Swiss Property

2019 Annual report

Contents

Great Place to Work®
Great Place to Work®, a leading international expert in workplace culture, conducted an extensive culture audit including an employee survey at PSP Swiss Property for the first time in 2019.

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
Further publications and information are available on www.psp.info.

Board of Directors' statement

Our properties' prime locations and top quality continue to pay off. Adding our ongoing renovation projects to this excellent basis, we are well-positioned for the future.

Dear Readers

Business development

2019 was a very successful business year. As in the past, our focus was on optimising the property portfolio. We did this by renovating and modernising selected investment properties and, at the same time, further developing our sites and development projects. In addition, we made a number of targeted acquisitions and sales.

We also paid special attention to our letting activities. We focused on the early processing of lease agreements due for renewal as well as the active marketing of vacancies. Thanks to brisk demand and our ongoing portfolio streamlining, we were able to further reduce our overall vacancy rate to 3.5% by the end of 2019 (end of 2018: 5.0%).

In 2019, we generated a net income excluding gains/losses on real estate investments of CHF 215.2 million. This was an increase of CHF 39.0 million or 22.1% compared to 2018 (CHF 176.2 million). CHF 22.1 million of this improvement refer to the exceptional release of deferred taxes following the lowering of profit tax rates in a number of cantons. On an operational level, higher rental income, increased income from the sale of development projects respectively condominiums, lower operating expenses as well as lower financial expenses contributed to the better overall result.

Net income excluding gains/losses on real estate investments is the basis for the distribution to shareholders. The 2019 result allows the Board of Directors to propose to the Annual General Meeting of 9 April 2020 a dividend payment of CHF 3.60 per share (previous year: CHF 3.50). This corresponds to a yield of 2.7% on the 2019 year-end share price of CHF 133.60. 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 and around Bern, in particular. At the beginning of 2019, we acquired several properties in Bern's city centre and in Bern-Liebefeld. The office and commercial properties in Bern-Liebefeld are all well maintained. The property at Bärenplatz is located in a prime inner-city location. We will extensively renovate this property until the end of 2021.

In the context of our growth strategy, renovations and modernisations as well as 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 focus on customer needs with regard to the quality and flexibility of rental space as well as the growing trend towards sustainability. Capital expenditures totalling approximately CHF 60 million are earmarked for the investment portfolio in 2020 alone. In the coming years, we plan to invest around CHF 275 million in our sites and development properties.

Sustainability

Sustainability criteria are increasingly important for a growing number of equity and debt investors, taking ecological and social aspects as well as corporate governance into account. At the same time, more and more mutual funds invest according to sustainability criteria. In this respect, we benefit from our long-time focus on sustainability. For PSP Swiss Property, ecological and social responsibility as well as a good corporate governance are natural and part of our business philosophy. This year, we do report on this in more detail in our revised sustainability report.

Letting market

Switzerland's economy did well in 2019. Employment figures continued to climb, and the unemployment rate was lower than it had been for years. As a result, there was strong demand for office space. However, this demand was spread unevenly among different areas. It was particularly brisk in our core regions: at prime locations, business centres as well as up-and-coming districts. However, it remained subdued in second-rate locations. This differentiation on the real estate market seems to become increasingly pronounced each year.

The situation was similar on the retail market. Here, too, we benefited from the location of our properties – most of our properties with retail space are in prime locations. Such centrally located shops are much less affected by the change in consumer behaviour (online shopping) than those in poor locations.

Outlook

The Swiss economy is doing well. Growth forecasts for 2020 are positive – subject, of course, to the imponderables of the volatile international environment. The expected rise in employment also supports the demand for commercial space, especially offices. The reduction of office vacancies is, however, curbed by the consequences of the new-building activity in recent years. Therefore, the oversupply in peripheral regions will persist for some time to come.

The retail space segment will remain challenging overall. We assume, however, that the market will remain stable in good locations.

For both offices and retail space, rental success will continue to depend on two market-relevant factors, in particular: location and quality. PSP Swiss Property is well-positioned in both.

Our focus 2020: modernising selected properties, continuing to develop our projects, actively marketing our rental space and considering acquisitions only, if they add value.

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 2020 business year, we expect an ebitda excluding gains/losses on real estate investments of above CHF 260 million (2019: CHF 256.1 million).

With regard to the vacancies, we expect a rate of below 3.5% at year-end 2020 (end of 2019: 3.5%).

Luciano Gabriel
Chairman of the Board of Directors

24 February 2020

2019

in brief

Key figures

Net income excluding gains/losses on real estate investments

CHF 215.2 million

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

Equity base

CHF 4.450 billion

With an equity ratio of 55.4%, our balance sheet is strong.

Portfolio value

CHF 7.982 billion

We further improved the quality of our portfolio by targeted acquisitions and comprehensive renovations.

Dividend

CHF 3.60 / share

The Board of Directors will propose to the Annual General Meeting on 9 April 2020 a dividend payment of CHF 3.60 per share. This corresponds to a cash yield of 2.7% on the 2019 year-end share price of CHF 133.60.

EPRA NAV & EPRA EPS

CHF 117.04 & CHF 3.94

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.

Great Place to Work®

85%

An employee survey resulted in a "Trust Index" of 85%, which is very high. We are very pleased about the certification as Great Place to Work®.

CO_2 emissions & energy use

–44% & –25%

Per square metre of lettable area we have reduced CO_2 emissions by 44% and energy use by 25% since 2010.

Key financial figures	Unit	2018	2019	+/–[1]
Rental income	CHF 1 000	279 373	290 460	4.0%
EPRA like-for-like change	%	0.9	1.2	
Net changes in fair value of real estate investments	CHF 1 000	166 692	244 176	
Income from property sales (inventories)	CHF 1 000	10 484	12 835	
Income from property sales (investment properties)	CHF 1 000	2 472	14 961	
Total other income	CHF 1 000	8 172	7 957	
Net income	CHF 1 000	308 152	453 425	47.1%
Net income excluding gains/losses on real estate investments[2]	CHF 1 000	176 250	215 214	22.1%
Ebitda excluding gains/losses on real estate investments[2]	CHF 1 000	241 743	256 145	6.0%
Ebitda margin	%	80.8	82.0	
Total assets	CHF 1 000	7 619 283	8 036 244	5.5%
Shareholders' equity	CHF 1 000	4 156 908	4 450 220	7.1%
Equity ratio	%	54.6	55.4	
Return on equity	%	7.6	10.5	
Interest-bearing debt	CHF 1 000	2 511 212	2 596 136	3.4%
Interest-bearing debt in % of total assets	%	33.0	32.3	

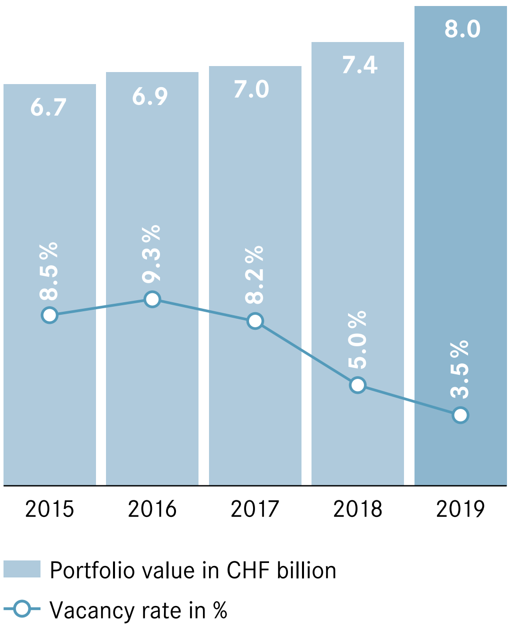
Portfolio key figures				
Number of investment properties	Number	163	162	
Carrying value properties	CHF 1 000	6 778 932	7 259 441	7.1%
Implied yield, gross[3]	%	4.1	4.0	
Implied yield, net[3]	%	3.5	3.4	
Vacancy rate (CHF)[3, 4]	%	5.0	3.5	
Number of sites and development properties	Number	11	12	
Carrying value sites and development properties	CHF 1 000	663 174	722 223	8.9%

Headcount				
Employees	People	91	94	
Full-time equivalents	FTE	86	89	

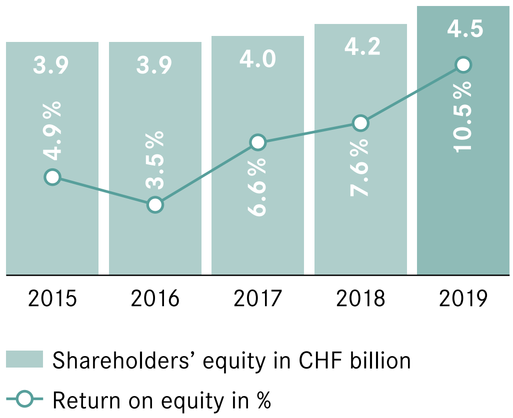
Per share figures				
Earnings per share (EPS)[5]	CHF	6.72	9.89	47.1%
EPS excluding gains/losses on real estate investments[2, 5]	CHF	3.84	4.69	22.1%
Distribution per share	CHF	3.50	3.60[6]	2.9%
Net asset value per share (NAV)[7]	CHF	90.63	97.02	7.1%
NAV per share before deduction of deferred taxes[7]	CHF	109.20	115.82	6.1%
Share price end of period	CHF	96.85	133.60	37.9%

1 Change to previous year's period 2018 or to carrying value as of 31 December 2018 as applicable.
2 See definition on page 91, note 30.
3 For investment properties.
4 Equals the lost rental income in % of the potential rent, as per reporting date.
5 Based on average number of outstanding shares.
6 Proposal to the Annual General Meeting on 9 April 2020 for the business year 2019: Dividend payment.
7 Based on number of outstanding shares.

