Impact area	EPRA code	Units of measure	Scope	2017	2018
Board Composition	Gov-Board	Total number	Members of the Executive Board	3	3
		Total number	Independent / Non-executive Board members	6	6
		Total number	Independent / Non-executive Board members with competencies relating to environmental and social topics[1]	4	4
		Years	Average tenure on the Board of Directors	7.7	8.7
Nomination and selection	Gov-Select	Narrative	Board of Directors	N/A[2]	See below[3]
Conflicts of Interest	Gov-CoI	Narrative	Board of Directors	See below[4]	See below[4]

1 Please refer to the Corporate Governance section in the annual report 2017 (page 143 ff) and annual report 2018 (page 143 ff) respectively, where specific competencies are listed and skills and experiences become apparent from the biographies of Ms. Corinne Denzler, Mr. Peter Forstmoser, Mr. Nathan Hetz and Mr. Aviram Wertheim. Mr. Hetz and Mr. Wertheim for example developed specific competencies and experiences in environmental and social topics pertaining to their functions and proven track records as members of the board and CEO of a renowned and listed Real Estate company in their home country market; the same holds true for Ms. Denzler, who looks back on a carrier in the field of Swiss tourism and is actually CEO of a reputable Swiss Hotel Group. Mr. Forstmoser, has developed and demonstrated over years respective competencies, inter alia as former Chairman of Swiss Re, a leading Swiss Reinsurance Company accustomed with sustainability topics, as former Charmain of "The Sustainability Forum" Zurich, and as former Member of the Board of the "Center for Corporate Responsibility and Sustainability", an organisation connected with University of Zurich.

2 We did not specifically report on nomination and selection processes for Board members in the annual report 2017.

3 In 2018, a Nomination Committee was formed, which assists the Board of Directors in nomination/selection processes as set out in the Corporate Governance section of the annual report 2018 (page 154 ff).

4 PSP Swiss Property is required to publish information on management and control at the highest corporate level of the company in its annual report under a separate Corporate Governance section pursuant to the disclosure obligations stipulated in the Directive Corporate Governance (DCG) of SIX Swiss Exchange (see annual report 2017, page 143 ff and annual report 2018, page 143 ff respectively). It includes the relationship between individual bodies of the company (checks and balances) and the disclosure of specific information. Information on potential conflicts of interest is thus set out throughout the entire Corporate Governance reports, namely in respect to cross-board memberships and cross-shareholdings (none, see Section 1.3 and Section 3.1), major shareholders (Section 1.2) and substantial business relationships with the company (none, see Section 3.1), as well as inter alia in the note 32 to the consolidated financial statements in respect to related parties.

Ernst & Young AG
Maagplatz 1
Postfach
CH-8010 Zürich

Telefon: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the management of
PSP Swiss Property AG, Zürich

Zürich, 25th February 2019

Independent assurance report

We have undertaken a **limited assurance** engagement of the following quantitative key performance indicators (KPIs) marked with a „☑“ disclosed in the German version of PSP Swiss Property AG Annual Report in the chapter “Ökologische Nachhaltigkeit” for the reporting period from 1 January 2018 to 31 December 2018:

- Sustainability KPIs related to energy and water consumption as well as CO2 emissions (Scope 1 & 2)
- Sustainability KPIs related to CO2 emissions from business travel (Scope 3)

Our engagement was limited to the KPIs listed above. We have not assessed the following KPIs or information disclosed in the report:

- Information other than the sustainability KPIs indicated above
- KPIs related to previous reporting periods
- Qualitative statements

Responsibility of PSP Swiss Property AG management

The management of PSP Swiss Property AG is responsible for the preparation of the disclosed KPIs marked with a „☑“ in the German version of the Annual Report in accordance with the applicable criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of KPIs that are free from material misstatement, whether due to fraud or error.

Applicable criteria

PSP Swiss Property AG defined as applicable criteria (hereafter “applicable criteria”):

- GHG Protocol Corporate Standard (Revised Edition)

A summary of the guidelines is presented on the Greenhouse Gas Protocol website (online at http://www.ghgprotocol.org/sites/default/files/ghgp/standards/ghg-protocol-revised.pdf). We believe that these criteria are a suitable basis for our review.

The quantification of greenhouse gases (GHG) is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.
The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the above-mentioned KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance

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engagement in accordance with International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410"), issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the KPIs marked with a „☑" in the report are free from material misstatement.
The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. The procedures selected depend on the auditor's judgment. This includes the assessment of the risks of material misstatements in the report with regard to the applicable criteria.

The procedures we performed included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Summary of work performed

Our limited assurance procedures included, amongst others, the following work:

- Assessment of the suitability of the underlying criteria and their consistent application
- Inquiries of company's representatives responsible for collecting, consolidating and calculating the KPIs marked with a „☑" in order to assess the process of preparing the data, the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating sustainability data and testing such documentation on a sample basis
- Analytical procedures and inspection of documents on a sample basis with respect to the compilation and reporting of quantitative data
- Critical review of the report regarding plausibility and consistency with the information marked with a „☑" in the report

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly we do not express a reasonable assurance opinion about whether PSP's KPIs marked with a „☑" have been prepared, in all material respects, in accordance with the applicable criteria.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the KPIs marked with a „☑" in the report are not prepared, in all material respects, in accordance with the applicable criteria.

Ernst & Young AG

Roger Müller Partner	Piera Ziedek Manager

(Translation of the original report in German language)

Additional information

Key financial figures by area

(in CHF 1 000)	Number of proper-ties	Rental income	Operat-ing expenses	Mainte-nance and renova-tion	Net rental income	in % of total	Potential rent[1]	in % of total
Zurich								
2018	81	162 521	10 738	10 924	140 859	59.6%	170 899	58.2%
2017	82	162 707	10 586	11 029	141 092	61.3%	173 182	59.5%
Geneva								
2018	19	32 181	4 355	1 304	26 522	11.2%	34 167	11.6%
2017	16	26 354	4 612	1 706	20 036	8.7%	34 083	11.7%
Basel								
2018	15	27 573	2 289	1 972	23 313	9.9%	30 600	10.4%
2017	14	24 835	1 651	1 854	21 330	9.3%	25 541	8.8%
Bern								
2018	12	12 946	1 409	1 067	10 470	4.4%	13 543	4.6%
2017	13	12 824	1 382	928	10 513	4.6%	15 433	5.3%
Lausanne								
2018	15	17 068	1 970	1 020	14 078	6.0%	19 205	6.5%
2017	14	17 269	2 007	601	14 660	6.4%	18 809	6.5%
Other locations								
2018	21	20 644	2 257	1 280	17 106	7.2%	25 319	8.6%
2017	18	19 523	2 200	1 301	16 023	7.0%	23 923	8.2%
Sites and development properties								
2018	11	8 050	3 942	157	3 951	1.7%	n.a.[8]	n.a.
2017	12	10 367	3 464	373	6 531	2.8%	n.a.[9]	n.a.
Overall total portfolio								
2018	**174**	**280 982**	**26 960**	**17 724**	**236 298**	**100.0%**	**293 734**	**100.0%**
2017	**169**	**273 881**	**25 902**	**17 792**	**230 186**	**100.0%**	**290 970**	**100.0%**

1 Annualised rental income (market rent for vacant area).
2 According to the external property appraiser (as per reporting date, annualised).
3 Based on the market valuation by the external property appraiser.
4 Annualised rental income divided by average value of properties.
5 Annualised net rental income divided by average value of properties.
6 As per reporting date (market rent for vacant area).
7 Vacancy (CHF) in % of potential rent.
8 Annualised rent of potential rent amounts to TCHF 24 937 in 2018.
9 Annualised rent of potential rent amounts to TCHF 34 076 in 2017.

Market rent[2]	in % of total	Net changes in fair value[3]	Value of properties	in % of total	Implied yield gross[4]	Implied yield net[5]	Vacancy in CHF[6]	Vacancy rate (CHF)[6,7]	Vacancy in m²	Vacancy rate (m²)
169 395	57.5%	68 052	4 123 381	55.4%	4.0%	3.4%	7 110	4.2%	25 367	5.1%
174 450	58.9%	19 507	4 036 057	57.3%	4.0%	3.5%	11 081	6.4%	39 898	8.0%
34 591	11.7%	23 252	861 940	11.6%	3.8%	3.2%	1 447	4.2%	2 718	3.6%
37 437	12.6%	16 722	760 912	10.8%	3.5%	2.7%	6 028	17.7%	17 326	20.5%
31 230	10.6%	12 477	683 080	9.2%	4.1%	3.5%	1 230	4.0%	4 492	4.1%
25 966	8.8%	12 830	544 856	7.7%	4.6%	4.0%	590	2.3%	2 956	3.2%
13 643	4.6%	3 862	296 130	4.0%	4.2%	3.4%	1 142	8.4%	8 410	15.2%
13 982	4.7%	6 357	292 576	4.2%	4.4%	3.6%	1 549	10.0%	10 156	17.5%
21 732	7.4%	13 827	383 385	5.2%	4.5%	3.7%	1 410	7.3%	4 213	5.4%
21 672	7.3%	5 486	355 280	5.0%	4.9%	4.2%	1 206	6.4%	3 725	4.9%
24 037	8.2%	– 4 064	431 016	5.8%	4.8%	4.0%	2 405	9.5%	11 759	12.1%
22 923	7.7%	15 055	394 220	5.6%	5.0%	4.1%	3 540	14.8%	15 912	17.2%
n.a.	n.a.	49 285	663 174	8.9%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	7 295	661 892	9.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
294 628	**100.0%**	**166 692**	**7 442 106**	**100.0%**	**4.1%**	**3.5%**	**14 745**	**5.0%**	**56 959**	**6.2%**
296 429	**100.0%**	**83 253**	**7 045 793**	**100.0%**	**4.2%**	**3.5%**	**23 995**	**8.2%**	**89 973**	**9.9%**

Property details

Area	Land area m²	Office area m²	Retail area m²	Gas-tronomy area m²	Other area m²	Total rentable area m²
Zurich						
Kilchberg, Seestr. 40, 42	3 401	2 181	0	0	833	3 014
Rüschlikon, Moosstr. 2	6 798	5 589	0	0	3 560	9 149
Urdorf, Heinrich Stutz-Str. 23/25	3 788	988	0	0	2 960	3 948
Urdorf, Heinrich Stutz-Str. 27/29	30 671	43 467	0	195	3 137	46 799
Wallisellen, Richtistr. 3	5 578	7 538	0	0	0	7 538
Wallisellen, Richtistr. 5	5 197	6 446	0	0	522	6 968
Wallisellen, Richtistr. 7	4 582	8 672	0	0	531	9 203
Wallisellen, Richtistr. 9	4 080	6 003	0	0	0	6 003
Wallisellen, Richtistr. 11	4 988	6 967	0	0	405	7 372
Zürich, Alfred Escher-Str. 17	275	997	0	0	0	997
Zürich, Augustinergasse 25	236	255	0	327	157	739
Zürich, Bahnhofplatz 9	998	2 524	2 032	0	0	4 556
Zürich, Bahnhofstr. 10 / Börsenstr. 18	344	646	844	0	0	1 490
Zürich, Bahnhofstr. 28a / Waaggasse 6	763	1 776	731	419	296	3 222
Zürich, Bahnhofstr. 39	1 093	1 751	1 740	0	71	3 562
Zürich, Bahnhofstr. 66	627	0	4 868	0	0	4 868
Zürich, Bahnhofstr. 81 / Schweizergasse 2/4	355	714	1 338	0	300	2 352
Zürich, Bernerstr. Süd 167/169	3 967	10 373	0	0	1 464	11 837
Zürich, Binzring 15/17	33 878	35 680	0	0	4 659	40 339
Zürich, Bleicherweg 10 / Schanzengraben 7	1 155	3 394	237	0	376	4 007
Zürich, Bleicherweg 14	398	530	0	0	0	530
Zürich, Brandschenkestr. 70 (KH)	298	0	0	0	0	0
Zürich, Brandschenkestr. 72 (KG)	247	0	0	0	0	0
Zürich, Brandschenkestr. 80, 82, 84 (Tertianum)	7 384	0	0	0	13 072	13 072
Zürich, Brandschenkestr. 90 (DL1)	12 770	11 672	0	0	0	11 672
Zürich, Brandschenkestr. 100 (DL2)	5 139	8 627	0	0	1 140	9 767
Zürich, Brandschenkestr. 110 (DL3)	5 860	15 979	0	0	0	15 979
Zürich, Brandschenkestr. 130/132 (Markt)	3 605	1 020	1 043	641	0	2 704
Zürich, Brandschenkestr. 150 (Markt)	5 926	3 531	1 401	0	40	4 972
Zürich, Brandschenkestr. 152 (Sudhaus)	5 194	0	0	3 802	4 759	8 561
Zürich, Brandschenkestr. 152a (DL4)	583	2 448	0	0	0	2 448
Zürich, Brandschenkestr. 152b (Kesselhaus)	818	711	0	0	0	711

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).
2 Annualised net rental income divided by average value of properties.
3 Year of last overall renovation.
4 PR = PSP Real Estate Ltd
PP = PSP Properties Ltd
IS = Immobiliengesellschaft Septima AG
SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of con-struction	Year of renovation[3]	Purchase date	Owner[4]	Owner-ship status[5]	Owner-ship per-centage
33	25.3%	3.6%	1966	2001	01.10.1999	PR	SO	100.0%
122	0.0%	5.7%	1969|89	2010	01.06.2002	PR	SO	100.0%
59	0.3%	5.3%	1967	1989	01.11.2015	PR	SO	100.0%
209	0.7%	7.3%	1976	2002|03|10|13	01.07.2004	PR	SO	100.0%
137	0.0%	5.1%	2000|01	2011	01.11.2001	PR	SO	100.0%
126	27.8%	1.2%	2003	2011	01.04.2003	PR	SO	100.0%
156	0.0%	5.2%	2003	2011	01.04.2003	PR	SO	100.0%
105	0.0%	5.2%	2010		13.06.2008	PR	SO	100.0%
123	22.9%	6.4%	2010		13.06.2008	PR	SO	100.0%
0	0.0%	4.0%	1907	2000	01.10.1999	PR	SO	100.0%
1	0.0%	2.9%	1850	1994|2000|04	01.04.2004	PP	SO	100.0%
0	0.0%	3.4%	1933	2003|04|14	01.04.2004	PP	SO	100.0%
0	0.0%	2.7%	1885	1984|2015	01.10.1999	PR	SO	100.0%
0	18.5%	2.3%	1812	2005|10	01.04.2004	PP	SO	100.0%
7	0.1%	2.2%	1911	1984|2003|13	01.01.2000	PR	SO	100.0%
0	0.0%	2.3%	1967	1995|2014	01.07.2005	PP	SO	100.0%
0	0.0%	2.2%	1931	2001	01.04.2004	PP	SO	100.0%
144	38.4%	5.2%	1974	1992|2006	01.10.1999	PR	SO	100.0%
140	0.0%	5.6%	1992		01.04.2001	PR	SO	100.0%
17	2.4%	2.9%	1930|76	1985|2006|09	01.10.1999	PR	SO	100.0%
7	0.0%	3.6%	1857	1998|99	01.07.2005	PP	SO	100.0%
0	0.0%	0.0%	1921	2003	01.04.2004	PP	FA	15.4%
0	0.0%	0.0%	2003		01.04.2004	PP	FA	10.8%
56	0.0%	3.3%	2005		01.04.2004	PP	SO	100.0%
272	0.0%	3.2%	2003		01.04.2004	PP	SO	100.0%
0	0.1%	3.2%	2003		01.04.2004	PP	SO	100.0%
0	0.0%	3.2%	2007		01.04.2004	PP	SO	100.0%
0	0.0%	3.6%	1877|82	2004	01.04.2004	PP	SO	100.0%
0	2.4%	2.8%	1882	2004	01.04.2004	PP	SO	100.0%
0	0.0%	4.5%	1913	2012	01.04.2004	PP	SO	100.0%
0	0.0%	3.2%	2008		01.04.2004	PP	SO	100.0%
0	0.0%	5.2%	1890	2013	01.04.2004	PP	SO	100.0%

5 BL = Building lease
CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 202 to 203.
9 Current development project designed for sale.