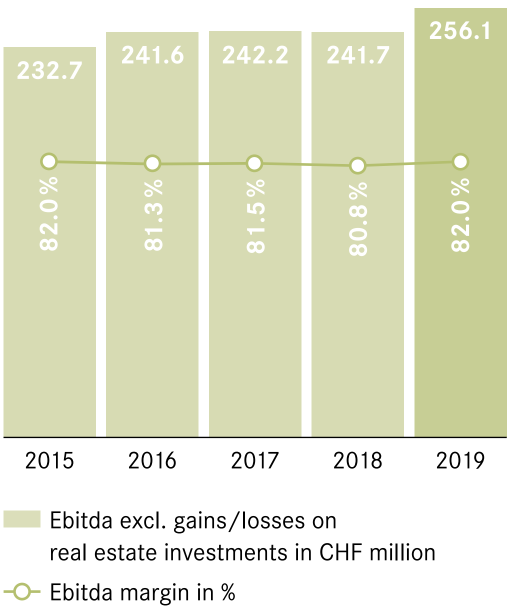
Real estate portfolio



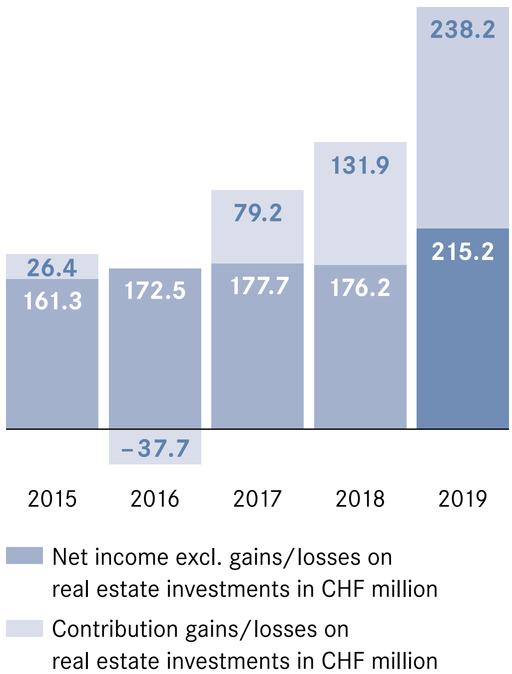
Shareholders' equity



Ebitda



Net income components



Report on the business year 2019

2019 was another successful year for PSP Swiss Property.

Market environment

Letting market

Office

Overall, demand for office space at good locations was brisk last year – taking into account the usual geographical differences. In contrast, the offer of office space differed from region to region.

The pickup in demand led to well absorbed office space in business centres (such as Zurich's Central Business District) and up-and-coming districts with good infrastructure and traffic links (such as Zurich West). In peripheral areas letting remained difficult due to existing overcapacities. The situation was similar in Zurich North. Thus, the differentiation of Switzerland's office market into business centres, on the one hand, and the periphery, on the other, which we have been observing for a number of years, kept intensifying last year. In most inner-city locations and business centres, vacancy rates declined in 2019.

Most of our office buildings are in prime and much sought-after locations such as Zurich's Bahnhofstrasse or Zurich West – precisely where demand was particularly strong and future prospects are especially promising.

Retail

2019 was difficult for poorly located shops, especially if they still had outdated store formats. Shops in more central areas fared much better. In this market segment, we also continue to benefit from the location of our retail properties which are mostly in prime locations. Centrally located shops are much less affected by the change in consumer behaviour (online shopping) than second-rate locations.

Investment market

Not much changed on the investment market for commercial properties in 2019. Demand and prices remained high, especially in inner-city locations and for properties with stable earnings expectations. This comes as no surprise considering the continuing scarcity of investment opportunities. Interest rates remain at record lows and there are hardly any fixed income alternatives. Consequently, many property investors still accept low net initial yields for their investments.

Market outlook

The outlook for Switzerland's economy is good. Stable growth in employment is likely to bolster the demand for office space.

Most economists forecast gross domestic product growth in Switzerland of around 1 to 2% in 2020 – subject, of course, to the imponderables of the environment. The labour market remains robust. Forecasts predict a stable, slightly positive growth in employment. This job growth, in turn, should support the demand for commercial space, especially offices.

We do not expect any significant changes in the letting market in 2020, neither for offices nor for retail space in prime locations. Demand will remain strongest in central and easily accessible locations, while marketing and letting in peripheral regions will stay difficult.

The transaction market should remain competitive. With continuing low interest rates and a lack of adequate fixed income investment alternatives, demand from potential buyers of office and other commercial real estate will stay high.

Consolidated annual results 2019

In 2019, we achieved a net income excluding gains/losses on real estate investments[1] of CHF 215.2 million (2018: CHF 176.2 million). In operational terms, higher rental income (+ CHF 11.1 million), increased income from the sale of development projects respectively condominiums (+ CHF 2.4 million), lower operating expenses (– CHF 1.2 million) as well as lower financial expenses (– CHF 2.9 million) contributed to the improved result. Furthermore, the release of deferred taxes in the amount of CHF 59.1 million also had a positive effect; thereof, CHF 22.1 million had an impact on net income excluding gains/losses on real estate investments. The release followed the lowering of profit tax rates in a number of cantons. Earnings per share (excluding gains/losses on real estate investments), which is the basis for the dividend distribution, amounted to CHF 4.69 (2018: CHF 3.84).

Net income reached CHF 453.4 million (2018: CHF 308.2 million). The increase of CHF 145.3 million or 47.1% compared to the previous year's figure resulted mainly from the portfolio appreciation of CHF 244.2 million (2018: CHF 166.7 million) as well as the aforementioned release of deferred taxes. In addition, there was a profit of CHF 15.0 million from the sale of two investment properties (2018: CHF 2.5 million). Earnings per share amounted to CHF 9.89 (2018: CHF 6.72).

At the end of 2019, net asset value (NAV) per share was CHF 97.02 (end of 2018: CHF 90.63). NAV before deducting deferred taxes amounted to CHF 115.82 (end of 2018: CHF 109.20). The NAV based on EPRA standards (see EPRA table on pages 108 to 113) amounted to CHF 117.04 (end of 2018: CHF 110.24).

1 See definition on page 91, note 30.

Capital management

With total equity of CHF 4.450 billion (end of 2018: CHF 4.157 billion) – corresponding to an equity ratio of 55.4% (end of 2018: 54.6%) – our equity base remained strong at the end of 2019. Interest-bearing debt amounted to CHF 2.596 billion, corresponding to 32.3% of total assets (end of 2018: CHF 2.511 billion or 33.0%). Unused committed credit lines amounted to CHF 1.050 billion. At the end of 2019, the average cost of debt was 0.73% (end of 2018: 0.87%). The average fixed-interest period was 4.4 years (end of 2018: 3.0 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.

Employee survey

In 2019, we participated in a culture audit by the company "Great Place to Work". As part of this culture audit, we also conducted a comprehensive, anonymous employee survey. The results were excellent. "Great Place to Work" confirmed that we are among Switzerland's best employers and employee satisfaction is above-average. The survey's results confirm us in our conviction that our employees are our most valuable "asset" and strengthened us in our commitment to continue to offer them the best possible work environment.

Dividend

For the business year 2019, the Board of Directors proposes an ordinary dividend payment of CHF 3.60 per share to the Annual General Meeting on 9 April 2020 (previous year: CHF 3.50 per share). In relation to net income excluding gains/losses on real estate investments, this corresponds to a payout ratio of 76.7%; in relation to the 2019 year-end share price of CHF 133.60, it corresponds to a yield of 2.7%.

Subsequent events

Two bonds were issued on 4 February 2020; a 0.00% bond with a volume of CHF 100 million and a maturity in 2021 and a 0.15% bond with a volume of CHF 150 million and a maturity in 2029.

There were no further material subsequent events.

Outlook 2020

For the 2020 business year, we expect an ebitda excluding gains/losses on real estate investments of CHF above 260 million (2019: CHF 256.1 million).

With regard to the vacancies, we expect a rate of below 3.5% at year-end 2020 (end of 2019: 3.5%).

The Executive Board, February 2020

Portfolio

Portfolio

At the end of 2019, our real estate portfolio included 162 investment properties. In addition, there were 12 sites and development properties. The carrying value of the total portfolio was CHF 8.0 billion.