Area	Land area m²	Office area m²	Retail area m²	Gas-tronomy area m²	Other area m²	Total rentable area m²
Zurich (continuation)						
Zürich, Dufourstr. 56	900	2 587	292	0	0	2 879
Zürich, Flüelastr. 7	1 296	2 766	433	0	35	3 234
Zürich, Förrlibuckstr. 10	4 122	7 678	0	0	486	8 164
Zürich, Förrlibuckstr. 60/62	10 382	15 829	0	885	7 657	24 371
Zürich, Förrlibuckstr. 66	2 055	5 252	0	0	1 950	7 202
Zürich, Förrlibuckstr. 110	2 963	9 531	350	194	1 391	11 466
Zürich, Förrlibuckstr. 151 (Parkhaus)	3 495	0	0	1 737	63	1 800
Zürich, Förrlibuckstr. 181	1 789	4 813	0	0	174	4 987
Zürich, Freieckgasse 7	295	285	89	210	224	808
Zürich, Füsslistr. 6	907	1 245	1 071	0	684	3 000
Zürich, Gartenstr. 32	694	1 707	0	0	0	1 707
Zürich, Genferstr. 23	343	946	0	0	72	1 018
Zürich, Gerbergasse 5	606	1 740	792	0	66	2 598
Zürich, Goethestr. 24	842	613	0	116	91	820
Zürich, Gutenbergstr. 1/9	1 488	7 154	815	0	1 051	9 020
Zürich, Hardturmstr. 101, 103, 105 / Förrlibuckstr. 30	7 567	18 375	4 941	0	752	24 068
Zürich, Hardturmstr. 131, 133, 135	6 236	16 675	1 293	0	5 564	23 532
Zürich, Hardturmstr. 169, 171, 173, 175	5 189	11 791	434	80	6 324	18 629
Zürich, Hottingerstr. 10-12	1 922	3 432	0	0	546	3 978
Zürich, In Gassen 16	331	0	0	487	620	1 107
Zürich, Konradstr. 1 / Zollstr. 6	686	265	83	190	2 311	2 849
Zürich, Kurvenstr. 17 / Beckenhofstr. 26	657	1 537	0	0	202	1 739
Zürich, Limmatquai 4	529	2 370	159	222	114	2 865
Zürich, Limmatquai 144 / Zähringerstr. 51	429	1 471	0	243	367	2 081
Zürich, Limmatstr. 250–254, 264, 266 (“Red”)	4 705	7 808	0	283	710	8 801
Zürich, Limmatstr. 291	973	2 816	0	0	154	2 970
Zürich, Lintheschergasse 23	135	359	0	80	171	610
Zürich, Löwenstr. 16	206	468	201	0	147	816
Zürich, Löwenstr. 22	250	679	198	0	79	956

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).
2 Annualised net rental income divided by average value of properties.
3 Year of last overall renovation.
4 PR = PSP Real Estate Ltd
PP = PSP Properties Ltd
IS = Immobiliengesellschaft Septima AG
SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
12	0.0%	3.5%	1950	1997|2006	01.10.1999	PR	SO	100.0%
65	0.0%	5.5%	1982	2007	01.10.1999	PR	SO	100.0%
85	0.5%	4.6%	1963	2002	29.06.2001	PR	SO	100.0%
312	4.9%	4.9%	1989	2016|17	01.04.2001	PR	SO	100.0%
80	1.1%	5.3%	1969	1992|2003|04	01.12.2002	PR	SO	100.0%
64	3.9%	4.3%	1962	2000	01.12.2002	PR	SO	100.0%
1 137	0.9%	3.6%	1975	2000	01.12.2002	PR	SO	100.0%
39	2.7%	4.1%	2002		01.12.2002	PR	SO	100.0%
0	0.0%	3.0%	1700	1992|2012	01.04.2004	PP	SO	100.0%
3	1.6%	2.5%	1925	1998|2005	01.04.2001	PR	SO	100.0%
21	1.1%	3.2%	1967	1986|2005	01.07.2005	PP	SO	100.0%
0	1.2%	3.6%	1895	1998|2014	01.10.1999	PR	SO	100.0%
3	45.8%	1.0%	1904	1993|2010|12|18	27.05.2004	PP	SO	100.0%
0	0.0%	2.9%	1874	2014	01.04.2004	PP	SO	100.0%
14	16.0%	3.5%	1969	1986|2008	31.12.2004	PR	SO	100.0%
236	6.0%	3.9%	1992	2009|13	01.08.2016	PR	SO	100.0%
41	3.4%	4.3%	1982	2008	01.12.2002	PR	SO	100.0%
44	11.0%	2.6%	1952	1997|2006|18	01.12.2002	PR	SO	100.0%
18	8.7%	2.6%	1914|40	1994	01.04.2001	PR	SO	100.0%
0	0.0%	2.4%	1812	1984|2007	01.04.2004	PP	SO	100.0%
7	14.2%	2.3%	1879|1982	1990	01.04.2004	PP	SO	100.0%
35	0.0%	4.0%	1971	1999|2006|07|12	01.10.1999	PR	SO	100.0%
0	0.0%	3.2%	1837	2000	01.01.2000	PR	SO	100.0%
0	7.8%	3.1%	1888	1994	01.04.2004	PP	SO	100.0%
36	2.1%	3.7%	2013		01.10.2010	PP	SO	100.0%
7	0.0%	5.2%	1985	2016	01.04.2001	PR	SO	100.0%
0	0.0%	3.3%	1879	2001	01.04.2004	PP	SO	100.0%
1	0.0%	2.0%	2015		01.04.2004	PP	SO	100.0%
4	11.9%	3.0%	1964	2003|07|11	31.12.2000	PR	SO	100.0%

5 BL = Building lease
CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 202 to 203.
9 Current development project designed for sale.