Despite continuing brisk demand (in our core regions), successfully letting office and commercial space cannot be taken for granted. Competition is fierce and the tenants' expectations and requirements are changing. In order to further strengthen our position in this environment, we invest sustainably in the renovation and modernisation of our investment portfolio. At the same time, we focus on market demands in the further development of our sites and projects.

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

Investment properties

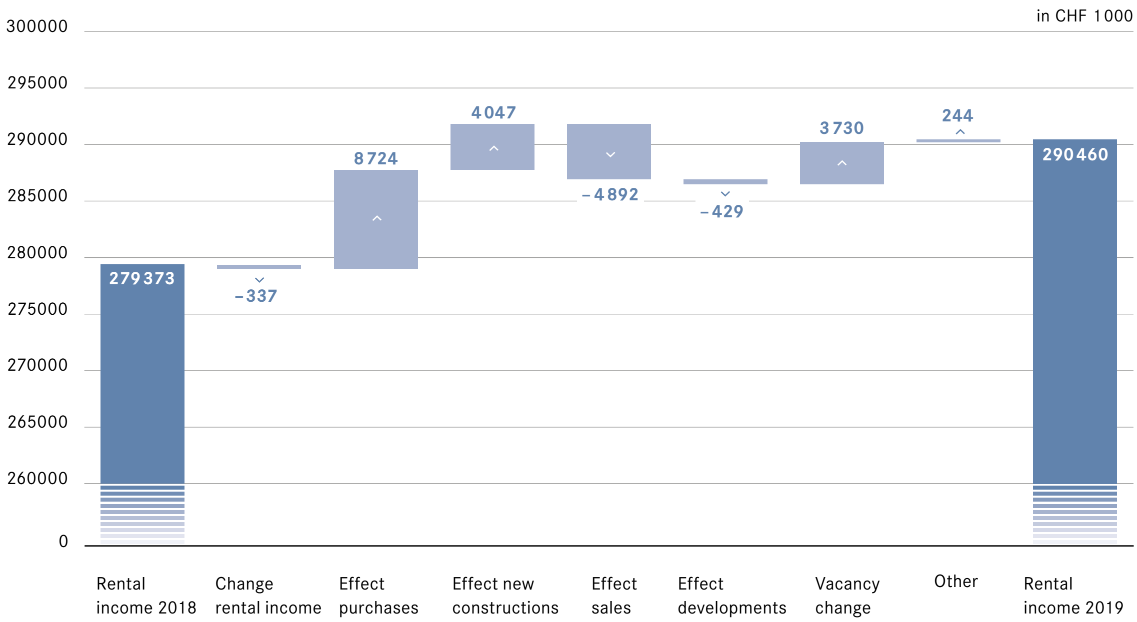
In January 2019, we acquired a property in Bern's prime location right opposite the Federal Parliament building with 3 440 m^2 usable floor space, mainly for offices and restaurants. We will renovate and modernise this building. Also in January 2019, we purchased the "Carba portfolio" in Bern-Liebefeld. This portfolio consists of four properties with approximately 36 000 m^2 of usable floor space; it offers state-of-the-art and representative premises for offices and services as well as attractive commercial space.

In Q2 2019, we successfully completed two development projects. Consequently, we reclassified the properties located at Rue Saint-Martin 7 in Lausanne and at Hardturmstrasse 161 / Förrlibuckstrasse 150 in Zurich West as investment properties.

As part of our portfolio streamlining process, we sold two properties, one in Zurich-Altstetten and one in Fribourg.

Further information on purchases and sales can be found on pages 226 to 227.

Development of rental income



Valuation of properties

The valuation of our properties by the external appraiser resulted in a portfolio appreciation of CHF 244.2 million. Thereof, CHF 213.1 million were related to the investment portfolio and CHF 31.1 million to the sites and developments projects.

At the end of 2019, the portfolio's weighted average nominal discount rate stood at 3.32% (year-end 2018: 3.50%). Along with a lower weighted average discount rate, various lettings, improved earnings expectations from planned investments and the vacancy development had a positive impact on valuations.

Vacancy development

At the end of 2019, the vacancy rate stood at 3.5% (end of 2018: 5.0%). The reduction was the result of several new lettings as well as the sale of the two properties in Zurich-Altstetten and Fribourg. 0.7 percentage points of all vacancies are due to ongoing renovations.

Of the lease contracts maturing in 2020 (CHF 31.7 million), 85% were renewed at the end of 2019. As per year-end 2020, we expect a vacancy rate of below 3.5%.

The wault (weighted average unexpired lease term) of the total portfolio was 4.2 years at the end of 2019. The wault of the ten largest tenants, contributing around 30% of the rental income, was 5.7 years.

Sites and development properties

At the beginning of 2019, we sold the last condominium on the Löwenbräu site in Zurich. In Q3 2019, we divested the development project in Uster and in Q4 2019 the development project "Rue de Berne" in Geneva.

At present, we own and develop 12 sites and projects:

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 several prominent tenants.

The building work at stage 1 is back on course after the two properties located at Bahnhofplatz 1 and Bahnhofquai 9/11/15 were severely damaged in a major fire in August 2018. Renovation work will take until mid-2021. Fortunately, stage 2 (under construction) and stage 3 (in planning) were not affected by the blaze. The investment total for stage 1 is approximately CHF 55 million. Most of the space will be dedicated to offices and retail use. 95% of the space is already pre-let. The major tenant is the co-working provider No. 18 (premium brand of International Workplace Group IWG).

Stage 2 (Waisenhausstrasse 2/4, Bahnhofquai 7) will be completed for around CHF 45 million by the end of 2021. The space for this stage has already been fully pre-let. Ruby Hotels & Resorts (a German hotel group) will open a 208-room hotel. 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 in planning. Building work will probably last from mid-2021 to 2023. Our cost estimate for this part of the renovation project is approximately CHF 12 million. There are ongoing lease agreements.

"Residenza Parco Lago", Paradiso

The "Residenza Parco Lago" in Paradiso (Lugano) has been under construction since 2017. The investment total for this new building complex, consisting predominantly of condominiums, amounts to approximately CHF 80 million. Completion is expected in mid-2020. We plan to sell all units. As per the end of 2019, 29% of the units were sold.

Further details: www.parcolagoparadiso.ch

Project "Rue du Marché", Geneva

The comprehensive renovation and conversion of this building into a hotel will cost around CHF 33 million and take until mid-2020. The prominent hotel operator citizenM will open a 144-room boutique hotel. The remaining space, which is already fully let, is dedicated to retail.

Project "ATMOS", Zurich

The new construction "ATMOS" in Zurich West is also on track. The new building, which will cost approximately CHF 130 million, will be completed by early 2021. One year before completion, "ATMOS" is already fully let.

Further details: www.atmos-zuerich.ch

Project "Steinentorberg", Basel

At this property, we will modernise the entire basic structure (building technology, elevators, bathrooms etc.). This will cost approximately CHF 18 million. Work will be completed in early 2020. As per the end of 2019, 90% of the entire space had already been pre-let.

Project "P-West", Zurich

We are currently conducting surface and concrete repair work at this car park in Zurich West. In addition, a clearer traffic management and signalling system as well as improved accessibility for the disabled will enhance the property's overall quality. The space in the basement will be comprehensively renovated. The total investment will amount to around CHF 5 million. Work will be completed by the end of 2021.

Other projects

The Wädenswil site, the project "Salmenpark" in Rheinfelden, the project "Spiegel" in Köniz as well as the projects "Sihlamtsstrasse", "Zurlindenstrasse" (both in Zurich) and "Seestrasse" in Kilchberg are under review.

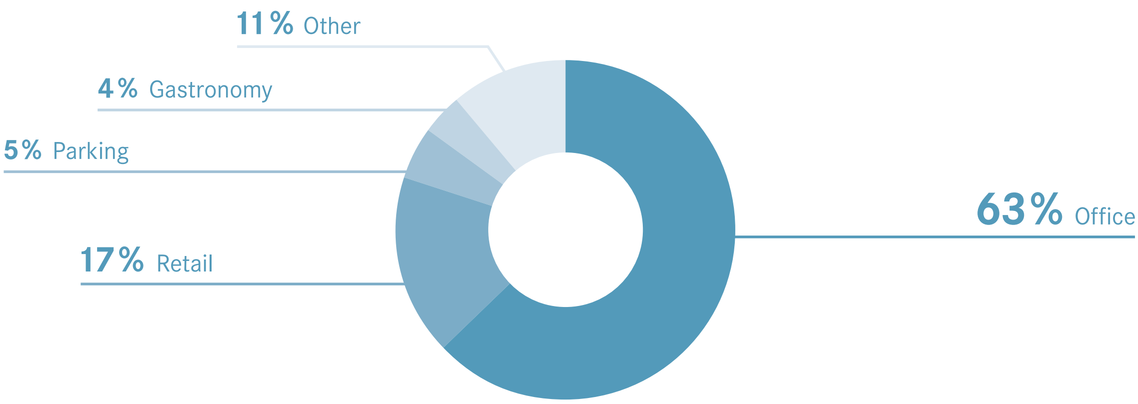
Löwenbräu site, Zurich

We sold the last remaining apartment on the Löwenbräu site in January 2019.

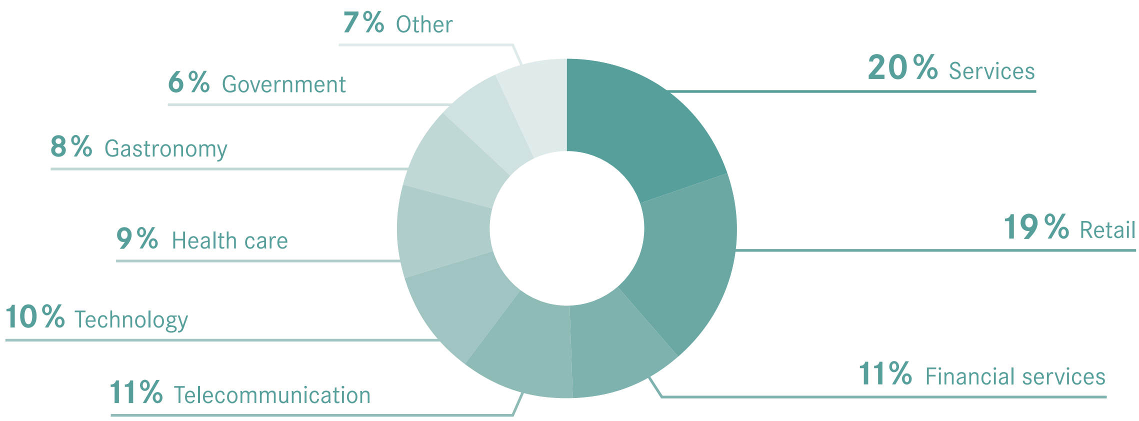
On 24 February 2016, Steiner AG submitted a complaint against PSP Swiss Property respectively PSP Properties AG ("Properties") and Löwenbräu-Kunst AG ("LKAG") related to the Löwenbräu construction project in Zurich West. In its action, Steiner AG asserted claims totalling CHF 58.5 million. Thereof, CHF 18.3 million were related to LKAG respectively the art exhibition spaces of LKAG ("Kunstteil"). 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. In December 2019, the Commercial Court of the Canton of Zurich summoned the involved parties to the main hearing in March 2020. 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.

Further information on the current projects can be found on pages 224 to 225.

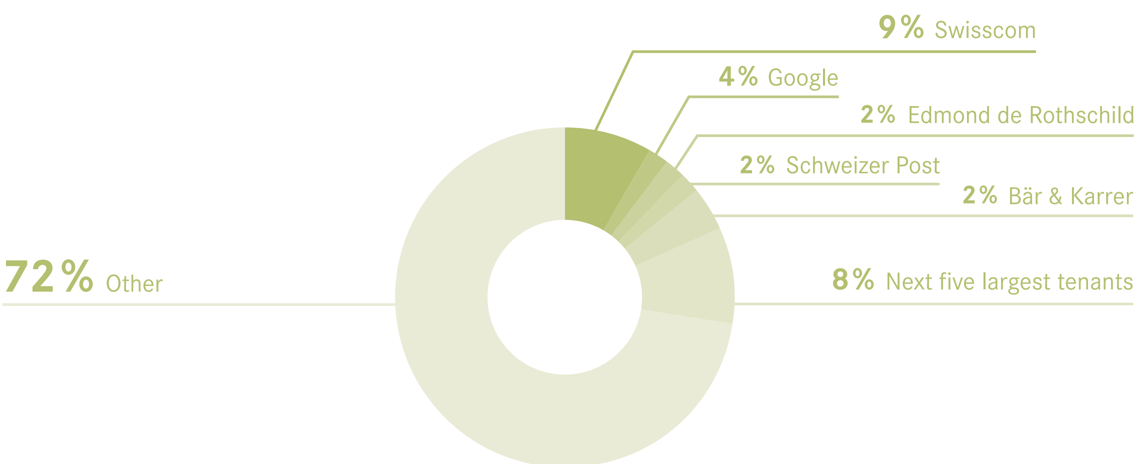
Rent by use



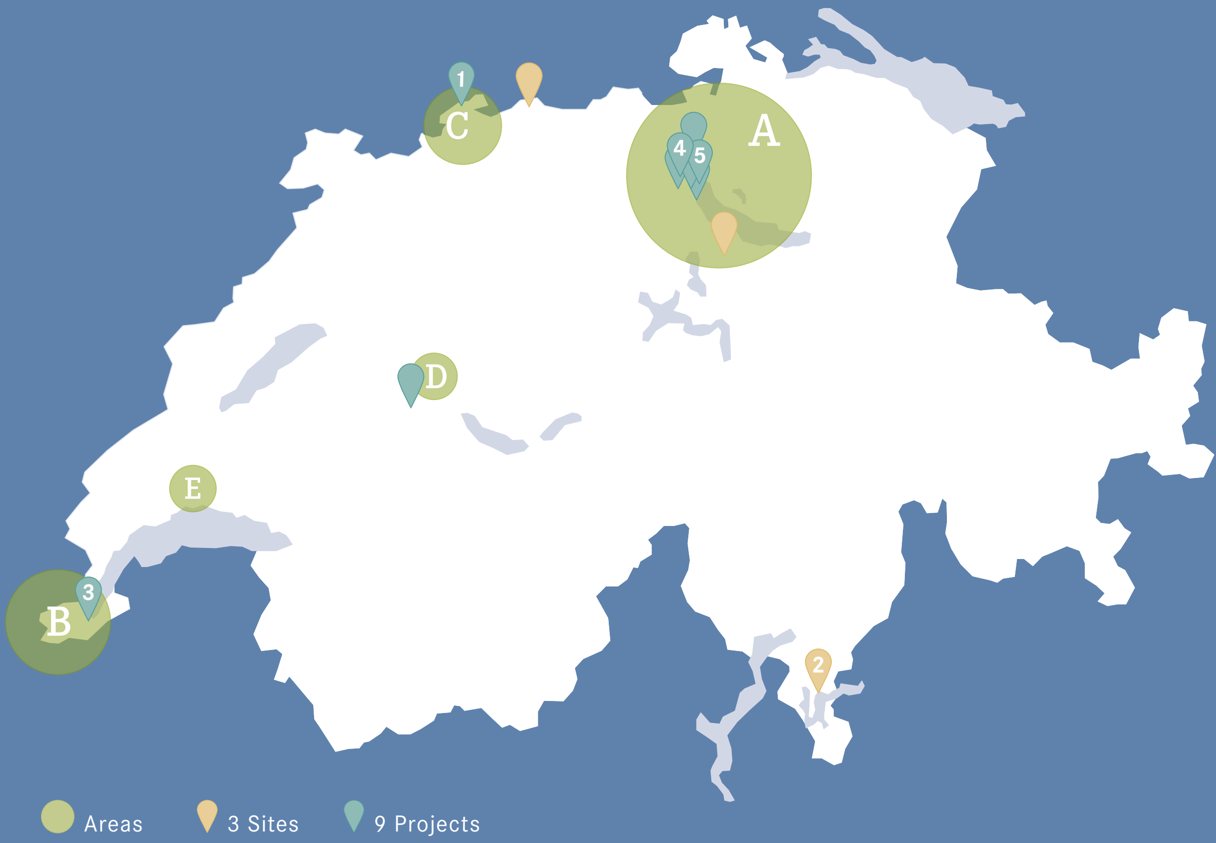
Rent by type of tenant



Rent by largest tenants



Portfolio summary



Project pipeline[1]

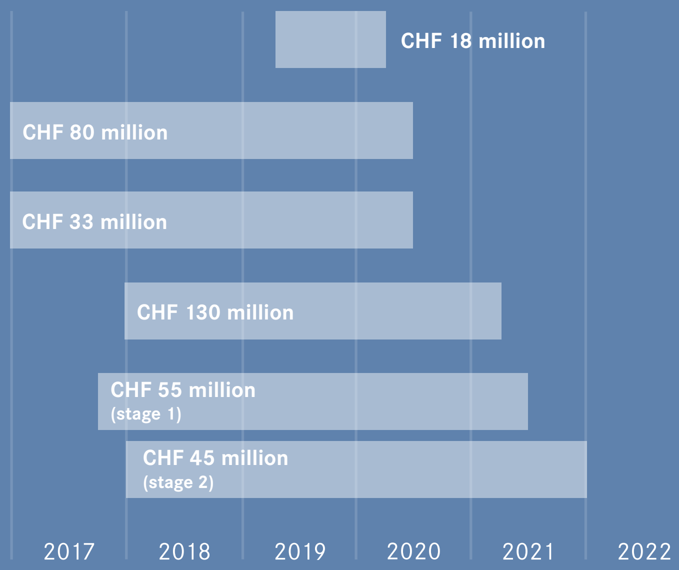
1 Basel, "Steinentorberg"