Area	Land area m²	Office area m²	Retail area m²	Gastronomy area m²	Other area m²	Total rentable area m²
Zurich (continuation)						
Zürich, Mühlebachstr. 6	622	616	0	0	0	616
Zürich, Mühlebachstr. 32	536	2 070	0	0	55	2 125
Zürich, Obstgartenstr. 7	842	1 883	0	0	0	1 883
Zürich, Poststr. 3	390	812	854	0	34	1 700
Zürich, Schaffhauserstr. 611	1 981	2 837	656	0	108	3 601
Zürich, Seebahnstr. 89	2 455	2 987	739	0	1 176	4 902
Zürich, Seefeldstr. 5	498	604	0	307	289	1 200
Zürich, Seefeldstr. 123	2 580	6 481	1 562	0	229	8 272
Zürich, Seestr. 353[7]	3 593	7 304	0	0	381	7 685
Zürich, Sihlamtsstr. 5	354	449	0	140	359	948
Zürich, Splügenstr. 6	430	1 052	0	0	52	1 104
Zürich, Stampfenbachstr. 48 / Sumatrastr. 11	1 589	4 415	222	0	389	5 026
Zürich, Stauffacherstr. 31	400	534	0	204	863	1 601
Zürich, Theaterstr. 12	1 506	2 233	4 323	0	40	6 596
Zürich, Theaterstr. 22	324	459	0	283	237	979
Zürich, Uraniastr. 9	989	3 494	313	909	669	5 385
Zürich, Walchestr. 11, 15 / Neumühlequai 26, 28	1 074	2 974	676	102	336	4 088
Zürich, Wasserwerkstr. 10, 12 / Stampfenbachstr. 109	1 760	6 463	0	0	1 528	7 991
Zürich, Zurlindenstr. 134	487	1 224	133	0	134	1 491
Zürich, Zweierstr. 129	597	1 759	260	0	834	2 853
Total	**245 995**	**371 321**	**35 123**	**12 056**	**78 000**	**496 500**

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).
2 Annualised net rental income divided by average value of properties.
3 Year of last overall renovation.

4 PR = PSP Real Estate Ltd
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IS = Immobiliengesellschaft Septima AG
SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of con-struction	Year of renovation[3]	Purchase date	Owner[4]	Owner-ship status[5]	Owner-ship per-centage
7	0.0%	3.8%	1975	1993	01.10.1999	PR	FA	29.8%
21	0.0%	3.7%	1981	1999 | 2007	01.10.1999	PR	SO	100.0%
16	1.7%	3.9%	1958	1981 | 2002	01.10.1999	PR	SO	100.0%
0	0.0%	2.9%	1893	1999	01.10.1999	PR	SO	100.0%
60	15.7%	4.1%	2001 | 02	2017	01.07.2005	PP	SO	100.0%
77	3.3%	3.7%	1959	2003 | 08 | 18	01.04.2001	PR	SO	100.0%
0	12.4%	3.1%	1840	2000	01.04.2004	PP	SO	100.0%
86	1.5%	3.2%	1972	2004 | 17	01.10.1999	PR	SO	100.0%
125	5.4%	4.8%	1981 | 2001	2010	01.04.2010	PR	SO	100.0%
0	0.7%	3.5%	1950	2005	01.04.2004	PP	SO	100.0%
8	34.7%	2.4%	1896	1998 | 2011	01.10.1999	PR	SO	100.0%
35	2.2%	3.7%	1929	1999 | 2001 | 07	01.10.1999	PR	SO	100.0%
3	0.0%	2.5%	1896	2000	01.04.2004	PP	SO	100.0%
3	0.2%	2.7%	1973	1993 | 2004 | 07	01.10.1999	PR	SO	100.0%
0	0.0%	2.9%	2013		01.04.2004	PP	SO	100.0%
2	0.0%	3.1%	1906	1992 | 2002	01.04.2004	PP	SO	100.0%
6	0.1%	3.8%	1919	2000 | 08 | 09	01.10.1999	PR	SO	100.0%
125	6.7%	2.3%	1981	2006 | 16 | 18	01.04.2004	PP	SO	100.0%
17	10.2%	3.7%	1972 | 73	2006	01.10.1999	PR	SO	100.0%
7	3.0%	4.2%	1958	2003	01.10.1999	PR	SO	100.0%
4 576	**4.2%**	**3.4%**						

5 BL = Building lease
CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 202 to 203.
9 Current development project designed for sale.

Area	Land area m²	Office area m²	Retail area m²	Gas-tronomy area m²	Other area m²	Total rentable area m²
Geneva						
Carouge GE, Route des Acacias 50/52	4 666	9 557	0	0	31	9 588
Carouge GE, Rue de la Gabelle 6	990	1 016	0	0	0	1 016
Cologny, Port Noir Hammam & Bain Genève Plage	0	0	0	0	2 829	2 829
Genève, Cours de Rive 13, 15 / Helv. 25	882	4 512	1 164	0	41	5 717
Genève, Place du Molard 7	593	2 112	0	843	423	3 378
Genève, Rue de Hollande 14 / Rue de Hesse 16bis[6]	314	1 601	0	0	0	1 601
Genève, Rue de l'Arquebuse 8[6]	347	2 160	0	0	0	2 160
Genève, Rue de la Corraterie 24/26	1 005	1 578	617	0	185	2 380
Genève, Rue de la Fontaine 5	226	1 060	173	0	77	1 310
Genève, Rue des Bains 31bis, 33, 35	3 368	10 451	1 249	0	295	11 995
Genève, Rue du Grand-Pré 54, 56, 58	2 864	5 792	0	0	562	6 354
Genève, Rue du Mont-Blanc 12	258	1 468	174	0	0	1 642
Genève, Rue du Prince 9/11	578	2 985	796	0	366	4 147
Genève, Rue du XXXI-Décembre 8	1 062	2 258	366	134	1 012	3 770
Genève, Rue F. Bonivard 12 / Rue des Alpes 11	392	2 048	269	0	46	2 363
Genève, Rue François-Diday 8[6]	632	2 438	0	0	0	2 438
Genève, Rue Jean-Petitot 12[6]	354	1 343	0	0	0	1 343
Genève, Rue Jean-Petitot 15 / Rue Firmin-Abauzit 2[6]	294	1 412	0	0	0	1 412
Genève, Rue Richard-Wagner 6	6 634	9 976	0	0	0	9 976
Total	**25 459**	**63 767**	**4 808**	**977**	**5 867**	**75 419**
Basel						
Basel, Barfüsserplatz 10	3 655	336	0	530	314	1 180
Basel, Dornacherstr. 210	4 994	9 801	2 761	0	1 972	14 534
Basel, Falknerstr. 31 / Weisse Gasse 16	320	133	0	345	724	1 202
Basel, Freie Str. 38	299	351	848	0	77	1 276
Basel, Greifengasse 21	416	199	878	0	847	1 924
Basel, Grosspeterstr. 18, 20	8 062	13 194	0	0	628	13 822
Basel, Grosspeterstr. 44 («Grosspeter Tower»)	3 978	11 383	0	5 493	1 125	18 001
Basel, Hochstr. 16 / Pfeffingerstr. 5	7 018	15 393	0	0	0	15 393
Basel, Kirschgartenstr. 12/14	1 376	4 962	787	143	484	6 376
Basel, Marktgasse 4	272	374	367	0	327	1 068
Basel, Marktgasse 5	330	997	296	0	117	1 410
Basel, Marktplatz 30/30A	560	2 070	0	431	298	2 799
Basel, Peter Merian-Str. 88/90	3 900	12 000	0	0	424	12 424
Basel, St. Alban-Anlage 46	1 197	3 193	0	245	336	3 774
Basel, Steinentorberg 8/12	2 845	6 927	0	280	7 494	14 701
Total	**39 222**	**81 313**	**5 937**	**7 467**	**15 167**	**109 884**

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).
2 Annualised net rental income divided by average value of properties.
3 Year of last overall renovation.