2 Paradiso, "Residenza Parco Lago"

3 Geneva, "Rue du Marché"

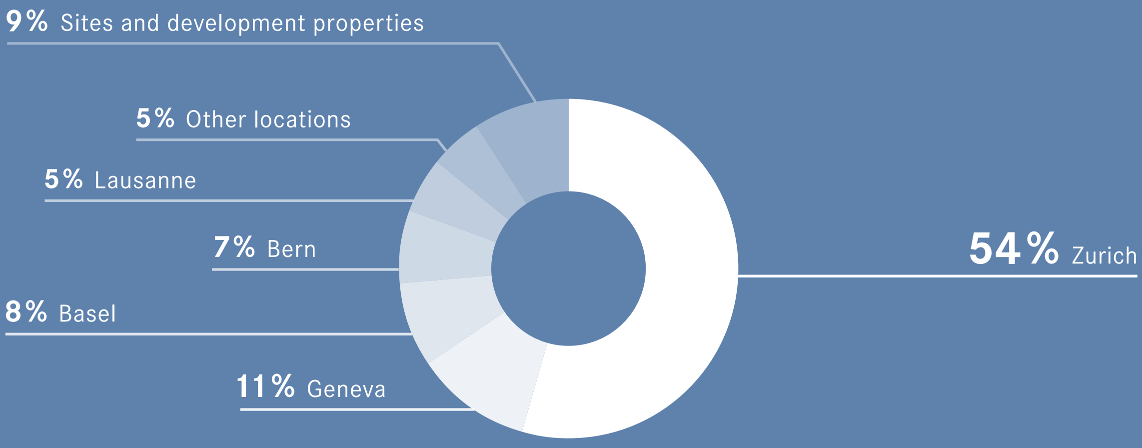
4 Zurich, "ATMOS"

5 Zurich, "Bahnhofquai/-platz"



1 Details see on pages 224 to 225.

Portfolio value by area



Portfolio key figures

A Zurich area

Portfolio value	CHF 4.3 billion
Rental income	CHF 166.3 million
Implied yield, net	3.4%
Vacancy rate	2.5%
Rentable area	511 675 m²

B Geneva area

Portfolio value	CHF 0.9 billion
Rental income	CHF 32.6 million
Implied yield, net	3.1%
Vacancy rate	4.4%
Rentable area	75 414 m²

C Basel area

Portfolio value	CHF 0.6 billion
Rental income	CHF 25.8 million
Implied yield, net	3.6%
Vacancy rate	4.3%
Rentable area	95 013 m²

D Bern area

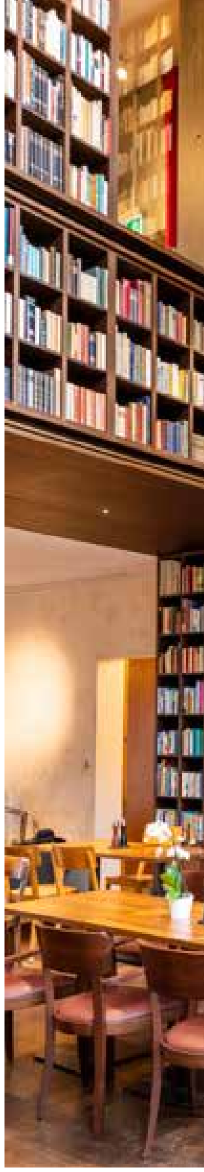
Portfolio value	CHF 0.5 billion
Rental income	CHF 20.0 million
Implied yield, net	3.1%
Vacancy rate	3.4%
Rentable area	94 600 m²

E Lausanne area

Portfolio value	CHF 0.4 billion
Rental income	CHF 17.6 million
Implied yield, net	3.3%
Vacancy rate	8.3%
Rentable area	82 796 m²

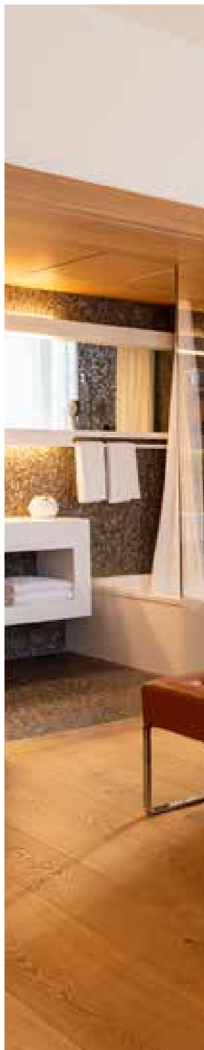
Other locations

Portfolio value	CHF 0.4 billion
Rental income	CHF 20.4 million
Implied yield, net	4.1%
Vacancy rate	5.1%
Rentable area	85 205 m²



Boutique Hotel B2 on the Hürlimann site in Zurich

The Hürlimann site in Zurich's Enge district is one of the most important witnesses of Swiss brewery history. In more than ten years of development and construction, PSP Swiss Property converted and modernised the site with great care. As a special eye-catcher, the boutique hotel B2 offers its guests an extraordinary experience with its stylish interior design.




Hürlimann
THERMALBAD
B2 HOTEL


FIVE GUYS


"Best Burger at the Beach"
"A Mountain of Delicious Spuds"


Coca-Cola

Rue du Grand-Chêne 2 in Lausanne

This prominent historic building from 1910 is in a prime location on the corner of "Place Saint-François" and "Rue du Grand-Chêne" with a great number of luxury boutiques in the immediate vicinity. There are offices on the upper floors, while the well-known burger restaurant "Five Guys" occupies the ground floor.

Bahnhofstrasse 39 in Zurich

This property on Zurich's Bahnhofstrasse is situated in one the most exclusive locations in Switzerland. The neo-classical building, which dates back to the year 1911, was comprehensively renovated in the past years. There are offices on the upper floors, while boutiques, among them the well-known fashion brand Hugo Boss, occupy the ground floor.

Bahnhofstrasse 28a / Waaggasse 6 in Zurich

The address may be inconspicuous, but the building itself is of great importance to the City of Zurich – the historic armoury cellar. As the name implies, weapons and armaments used to be stored here. Today, the building is best known for its restaurant with the same name offering traditional dishes. The sales area is used by the luxury brand Hermès, while attractive office space spreads across the upper floors.

Company portrait

Company portrait

We generate added value by continuously optimising our portfolio and adapting it 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 worth CHF 8.0 billion. We manage and maintain the buildings with a long-term perspective. Our goal is income and value appreciation through best 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 individual 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.

In the context of the portfolio optimisation, properties can also be sold.

Sustainability

Sustainability (environmental, social and governance, in short ESG) is at the core of our business 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 the public.

Further information can be found in the Sustainability report on pages 167 to 207.

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 4.5 billion – corresponding to an equity ratio of 55.4% – we have a solid equity base.

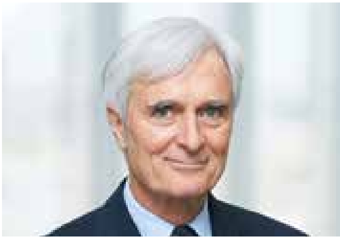
Board of Directors and Executive Board

Luciano Gabriel
Chairman of the
Board of Directors

Corinne Denzler
Member of the
Board of Directors

Adrian Dudle
Member of the
Board of Directors

Josef Stadler
Member of the
Board of Directors



Peter Forstmoser
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

Reto Grunder
Chief Investment Officer

Martin Heggli
Chief Operating Officer

The PSP share

Dividend policy

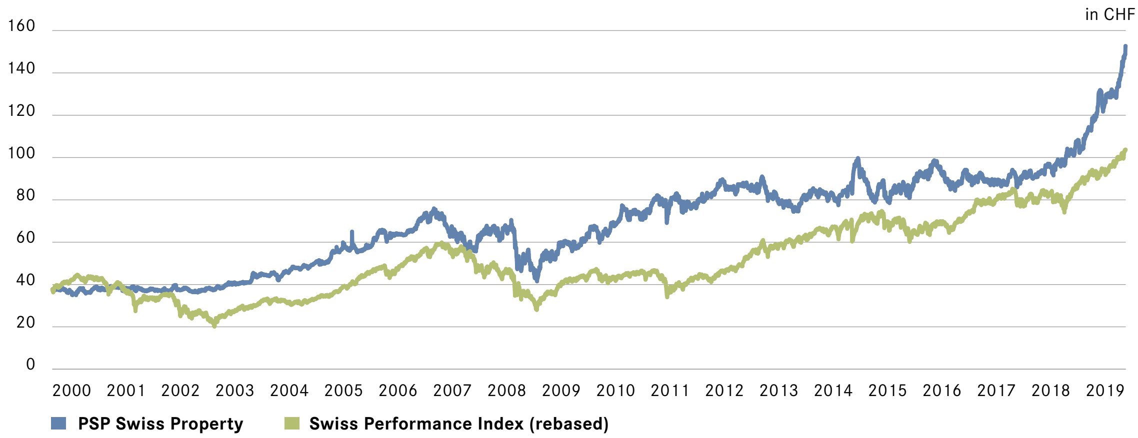
The annual distribution of PSP Swiss Property Ltd shall amount to at least 70% of the consolidated net income excluding gains/losses on real estate investments[1]. We strive to ensure a sustainable dividend trend – a goal, which we have achieved throughout our corporate history.

The Board of Directors will propose to the Annual General Meeting on 9 April 2020 a dividend of CHF 3.60 per share. This corresponds to a cash yield of 2.7% on the 2019 year-end share price of CHF 133.60.

Share price development

At year-end 2019, the PSP share price stood at CHF 133.60 (end of 2018: CHF 96.85). Net asset value per share (NAV) amounted to CHF 97.02 at the end of 2019; consequently, the PSP share was traded at a premium of 37.7% at year-end. From its listing on the SIX Swiss Exchange on 7 March 2000 to the end of 2019, the PSP share price rose by 253.9%.

The PSP shares are very liquid: on average, 130 816 shares worth CHF 15.4 million were traded daily in 2019 (2018: 96 100 shares worth CHF 9.0 million). In 2019, the total trading volume of PSP shares on the SIX Swiss Exchange reached CHF 3.8 billion (2018: CHF 2.2 billion).



7 March 2000 until 17 February 2020
Source: Bloomberg

1 See definition on page 91, note 30.

Key figures	Unit	2018	2019	+/–[1]
Share price				
High	CHF	99.20	133.60	
Low	CHF	85.95	98.00	
End of period	CHF	96.85	133.60	37.9%
SIX Swiss Exchange: Symbol PSPN, Valor 1829415, ISIN CH0018294154				
Market capitalisation				
High	CHF million	4 550.1	6 128.0	
Low	CHF million	3 942.3	4 495.1	
End of period	CHF million	4 442.3	6 128.0	37.9%
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[2]	Number	7 644	7 636	
Per share figures				
Earnings per share (EPS)[3]	CHF	6.72	9.89	47.1%
EPS excl. gains/losses on real estate investments[3, 4]	CHF	3.84	4.69	22.1%
Distribution per share	CHF	3.50	3.60[5]	2.9%
Payout ratio[6]	%	91.1	76.7	
Cash yield[7]	%	3.6	2.7	
Net asset value per share (NAV)[8]	CHF	90.63	97.02	7.1%
Premium to NAV[9]	%	6.9	37.7	
NAV per share before deduction of deferred taxes[8]	CHF	109.20	115.82	6.1%
Discount/premium to NAV before deduction of deferred taxes[9]	%	– 11.3	15.3	

1 Change to previous year's period 2018 or carrying value as of 31 December 2018 as applicable.
2 For the swap against REG shares which have not yet been exchanged.
3 Based on average number of outstanding shares.
4 See definition on page 91, note 30.
5 Proposal to the Annual General Meeting on 9 April 2020 for the business year 2019: 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 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.

Major shareholders

Details on the major shareholders[2] are shown in the Holding's "Financial statements" on page 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)	2018	2019	Note
Rental income	279 373	290 460	5
Net changes in fair value of real estate investments	166 692	244 176	13
Income from property sales (inventories)	29 913	45 589	
Expenses from sold properties (inventories)	– 19 429	– 32 755	
Income from other property sales	2 472	14 961	6
Income from investments in associated companies	11	2	15
Capitalised own services	4 613	4 863	13
Other income	3 547	3 092	7
Total operating income	**467 193**	**570 389**	
Real estate operating expenses	– 12 841	– 12 014	8
Real estate maintenance and renovation expenses	– 16 961	– 16 796	
Personnel expenses	– 20 027	– 19 343	9
Fees to subcontractors	– 39	– 48	
General and administrative expenses	– 7 690	– 7 958	10
Depreciation	– 1 084	– 1 267	
Total operating expenses	**– 58 642**	**– 57 426**	
Operating profit (ebit)	**408 551**	**512 963**	
Financial income	380	394	11
Financial expenses	– 22 358	– 19 478	11
Profit before income taxes	**386 572**	**493 879**	
Income taxes	– 78 420	– 40 454[1]	12
Net income attributable to shareholders of PSP Swiss Property Ltd	**308 152**	**453 425**	
Earnings per share in CHF (basic and diluted)	6.72	9.89	30

1 Incl. release of deferred taxes due to changes in tax rate of CHF 59.1 million.

The notes are part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in CHF 1 000)	2018	2019	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	**308 152**	**453 425**	
Items that may be reclassified subsequently to profit or loss:			
– Changes in interest rate hedging	10 452	1 789	
– Attributable taxes	– 819	365	12
Items that may not be reclassified subsequently to profit or loss:			
– Changes in pension schemes	8 336	– 2 028	24
– Attributable taxes	– 1 834	305	12
Other comprehensive income	**16 135**	**431**	
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**324 287**	**453 856**	

The notes are part of these consolidated financial statements.

Consolidated statement of financial position

(in CHF 1 000)	31 December 2018	31 December 2019	Note
Cash and cash equivalents	23 123	19 673	
Fixed-term deposits and accounts receivable	136 093	6 775	16
Contract assets	1 719	4 928	14
Deferrals	1 003	6 571	
Current tax assets	0	704	
Derivative financial instruments	32	79	17
Sites and development properties for sale	38 624	71 533	13
Total current assets	**200 594**	**110 263**	
Tangible assets	252	229	19
Intangible assets	1 492	1 820	18
Derivative financial instruments	1 708	1 794	17
Accounts receivable	7 431	7 128	16
Financial investments	9	9	
Investments in associated companies	70	72	15
Sites and development properties	624 550	650 690	13
Own-used properties	36 712	36 254	13
Investment properties	6 742 220	7 223 187	13
Deferred tax assets	4 244	4 799	20
Total non-current assets	**7 418 689**	**7 925 982**	
Total assets	**7 619 283**	**8 036 244**	
Accounts payable	21 254	22 635	25
Deferrals	39 605	55 912	
Current tax liabilities	1 308	11 621	
Financial liabilities	500 000	350 000	23
Bonds	119 993	199 987	23
Lease liabilities	0	553	23
Derivative financial instruments	1 881	1 315	17
Total current liabilities	**684 041**	**642 024**	
Financial liabilities	620 000	450 000	23
Bonds	1 271 219	1 579 662	23
Lease liabilities	0	15 934	23
Derivative financial instruments	19 106	18 017	17
Pension liabilities	11 819	13 229	24
Deferred tax liabilities	856 190	867 159	20
Total non-current liabilities	**2 778 335**	**2 944 001**	
Share capital	4 587	4 587	21
Capital reserves	503 474	503 468	
Retained earnings	3 660 903	3 953 790	
Revaluation reserves	– 12 056	– 11 625	22
Total shareholders' equity	**4 156 908**	**4 450 220**	
Total liabilities and shareholders' equity	**7 619 283**	**8 036 244**	

The notes are part of these consolidated financial statements.

Consolidated cash flow statement

(in CHF 1 000)	2018	2019	Note
Net income attributable to shareholders of PSP Swiss Property Ltd	308 152	453 425	
Net changes in fair value of investment properties	– 166 692	– 244 176	13
Capitalised/released rent-free periods	– 1 572	1 076	13
Income from other property sales	– 2 472	– 14 961	6
Income from investments in associated companies	– 11	– 2	15
Capitalised own services	– 4 613	– 4 863	13
Changes in pension liabilities recorded in the statement of profit or loss	1 420	– 618	
Compensation in own shares[1]	0	227	21
Depreciation	1 084	1 267	
Financial result	21 979	19 084	11
Income taxes	78 420	40 454	12
Changes in sites and development properties for sale	8 904	17 744	
Changes in accounts receivable	– 3 177	4 320	
Changes in contract assets	– 1 719	– 3 209	
Changes in accounts payable	51	1 599	
Changes in deferrals (assets)	6 095	– 5 570	
Changes in deferrals (liabilities)	6 763	16 890	
Interest paid	– 23 953	– 21 153	
Interest received	378	393	
Dividends received	2	2	
Taxes paid	– 21 378	– 19 994	
Cash flow from operating activities	**207 660**	**241 935**	
Purchases of investment properties	– 203 763	– 223 260	13
Capital expenditures on investment properties	– 51 980	– 45 874	13
Capital expenditures on own-used properties	– 2 465	– 291	13
Capital expenditures on sites and development properties	– 50 333	– 67 881	13
Sales of properties	80 059	60 905	
Payout of loans	– 2 800	– 940	
Repayment of loans	1 010	1 242	
Disinvestment of fixed-term deposit	150 000	125 000	
Investment in intangible assets	– 958	– 823	18
Cash flow from investing activities	**– 81 230**	**– 151 921**	

1 From the 2019 financial year onwards, compensation in own shares will be shown separately as cash flow from operating activities instead of cash flow from financing activities.