4 PR = PSP Real Estate Ltd
PP = PSP Properties Ltd
IS = Immobiliengesellschaft Septima AG
SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
181	0.0%	4.0%	1965	2006 | 10 | 13	31.12.2000	PR	SO	100.0%
5	0.0%	4.2%	1987		01.01.2000	PR	SO	100.0%
0	0.0%	5.5%	2015		07.05.2013	PR	BL	100.0%
64	4.7%	3.0%	1981		01.10.1999	PR	SO	100.0%
0	18.9%	1.8%	1975	2005 | 06	01.04.2004	SI	SO	100.0%
0	0.0%	3.1%	1900	2011 | 15	01.02.2018	PR	SO	100.0%
10	0.0%	3.4%	1900	2011 | 14	01.02.2018	PR	SO	100.0%
10	16.3%	2.6%	1825	1996 | 2016	01.10.1999	PR	SO	100.0%
0	0.0%	2.5%	1920	2000 | 01	01.10.1999	PR	SO	100.0%
255	15.4%	2.8%	1994	2016	01.07.2002	PR	SO	100.0%
51	0.9%	4.1%	1984	1992 | 2007	01.12.2005	PR	SO	100.0%
0	0.0%	3.3%	1860	2000	01.10.1999	PR	SO	100.0%
4	0.0%	3.0%	1966	2000 | 01 | 06	01.01.2000	PR	SO	100.0%
0	0.4%	3.6%	1962	1992 | 2001 | 11	01.10.1999	PR	SO	100.0%
0	0.0%	3.2%	1852	1995 | 2013 | 14	01.10.1999	PR	SO	100.0%
0	0.0%	2.6%	1924	2012 | 17	01.02.2018	PR	SO	100.0%
0	0.0%	3.0%	1800	2014	01.02.2018	PR	SO	100.0%
0	0.0%	2.9%	1870	2011 | 12	01.02.2018	PR	SO	100.0%
69	0.0%	3.0%	1986		01.07.2004	PR	SO	100.0%
649	**4.2%**	**3.2%**						

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
0	0.0%	3.0%	1914	1997 | 2006 | 11	01.04.2004	PP	SO	100.0%
4	11.5%	3.8%	1969	1998 | 2004 | 06 | 15	31.12.2000	PR	SO	100.0%
0	2.6%	3.2%	1902	1998 | 2005 | 08 | 12	01.04.2004	PP	SO	100.0%
0	0.0%	1.8%	1896	1981 | 82 | 2005 | 16	01.07.2005	PP	SO	100.0%
0	3.9%	3.1%	1930	1984 | 98 | 2015	01.04.2004	PP	SO	100.0%
100	1.8%	5.8%	1988		01.12.2005	PR	SO	100.0%
152	10.6%	1.9%	2017		01.12.2005	PR	SO	100.0%
227	0.0%	4.7%	1986	2000	01.01.2001	PR	SO	100.0%
90	0.2%	3.9%	1978	2003 | 05 | 10	01.01.2000	PR	SO	100.0%
0	0.0%	3.6%	1910	2002 | 08	01.04.2004	PP	SO	100.0%
0	0.0%	3.4%	1924	1975 | 2002 | 05	01.10.1999	PR	SO	100.0%
0	0.0%	3.3%	1936	2001 | 06	01.04.2004	PP	SO	100.0%
108	3.0%	3.8%	2000		01.09.2014	PR	FA	100.0%
53	9.3%	3.1%	1968	2000 | 11	01.10.1999	PR	SO	100.0%
69	1.6%	3.9%	1991		01.12.2001	PR	SO	100.0%
803	**4.0%**	**3.5%**						

5 BL = Building lease
CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 202 to 203.
9 Current development project designed for sale.

Area	Land area m²	Office area m²	Retail area m²	Gastronomy area m²	Other area m²	Total rentable area m²
Bern						
Bern, Bollwerk 15	403	1 215	435	119	162	1 931
Bern, Eigerstr. 2	3 342	4 356	240	0	94	4 690
Bern, Genfergasse 4	325	952	0	544	291	1 787
Bern, Haslerstr. 30 / Effingerstr. 47	2 585	6 196	0	0	786	6 982
Bern, Kramgasse 49	235	50	173	260	310	793
Bern, Kramgasse 78	241	178	510	0	325	1 013
Bern, Laupenstr. 10	969	1 835	571	0	233	2 639
Bern, Laupenstr. 18/18a	5 436	7 060	1 470	0	875	9 405
Bern, Seilerstr. 8a	1 049	3 645	386	0	568	4 599
Bern, Waisenhausplatz 14	826	1 234	1 838	0	354	3 426
Bern, Zeughausgasse 26/28	629	679	395	1 755	622	3 451
Wabern bei Bern, Gurtenbrauerei 10–92	67 099	2 726	834	0	11 079	14 639
Total	**83 139**	**30 126**	**6 852**	**2 678**	**15 699**	**55 355**
Lausanne						
Lausanne, Av. Agassiz 2[6]	757	1 394	0	0	0	1 394
Lausanne, Av. de Cour 135	1 800	2 251	0	262	385	2 898
Lausanne, Av. de Sévelin 40	3 060	1 698	0	0	4 966	6 664
Lausanne, Av. de Sévelin 46	3 320	10 589	0	0	4 657	15 246
Lausanne, Av. de Sévelin 54	1 288	639	0	0	2 371	3 010
Lausanne, Ch. de Bossons 2	1 930	2 135	0	0	127	2 262
Lausanne, Ch. du Rionzi 52, Depot	0	3 407	0	0	5 662	9 069
Lausanne, Grand Pont 1	371	0	1 069	0	0	1 069
Lausanne, Place Saint-François 5	1 070	2 341	1 633	1 542	392	5 908
Lausanne, Place Saint-François 15	5 337	8 717	1 710	0	36	10 463
Lausanne, Rue Centrale 15	486	1 261	581	0	468	2 310
Lausanne, Rue de Sébeillon 1, 3, 5	2 870	7 796	265	0	4 181	12 242
Lausanne, Rue de Sébeillon 2	5 955	0	0	0	0	0
Lausanne, Rue du Grand-Chêne 2	555	1 770	1 338	0	0	3 108
Lausanne, Rue du Pont 22	465	1 331	330	295	400	2 356
Total	**29 264**	**45 329**	**6 926**	**2 099**	**23 645**	**77 999**

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).
2 Annualised net rental income divided by average value of properties.
3 Year of last overall renovation.
4 PR = PSP Real Estate Ltd
PP = PSP Properties Ltd
IS = Immobiliengesellschaft Septima AG
SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of con-struction	Year of renovation[3]	Purchase date	Owner[4]	Owner-ship status[5]	Owner-ship per-centage
0	0.0%	3.7%	1924	2002	01.10.1999	PR	SO	100.0%
115	0.0%	4.0%	1964	1999 | 2005 | 11	01.10.1999	PR	SO	100.0%
0	0.0%	3.2%	1899	1984 | 2005 | 06	01.04.2004	IS	SO	100.0%
6	8.9%	4.4%	1964 | 76	1995 | 2006 | 09 | 18	01.12.2005	PR	SO	100.0%
0	0.0%	1.8%	1900	2011 | 13	01.04.2004	IS	SO	100.0%
0	0.0%	3.4%	vor 1900	1991 | 92	01.07.2005	PP	SO	100.0%
0	0.4%	3.0%	1965	1997 | 2004 | 11 | 17	01.07.2004	PR	SO	100.0%
7	0.0%	4.2%	1935 | 60	1997 | 2009 | 12	01.07.2004	PR	SO	100.0%
58	0.0%	4.2%	1971	2001	01.10.1999	PR	SO	100.0%
0	0.0%	3.3%	1950	2001	01.10.1999	PR	SO	100.0%
0	0.0%	4.5%	1900	1999	01.04.2004	IS	SO	100.0%
72	53.5%	0.6%	1863 | 2016	2016	01.04.2004	IS	SO	100.0%
258	**8.4%**	**3.4%**						
9	0.0%	2.9%	1880	2002 | 12 | 15	01.02.2018	PR	SO	100.0%
23	5.5%	3.8%	1973	2001 | 04 | 05	01.10.1999	PR	SO	100.0%
146	15.5%	4.7%	1992		01.12.2005	PR	SO	100.0%
10	8.7%	5.3%	1994		01.12.2005	PR	SO	100.0%
0	0.0%	6.4%	1932	1990 | 2002	01.12.2005	PR	SO	100.0%
8	5.2%	6.2%	1971	1998	01.04.2001	PR	SO	100.0%
63	0.0%	4.7%	1971	1996 | 2014	01.04.2004	IS	BL	100.0%
0	0.0%	4.5%	1957	2000	01.07.2005	PP	SO	100.0%
0	36.8%	2.0%	1913	1989 | 2004	01.10.1999	PR	SO	100.0%
61	0.0%	4.1%	1900	1998 | 2003 | 04	01.04.2001	PR	SO	100.0%
0	0.0%	3.6%	1938	1987 | 2013	01.01.2000	PR	SO	100.0%
61	9.1%	5.2%	1963	1998	01.12.2005	PR	SO	100.0%
221	10.9%	2.7%	n.a.		01.12.2005	PR	SO	100.0%
0	0.2%	1.0%	1910 | 11	1985 | 2001	01.10.1999	PR	SO	100.0%
0	0.0%	3.6%	1952	2003	01.07.2005	PP	SO	100.0%
602	**7.3%**	**3.7%**						

5 BL = Building lease
CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 202 to 203.
9 Current development project designed for sale.

Area	Land area m²	Office area m²	Retail area m²	Gastronomy area m²	Other area m²	Total rentable area m²
Other locations						
Aarau, Bahnhofstr. 18	496	1 380	671	0	43	2 094
Aarau, Bahnhofstr. 29/33	1 375	2 063	1 567	0	625	4 255
Aarau, Igelweid 1	356	280	104	0	184	568
Biel/Bienne, Aarbergstr. 107	5 352	14 272	555	0	3 474	18 301
Biel/Bienne, Bahnhofplatz 2	4 928	6 569	3 441	0	3 086	13 096
Fribourg, Route des Arsenaux 41	4 310	8 725	459	509	1 208	10 901
Fribourg, Rue de la Banque 4 / Rte d. Alpes	269	882	549	0	104	1 535
Fribourg, Rue de Morat 11-11A-11B-11C[6]	2 642	1 118	0	0	0	1 118
Interlaken, Bahnhofstr. 23	419	0	353	0	0	353
Locarno, Via Respini 7/9	0	0	0	0	4 916	4 916
Lugano, Via Emilio Bossi 9[6]	1 049	1 626	59	0	0	1 685
Lugano, Via Ginevra 2[6]	1 176	2 267	0	0	0	2 267
Lugano, Via Pessina 16	356	565	611	0	265	1 441
Luzern, Maihofstr. 1	930	2 263	328	0	596	3 187
Olten, Baslerstr. 44	657	2 045	401	0	596	3 042
Rheinfelden, Salmencenter / Quellenhaus Baslerstr. 2–16	34 241	4 855	5 992	0	12 787	23 634
Solothurn, Gurzelngasse 6	0	519	507	0	0	1 026
Uster, Bankstr. 11	960	0	207	201	557	965
Winterthur, Marktgasse 74	351	0	658	0	547	1 205
Winterthur, Untertor 34	146	301	0	92	322	715
Zug, Kolinplatz 2	285	793	119	0	180	1 092
Total	**60 298**	**50 523**	**16 581**	**802**	**29 490**	**97 396**
Sites and development properties[8]						
Genève, Projekt "Rue de Berne"	926	n.a.	n.a.	n.a.	n.a.	n.a.
Genève, Projekt "Rue du Marché"	798	n.a.	n.a.	n.a.	n.a.	n.a.
Köniz, Projekt "Spiegel"[9]	1 608	n.a.	n.a.	n.a.	n.a.	n.a.
Lausanne, Projekt "Rue Saint-Martin"	2 087	n.a.	n.a.	n.a.	n.a.	n.a.
Paradiso, "Residenza Parco Lago"[9]	11 117	n.a.	n.a.	n.a.	n.a.	n.a.
Rheinfelden, "Salmenpark"[9]	5 513	n.a.	n.a.	n.a.	n.a.	n.a.
Wädenswil, Areal Wädenswil[9]	19 354	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, "Löwenbräu Black"[9]	920	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Projekt "ATMOS"	10 557	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Projekt "Bahnhofquai/-platz"	3 379	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Projekt "Hardturmstrasse / Förrlibuckstrasse"	8 225	n.a.	n.a.	n.a.	n.a.	n.a.
Total	**64 484**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Overall total portfolio	**547 861**	**642 379**	**76 227**	**26 079**	**167 868**	**912 553**

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).
2 Annualised net rental income divided by average value of properties.
3 Year of last overall renovation.
4 PR = PSP Real Estate Ltd
PP = PSP Properties Ltd
IS = Immobiliengesellschaft Septima AG
SI = SI 7 Place du Molard Ltd

Parking spaces	Vacancy rate (CHF)[1]	Implied yield net[2]	Year of construction	Year of renovation[3]	Purchase date	Owner[4]	Ownership status[5]	Ownership percentage
11	0.0%	4.1%	1968	2001 | 02 | 06	01.01.2000	PR	SO	100.0%
18	0.3%	4.3%	1971	2004 | 09 | 10	01.03.2008	PR	SO	100.0%
0	0.0%	4.1%	1945	2000	01.07.2005	PP	SO	100.0%
63	0.1%	4.9%	1994	2018	15.12.2005	PR	SO	100.0%
80	13.3%	4.5%	1928 | 62	1986 | 93 | 2012	01.08.2006	PR	SO	100.0%
143	33.0%	3.0%	1997		15.12.2005	PR	SO	100.0%
3	6.4%	3.7%	1970	2001	01.01.2000	PR	SO	100.0%
21	0.0%	6.0%	1730 | 1978	2008 | 15	01.02.2018	PR	SO	100.0%
0	0.0%	5.2%	1908	2003	01.07.2005	PP	SO	100.0%
0	0.0%	4.6%	2013		30.01.2012	PP	BL	100.0%
23	0.9%	1.9%	1977	2000 | 14	01.02.2018	PP	SO	100.0%
10	0.0%	4.0%	1930 | 95	2012	01.02.2018	PP	SO	100.0%
0	9.6%	4.1%	1900	1980	01.07.2005	PP	SO	100.0%
44	1.4%	4.1%	1989	2010	01.10.1999	PR	SO	100.0%
21	2.8%	4.0%	1964	1993 | 95 | 2009 | 11	01.01.2000	PR	SO	100.0%
410	15.5%	3.6%	2016		01.01.2004	PP	SO	100.0%
0	0.0%	2.9%	1962	2001	01.07.2005	PP	BL	100.0%
11	0.0%	5.0%	1928	1996	01.04.2004	PP	SO	100.0%
0	11.9%	2.6%	1595	2002 | 03 | 14	01.07.2005	PP	SO	100.0%
0	8.3%	3.1%	1879	1996 | 2014	01.04.2004	PP	SO	100.0%
1	0.0%	3.7%	1491	1925 | 70 | 2004 | 09	01.10.1999	PR	SO	100.0%
859	**9.5%**	**4.0%**						
n.a.	n.a.	n.a.	n.a.		01.04.2001	PR	SO	100.0%
n.a.	n.a.	n.a.	n.a.		01.07.2002	PR	SO	100.0%
n.a.	n.a.	n.a.	n.a.		01.04.2004	IS	SO	100.0%
n.a.	n.a.	n.a.	n.a.		31.12.2000	PR	SO	100.0%
n.a.	n.a.	n.a.	n.a.		01.04.2004	PP	SO	100.0%
n.a.	n.a.	n.a.	n.a.		01.01.2004	PP	FA	100.0%
n.a.	n.a.	n.a.	n.a.		01.04.2004	PP	SO | FA	100.0%
n.a.	n.a.	n.a.	n.a.		01.10.2010	PP	FA	100.0%
n.a.	n.a.	n.a.	n.a.		01.12.2002	PR	SO	100.0%
n.a.	n.a.	n.a.	n.a.		01.04.2004	PP	SO	100.0%
n.a.	n.a.	n.a.	n.a.		01.12.2002	PR	SO	100.0%
n.a.	**n.a.**	**n.a.**						
7 747	**5.0%**	**3.5%**						

5 BL = Building lease
CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 202 to 203.
9 Current development project designed for sale.