(Continued on next page)

(Continued from previous page)

(in CHF 1 000)	2018	2019	Note
Purchases of own shares	– 1 307	– 234	21
Sales of own shares[1]	1 318	0	21
Increase in financial liabilities	240 000	840 000	23
Repayment of financial liabilities	– 420 000	– 1 160 000	23
Issue of bonds	200 068	510 136	23
Issue expenses of bonds	– 880	– 2 297	23
Repayment of bond	0	– 120 000	23
Amortisation of lease liabilities	0	– 548	23
Distribution to shareholders	– 155 934	– 160 521	31
Cash flow from financing activities	**– 136 735**	**– 93 464**	
Changes in cash and cash equivalents	**– 10 305**	**– 3 450**	
Cash and cash equivalents at beginning of period	33 428	23 123	
Cash and cash equivalents at end of period	23 123	19 673	

1 From the 2019 financial year onwards, compensation in own shares will be shown separately as cash flow from operating activities instead of cash flow from financing activities.

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	Revalu-ation reserves	Total share-holders’ equity
1 January 2018	**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**
Net income attributable to shareholders of PSP Swiss Property Ltd				**453 425**		**453 425**
Changes in interest rate hedging					1 789	1 789
Changes in pension schemes					– 2 028	– 2 028
Attributable taxes					670	670
Other comprehensive income					**431**	**431**
Comprehensive income attributable to shareholders of PSP Swiss Property Ltd	**0**	**0**	**0**	**453 425**	**431**	**453 856**
Distribution to shareholders				– 160 538		– 160 538
Purchase of own shares			– 234			– 234
Compensation in own shares		– 6	234			227
31 December 2019	**4 587**	**503 468**	**0**	**3 953 790**	**– 11 625**	**4 450 220**

The notes are part of these consolidated financial statements.

Notes to the consolidated 2019 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 162 office and commercial properties as well as 12 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 2019, PSP Swiss Property had 94 employees, corresponding to 89 full-time equivalents (end of 2018: 91 respectively 86).

The consolidated 2019 financial statements are based on the annual accounts of the controlled individual subsidiaries at 31 December 2019 which have been prepared in accordance with uniform accounting policies and valuation principles.

The consolidated financial statements of PSP Swiss Property for the year 2019 were authorised for issue by the Board of Directors on 24 February 2020. The consolidated financial statements are subject to approval by the Annual General Meeting of PSP Swiss Property on 9 April 2020.

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 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 held 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 statement of profit or loss 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 accounting policies applied are basically the same as those used in the previous period. Only the following new IFRS standard came into force in the reporting period:

IFRS 16 – Leases

The new accounting standard IFRS 16 replaces the existing guidelines on leases in IAS 17 and newly regulates the principles of their recognition, measurement and presentation. The standard must be adopted as from 1 January 2019.

IFRS 16 specifies that leases which had previously been recognised as operational leases in the statement of profit or loss must now also be disclosed in the balance sheet. PSP Swiss Property decided not to recognise in the balance sheet short-term leases with a term of less than twelve months as well as leases for which the underlying asset is of low value. The resulting cash flows will be recognised as expenses on a straight-line basis over the term of the leasing arrangements.

In the course of the change to IFRS 16 as per 1 January 2019, PSP Swiss Property recognised right-of-use assets totaling CHF 17.0 million and lease liabilities in the same amount. The change to IFRS 16 was made based on the modified retrospective method. Therefore, the comparable figures for the previous year were not adjusted. Building right interest payments which had in the past been deducted from rental income will now be split into amortisation and interest payments from lease liabilities. This results in a shift between cash flow from operating activities and cash flow from financing activities.

Capitalised usage rights only include building right contracts related to investment properties according to IAS 40. All building right contracts are linked to Switzerland’s consumer price index. Changes in the index are applied prospectively. The first-time valuation of the right-of-use assets is made at cost. No initial lease incentives were made nor were there any initial direct expenses. Therefore, current value is based on the initial valuation of the lease liabilities.

Subsequent measurement of the building right contracts is made according to the accounting and valuation principles for properties held as financial investments (IAS 40). Changes in the value of right-of-use assets are recognised in the valuation differences of the properties. Right-of-use assets are valued semi-annually and are assessed for possible substantial changes in value during the quarter.

The present value of the lease liabilities was determined by discounting the future payment obligations using the incremental borrowing rate as per 1 January 2019. The weighted average interest rate was 1.05%.

Based on these assumptions, the initial valuation of the lease liabilities is presented as follows:

(in CHF 1 000)	Effect from first-time adoption
Operating lease obligations at 1 January 2019	21 000
Relief option for short-term leases	– 37
Relief option for low value asset leases	– 137
Gross lease liabilities at 1 January 2019	**20 826**
Discounting	3 791
Lease liabilities at 1 January 2019	**17 035**

The implications of the new standard were recognised as at 1 January 2019 in the consolidated statement of financial position and are presented as follows:

(in CHF 1 000)	31 December 2018	Adjustment from IFRS 16	1 January 2019
Assets			
Investment properties	6 742 220	17 035	6 759 255
Liabilities			
Lease liabilities (short-term)	0	548	548
Lease liabilities (long-term)	0	16 487	16 487

2.3 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 the purposes of the impairment tests, the independent appraiser also values own-used properties and development properties, which are valued at historical cost.

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 held 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.

2.4 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.

2.5 Consolidation

Method of consolidation

Group companies are companies over which PSP Swiss Property Ltd has control. Control is presumed to exist if PSP Swiss Property Ltd is exposed to fluctuating returns from its investments in group companies, has rights to those returns and has the ability to influence those returns by means of its ability to influence the Group companies. Capital consolidation is carried out according to the “acquisition method”. Intercompany transactions and relations are eliminated on consolidation.

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

Consolidated companies

The scope of consolidation of PSP Swiss Property includes the financial statements of the holding company PSP Swiss Property Ltd as well as all its group companies as at 31 December of the respective financial year. The companies listed in the following table are fully consolidated in the financial statements.

(in CHF 1 000)	Registered office	Share capital 2018	Ownership 2018	Share capital 2019	Ownership 2019
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 company. Furthermore, there are no restrictions on the use of the group companys' funds or assets.

2.6 Accounting and valuation principles

Real estate income and expenses

Rental income comprises rental income after deduction of vacancy losses, write-offs of defaulting tenants and other income. Income from operating-leasing activity is recognised in the income statement when the rent is due. Where significant rent incentives are granted to tenants (e.g. rent-free periods or step-up rents), the equivalent value of the incentive is recognised on a straight-line basis over the entire term of the lease as an adjustment to rental income.

At a few properties (see Property details, footnote 5, pages 212 to 223), PSP Swiss Property is lessee of building rights. At one property, PSP Swiss Property is lessor of a building right. In the previous year, PSP Swiss Property recorded expenses and income from land lease contracts under other real estate income when they became due. Since 2019, building rights are accounted for according to IFRS 16 (see paragraph “Right of use” on page 54).

Direct real estate expenses consist of operating expenses for properties as well as maintenance and renovation expenses. Maintenance expenses do not count as value-enhancing capital expenditures (see section on 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 corresponds to the difference between the net proceeds achieved and the last reported market value of the corresponding investment properties. The result is fully recognised at the time of the transfer of control (usually upon transfer of ownership).

Revenue from services

PSP Swiss Property only generates revenue from intercompany services. This revenue includes on the one hand, management fees, fees for billing of heating and ancillary costs and fees for construction services, on the other hand, fees for intercompany group-services. These fees are all charged and recorded according to transfer of services and are shown under the items 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 non-period income in connection with the VAT contribution tax due to the voluntary opting-in of rental agreements, and on the other hand income from construction and trading activities as well as management fees from services related to the management of the Group's own real estate portfolio.

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

Investment properties
Investment properties are properties held to earn long-term rental income and for capital appreciation. They are reported under non-current assets. New acquisitions are recorded at acquisition cost (including transaction costs). After initial recognition, investment properties are carried at fair value. Fair values are determined semi-annually by a external, independent property valuation company. The valuations are based on the discounted cash flow method according to the "Highest and Best Use" concept of IFRS 13. Change in market value or the difference between the acquisition value at initial valuation is recognised in the income statement.

Investment properties held for sale
Investment properties held for sale are valued and recorded like other investment properties. However, investment properties held 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 carried at historical cost and depreciated over their useful economic life, broken down into significant components. The depreciation period (straight-line method) is 40 years for buildings and 20 years for operating equipment (such as air conditioning, elevators, ventilation, etc.). Associated land is not depreciated. In the case of partial own-use of a property, an area share of less than 25% is considered insignificant, with the result that the entire property is reported in the balance sheet as an investment property at fair value.

Sites and development properties
Sites and development properties are building land, sites and development properties that are held with the intention of developing them as part of a project and making them usable as investment properties. This also includes replacement buildings for existing investment properties. In accordance with IAS 40, these are reported at fair value, provided that the market value can be determined with sufficient reliability. PSP Swiss Property generally assumes that a reliable determination of fair value within the meaning of IFRS 13 is possible from the time a concrete project is available with a corresponding building permit and construction approval by the Executive Board. Changes in valuation are recognised in the statement of profit or loss from this date. Until the conditions for a reliable determination of fair value are met, valuation during the development phase is carried out at historical cost.