Additional information development projects

Project “Rue Saint-Martin”
Lausanne, Rue Saint-Martin 7

Project description	State of project	Completion
Total renovation	**Under construction** Planned investment sum: approx. CHF 13 million (thereof CHF 9.9 million spent) Letting level: 75%	Beginning of 2019

Project “Hardturmstrasse / Förrlibuckstrasse”
Zurich, Hardturmstrasse 161, Förrlibuckstrasse 150

Project description	State of project	Completion
Total renovation	**Under construction** Planned investment sum: approx. CHF 65 million (thereof CHF 58.4 million spent) Letting level: 90%	Beginning of 2020

“Residenza Parco Lago”
Paradiso, Via Bosia 5

Project description	State of project	Completion
Project with freehold apartments, office, commercial and retail space. Usable floor space approx. 13 000 m².	**Under construction** Planned investment sum: approx. CHF 80 million (thereof CHF 17.4 million spent) Sale level: 7%	Beginning of 2020

Project “Rue du Marché”
Geneva, Rue du Marché 40

Project description	State of project	Completion
Total renovation	**Under construction** Planned investment sum: approx. CHF 30 million (thereof CHF 7.3 million spent) Letting level: 70%	2020

Project “ATMOS”
Zurich, Förrlibuckstrasse 178/180, Hardturmstrasse 181/183/185

Project description	State of project	Completion
Replacement construction Usable floor space approx. 23 000 m².	**Under construction** Planned investment sum: approx. CHF 130 million (thereof CHF 21.3 million spent) Letting level: 45%	Beginning of 2021

Project "Bahnhofquai/-platz"
Zurich, Bahnhofplatz 1, Bahnhofquai 9/11/15; Waisenhausstrasse 2/4, Bahnhofquai 7; Bahnhofplatz 2

Project description	State of project	Completion
Total renovation in three stages. Overall planned investment sum: approx. CHF 100 million.	**Under construction (stage 1)** Property Bahnhofplatz 1, Bahnhofquai 9/11/15 Planned investment sum: approx. CHF 55 million (thereof CHF 18.6 million spent) Letting level: 95%	Mid of 2021
	Unter construction (stage 2) Property Waisenhausstrasse 2/4, Bahnhofquai 7 Planned investment sum: approx. CHF 33 million (thereof CHF 8.4 million spent) Letting level: 100%	End of 2021
	Under review (stage 3) Property Bahnhofplatz 2 Planned investment sum: approx. CHF 12 million Letting level: n.a.	tbd

The remaining sites and development properties are currently under review or already completed.

Property purchases

Location	Land area m²	Office area m²	Retail area m²
Bern, Zeughausgasse 26/28[1]	629	679	395
Genève, Rue de Hollande 14 / Rue de Hesse 16bis	314	1 601	0
Genève, Rue de l'Arquebuse 8	347	2 160	0
Genève, Rue François-Diday 8	632	2 438	0
Genève, Rue Jean-Petitot 12	354	1 343	0
Genève, Rue Jean-Petitot 15 / Rue Firmin-Abauzit 2	294	1 412	0
Lausanne, Av. Agassiz 2	757	1 394	0
Fribourg, Rue de Morat 11-11A-11B-11C	2 642	1 118	0
Lugano, Via Emilio Bossi 9	1 049	1 626	59
Lugano, Via Ginevra 2	1 176	2 267	0

1 Purchase of the land relating to the property Zeughausgasse 26 in Bern.

Property sales

Location	Land area m²	Office area m²	Retail area m²
Bern, Spitalgasse 9	0	830	1 405
Petit-Lancy, Av. des Morgines 8/10	7 777	8 732	0
Rheinfelden, Projekt Bahnhofareal Rheinfelden	11 473	945	0
Wallisellen, Handelszentrum	4 131	4 005	0

Expiry of lease contracts

	Market adjustment option by PSP Swiss Property	Legal termination option by tenant
Contracts not limited in time, but subject to notice	6%	6%
2019	9%	11%
2020	7%	11%
2021	14%	15%
2022	18%	16%
2023	12%	15%
2024	2%	2%
2025	9%	9%
2026	5%	4%
2027	1%	1%
2028+	8%	5%
2028+	8%	5%
Total	**100%**	**100%**

Gastronomy area m²	Other area m²	Total rentable area m²	Parking spaces	Purchase date	Selling date
1755	622	3451	0	01.04.2004	n.a.
0	0	1601	0	01.02.2018	n.a.
0	0	2160	10	01.02.2018	n.a.
0	0	2438	0	01.02.2018	n.a.
0	0	1343	0	01.02.2018	n.a.
0	0	1412	0	01.02.2018	n.a.
0	0	1394	9	01.02.2018	n.a.
0	0	1118	21	01.02.2018	n.a.
0	0	1685	23	01.02.2018	n.a.
0	0	2267	10	01.02.2018	n.a.

Gastronomy area m²	Other area m²	Total rentable area m²	Parking spaces	Purchase date	Selling date
0	111	2346	0	01.07.2005	26.10.2018
0	5762	14494	186	01.01.2004	27.06.2018
260	2447	3652	48	01.01.2004	31.08.2018
0	339	4344	90	01.10.1999	30.11.2018

Tenant structure

	31 December 2017	31 December 2018
Swisscom	11%	10%
Google	4%	4%
Edmond de Rothschild	n.a.	2%
Schweizer Post	2%	2%
Bär & Karrer	2%	2%
Next five largest tenants	9%	8%
Other	69%	70%
Total	**100%**	**100%**

The rental income is fully recognised by the segment “Real estate investments”.

Five year review

Key financial figures	Unit	2014	2015	2016	Restated 2017	2018
Rental income	CHF 1 000	277 150	275 063	276 316	272 454	279 373
EPRA like-for-like change	%	0.2	0.2	– 1.6	– 1.1	0.9
Net changes in fair value of real estate investments	CHF 1 000	5 789	33 791	– 50 208	83 253	166 692
Income from property sales (freehold apartments)	CHF 1 000	6 813	3 259	14 224	20 243	10 484
Income from property sales (investment properties)	CHF 1 000	2 026	1 374	1 354	627	2 472
Total other income	CHF 1 000	6 987	4 588	6 291	5 043	8 172
Total operating income	**CHF 1 000**	**298 765**	**318 075**	**247 976**	**380 991**	**467 193**
Total operating expenses	**CHF 1 000**	**– 53 730**	**– 52 776**	**– 56 970**	**– 55 892**	**– 58 642**
Operating profit (ebit)	**CHF 1 000**	**245 035**	**265 298**	**191 006**	**325 729**	**408 551**
Financial results	CHF 1 000	– 30 662	– 29 035	– 26 430	– 24 370	– 21 979
Profit before income taxes	**CHF 1 000**	**214 373**	**236 263**	**164 577**	**301 360**	**386 572**
Income taxes	CHF 1 000	– 39 027	– 48 537	– 29 710	– 43 957	– 78 420
Net income	**CHF 1 000**	**175 346**	**187 726**	**134 867**	**256 890**	**308 152**
Net income excluding gains/losses on real estate investments[1]	**CHF 1 000**	**169 345**	**161 287**	**172 548**	**177 738**	**176 250**
Ebitda excluding gains/losses on real estate investments[1]	**CHF 1 000**	**238 242**	**232 690**	**241 572**	**242 187**	**241 743**
Ebitda margin	%	81.8	82.0	81.3	81.5	80.8
Interest coverage ratio[2]	Factor	7.8	8.0	9.1	10.0	11.0
Cash flow from operating activities	**CHF 1 000**	**226 004**	**183 369**	**205 380**	**173 499**	**207 660**
Cash flow from investing activities	CHF 1 000	– 171 360	– 76 967	– 341 315	– 249 628	– 81 230
Cash flow from financing activities	CHF 1 000	59 803	– 109 304	127 705	88 434	– 136 735
Total assets	**CHF 1 000**	**6 684 665**	**6 791 923**	**7 041 368**	**7 384 243**	**7 619 283**
Non-current assets	CHF 1 000	6 545 624	6 665 374	6 950 038	7 138 560	7 418 689
Current assets	CHF 1 000	139 041	126 548	91 329	245 683	200 594
Shareholders' equity	**CHF 1 000**	**3 840 795**	**3 870 473**	**3 866 754**	**3 988 560**	**4 156 908**
Equity ratio	%	57.5	57.0	54.9	54.0	54.6
Return on equity	%	4.6	4.9	3.5	6.6	7.6
Liabilities	**CHF 1 000**	**2 843 869**	**2 921 450**	**3 174 613**	**3 395 683**	**3 462 376**
Non-current liabilities	CHF 1 000	2 740 801	2 564 380	3 088 106	3 337 953	2 778 335
Current liabilities	CHF 1 000	103 068	357 070	86 508	57 730	684 041
Interest-bearing debt	CHF 1 000	1 928 669	1 969 035	2 248 436	2 491 087	2 511 212
Interest-bearing debt in % of total assets	%	28.9	29.0	31.9	33.7	33.0
Interest-bearing debt with fixed interest rates (maturity > 1 year)	CHF 1 000	83.9	79.7	96.4	96.0	76.5
Average interest rate (period)	%	1.76	1.70	1.42	1.16	0.94
Average remaining term to maturity interest-bearing debt	Year	3.9	3.4	4.3	3.6	3.0

Portfolio key figures	Unit	2014	2015	2016	Restated 2017	2018
Number of properties	Number	161	163	161	157	163
Carrying value properties	**CHF 1 000**	**6 161 136**	**6 223 006**	**6 297 968**	**6 383 901**	**6 778 932**
Implied yield, gross[3]	%	4.5	4.4	4.3	4.2	4.1
Implied yield, net[3]	%	3.9	3.9	3.6	3.5	3.5
Vacancy rate (CHF)[3]	%	10.0	8.5	9.3	8.2	5.0
Number of sites and development properties	Number	10	8	10	12	11
Carrying value sites and development properties	**CHF 1 000**	**446 908**	**501 371**	**595 885**	**661 892**	**663 174**

Employees						
End of period	People	83	87	90	86	91
Full-time equivalents	FTE	78	81	84	81	86

Per share figures						
Earnings per share (EPS)[4]	CHF	3.82	4.09	2.94	5.61	6.72
EPS excluding gains/losses on real estate investments[4]	**CHF**	**3.69**	**3.52**	**3.76**	**3.89**	**3.84**
Distribution per share	**CHF**	**3.25**	**3.30**	**3.35**	**3.40**	**3.50[5]**
Payout-Ratio[6]	%	88.1	93.8	89.1	87.5	91.1
Cash yield[7]	%	3.8	3.8	3.8	3.7	3.6
Net asset value per share (NAV)[8]	**CHF**	**83.74**	**84.38**	**84.30**	**86.96**	**90.63**
Premium/(discount) to NAV[9]	%	2.5	4.3	4.4	6.2	6.9
NAV per share before deduction of deferred taxes[8]	**CHF**	**99.57**	**100.83**	**100.95**	**104.22**	**109.20**
Premium/(discount) to NAV before deduction of deferred taxes[9]	CHF	– 13.8	– 12.7	– 12.8	– 11.4	– 11.3
Share price high	CHF	86.50	99.75	99.10	94.50	99.20
Share price low	CHF	74.25	78.25	78.95	85.75	85.95
Share price end of period	**CHF**	**85.80**	**88.00**	**88.00**	**92.35**	**96.85**
Outstanding shares	Stück	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891
Average outstanding shares	Stück	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891

1 See definition on page 91, note 30.
2 Ebitda excluding gains/losses on real estate investments in relation to financial results.
3 For investment properties.
4 Based on average number of outstanding shares.
5 Proposal to the Annual General Meeting on 4 April 2019 for the business year 2018: dividend payment.
6 Distribution per share in relation to EPS excluding gains/losses on real estate investments.
7 Distribution per share in relation to share price at the end of period.
8 Based on number of outstanding shares.
9 Share price at the end of period in relation to NAV resp. NAV before deduction of deferred taxes.

Contacts and important dates

Main company addresses

PSP Swiss Property Ltd
Kolinplatz 2
CH-6300 Zug
Phone +41 (0)41 728 04 04
Fax +41 (0)41 728 04 09

PSP Group Services Ltd
Seestrasse 353, P.O. Box
CH-8038 Zurich
Phone +41 (0)44 625 59 00
Fax +41 (0)44 625 58 25

Executive Board

Giacomo Balzarini
Chief Executive Officer

Adrian Murer
Chief Investment Officer

Martin Heggli
Chief Operating Officer

Office of the Board of Directors

Ronald Ruepp
Secretary of the Board of Directors
Phone +41 (0)41 728 04 04
E-Mail ronald.ruepp@psp.info

Investor Relations

Vasco Cecchini
Chief Communications Officer
Phone +41 (0)44 625 57 23
E-mail vasco.cecchini@psp.info

Agenda

Annual General Meeting 2019
4 April 2019, Lake Side, Zurich

Publication Q1 2019
7 May 2019

Publication H1 2019
15 August 2019

Publication Q1 – Q3 2019
12 November 2019

Preview

Publication FY 2019
25 February 2020

Annual General Meeting 2020
2 April 2020

Customer care

Front units

Thanks to its broad regional presence, PSP Swiss Property has detailed knowledge of the local real estate markets. The well developed branch network allows efficient management of all properties.

Zurich

Management: Thomas Bracher
PSP Management Ltd
Seestrasse 353, P.O. Box
CH-8038 Zurich
Phone +41 (0)44 625 57 57
Fax +41 (0)44 625 58 58

Geneva

Management: Peter Cloet
PSP Management Ltd
Rue des Bains 35, P.O. Box 181
CH-1211 Geneva 8
Phone +41 (0)22 332 25 00
Fax +41 (0)22 332 25 01

Olten

Management: Roger Hänggi
PSP Management Ltd
Baslerstrasse 44
CH-4600 Olten
Phone +41 (0)62 919 90 00
Fax +41 (0)62 919 90 01

Masthead

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Charts/tables
Due to roundings, certain numbers presented in this report may not add up precisely to the totals provided. All key figures and changes were calculated using the precise numbers and not the presented, rounded ones.

English translation of German original
This is an English translation of the German original.
Only the German original is legally binding.

Sustainability
For environmental reasons, there is no printed version of this report.
This report is available as PDF on www.psp.info/reports.

Swiss Property

PSP Swiss Property Ltd
Kolinplatz 2
CH-6300 Zug

www.psp.info
info@psp.info

Stock exchange, trading symbol
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