Sites and development properties earmarked for sale (inventories)

The treatment of sites and development properties built for sale are carried out in accordance with IAS 2 (Inventories). They are reported in the balance sheet at historical costs or any lower realisable net value. This corresponds to the estimated sales price, less expected investments and sales costs until the sale. The net value is determined by the independent appraiser using the discounted cash flow method (DCF). The sale of such properties is realised and presented on a gross basis in the income statement in accordance with IFRS 15. In the cash flow statement, these sales are shown under “Cash flow from operating activities”.

Acquisition costs

All costs directly related to the acquisition or construction of properties as well as subsequent value-enhancing investments are considered acquisition costs and are capitalized. Value-enhancing investments are capitalised at different rates depending on their ability to be capitalised. In individual cases, the capitalization rate can be up to 100%. Interest expenses are for the financing of development properties and for renovations of investment properties and are relieved under financial expenses. The applied interest rate is determined periodically based on PSP Swiss Property’s debt financing structure; in the reporting year, it was 0.9% (previous year: 1.2%).

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

Financial investments are classified in accordance with IFRS 9 “at fair value through profit or loss” and are recognised according to the trade-date principle. Financial investments are recognised at fair value upon acquisition and in subsequent valuations. The fair value of listed financial investments corresponds to the bid price on the balance sheet date. Changes in fair value are recorded directly in equity, taking deferred taxes into account. Upon disposal, the resulting income remains in shareholders’ equity and is not transferred to the income statement. Dividends from financial investments are recorded in the income statement as soon as the Group has a claim to the dividends. The fair value of unlisted financial investments is equal to the Group’s share of equity, provided that this can be regarded as a reasonable approximation of fair value.

Accounts receivable

Accounts receivables are reported at amortised cost. For short-term receivables, this generally corresponds to the nominal value. Impaired receivables are assessed individually and written down accordingly (see section “Impairment” on pages 55 to 56).

Derivative financial instruments

Derivative financial instruments are measured at fair value at the time of acquisition and subsequently value at fair value. The fair values of these derivatives cannot be derived directly from a published source. Instead, they are determined by discounting future cash flows using published interest rates. These are calculated by the relevant banks and plausibility checked by PSP Swiss Property.

Derivative financial instruments are only used for hedging purposes (interest rate swaps). Interest rate payer swaps are used to hedge future cash flows. The interest rate receiver swaps are used in conjunction with fixed credit positions to synthetically map variable loans.

Changes in the fair value of derivatives that are effective hedges of future cash flows are recognised in equity as revaluation reserves. The amounts held in these reserves are transferred to the statement of profit and loss when the hedged cash flows affect the income statement. When a hedging instrument matures or is sold, or when the hedge no longer meets the criteria of IFRS 9, the amounts accumulated in the revaluation reserves remain in equity until the hedged cash flows affect the statement of profit and loss. However, if a future cash flow is no longer expected to occur, the amount accumulated in equity is released to the statement of profit and loss. Changes in the fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised immediately in the statement of profit and loss.

The Group documents at the inception of the transaction the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategies for undertaking the hedge. The Group periodically tests the effectiveness of the hedging instrument to determine whether it is highly effective. The risk management effect is still present in order to achieve an effective balancing of risks.

Intangible assets (software)

Software is carried at acquisition or production cost, less any necessary depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of five years.

Tangible assets

Tangible assets are reported at acquisition or production cost, less any necessary depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of five years.

Right-of-use assets

Right-of-use assets are accounted for in accordance with the requirements of IFRS 16. They only include building right contracts which are related to investment properties according to IAS 40 and are therefore valued using the same valuation method as the investment properties. All building lease contracts are linked to the Land Index for Consumer Prices (LIK). Changes in the index are recorded prospectively. Changes in the value of right-of-use assets are recorded in the net changes in fair value of real estate investments. Right-of-use assets are valued semi-annually and reviewed in each quarter for possible substantial changes in value.

Taxes
The tax expenses include current and deferred income taxes. They are recognised in the statement of profit and loss, with the exception of income taxes on transactions recognised directly in equity. In these cases, income taxes are also recognised in equity. Current income taxes comprise the expected tax payable on the taxable result, calculated at the tax rates applicable on the balance sheet date, property gains taxes on property sales, and adjustments to tax liabilities or assets from previous years.

Deferred taxes are calculated using the balance sheet liability method. Deferred taxes are recognised wherever temporary differences exist between the values recognised in the tax accounts and the consolidated balance sheet values. Deferred taxes are calculated on the basis of local tax rates and tax laws that were in force or had been enacted by the balance sheet date and are expected to apply when a deferred tax asset is realized or a deferred tax liability is released.

The deferred tax rates applied to unrealised gains on real estate holdings take into account the intended holding period of the properties, as far as the tax rate is influenced by the holding period of the properties. For cantons with a dualistic system, the expected income tax rates are applied. For cantons with a monistic system, there is a separate real estate gains tax with speculation surcharges or deductions for length of ownership depending on the holding period. For properties held for sale, the effective holding period applies. For all other properties, the effective holding period is 20 years, or the effective holding period if it is more than 20 years. Tax-deductible loss carryforwards are only recognised as deferred tax assets if it is probable that they can be utilised in the future by offsetting against taxable income.

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

Cash and cash equivalents
Cash and cash equivalents are carried at nominal value; they include cash, postal accounts and bank deposits.

Impairment
The value of tangible assets not carried at fair value (including own-used properties and development properties at cost) and intangible assets with limited useful lives is reviewed at least every six months. If a book value exceeds the realisable value, an impairment loss is recognised to the value in use or to the value that appears recoverable based on the discounted expected future income (fair value less costs to sell).

Sites and development properties held for sale are reported in the balance sheet at historical cost or at a lower realisable net value, if lower. This corresponds to the estimated sales price, less expected investments and sales costs up to the sale, and is determined by the independent property valuer using the discounted cash flow method (DCF).

Financial assets are reviewed for impairment at each balance sheet date based on special indicators. Financial assets are impaired if there is objective evidence that future cash flows have changed negatively.

In the case of cash and cash equivalents, rent receivables and loans, objective indications of impairment may exist in the following cases: i) significant financial difficulties of the issuer or the counterparty, ii) default or delay in interest and/or capital payments and iii) probability that the counterparty will become insolvent. Receivables from leases are generally due on the first day of the month or quarter. Receivables from service charge settlements are due 30 days after the invoice date. No interest is charged for overdue receivables. Receivables that are more than 90 days overdue are written off individually. The value adjustment for expected losses is based on an individual assessment, taking into account any existing collateral (e.g. rent deposits) and also takes into account corresponding historical experience and the creditworthiness of the counterparty.

Own shares

Own shares are offset against shareholders' equity at acquisition cost. The proceeds received from the sale of own shares are credited directly to shareholders' equity (capital reserves).

Reserves

The item revaluation reserves includes in particular the change in value (after tax) of derivative financial instruments held for cash flow hedging purposes, the actuarial gains and losses of the pension fund in accordance with IAS 19 and revaluations in connection with changes in the use of real estate as defined in IAS 40, paragraph 61. Revaluation reserves are not at the Company shareholders' disposition.

The capital reserves primarily result from a capital increase following a previous merger and from changes from trading in own shares.

Retained earnings include undistributed earnings and realized gains and losses of financial investments classified as "at fair value through comprehensive income".

Financial liabilities

Short- and long-term financial liabilities in the form of bank loans and any bank debt in the form of current account overdrafts are recognised at amortised cost. Short-term financial liabilities have a maximum term of one year.

Lease liabilities

Leasing liabilities are recognised in accordance with the requirements of IFRS 16. Since the interest rate implicit in the lease cannot be readily determined, the present value of the future payment obligations is discounted the lessee's incremental borrowing rate. Short-term leases with a term of less than twelve months and leases for which the underlying asset is of low value are not recognised in the balance sheet and the resulting cash flows are recognised as an expense on a straight-line basis over the term of the lease.

Bonds
Bonds are initially recognised at the consideration received, net of transaction costs. In subsequent periods, they are measured at amortised cost (effective interest method). The difference between the consideration received and the redemption amount is amortised 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 relevant risk factors that could lead to unexpected fluctuations in results or to a loss of shareholders' equity. Recommendations for risk control measures are derived from the results. Certain risks are also identified as opportunities. The aim is to find an appropriate balance between the possible resulting losses and the potential gains. Risks that predominantly represent a potential loss are minimised.

The scenario analysis is complemented by stress tests, which quantify the consequences of extremely unfavourable events. All risks that could jeopardise the normal continuation of the company's business as a going concern are strictly avoided. Catastrophic scenarios relating to a widespread collapse of economic activity are discussed, but do not form the basis for risk management.

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

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 210 to 211), the lease expiry profile or the tenant structure (pages 226 to 227). 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, without building rights):

Average weighted discount rate (nominal)	Change market value in %	Change market value in CHF 1 000	Market value in CHF 1 000
3.72%	– 12.7%	– 1 000 630	6 856 760
3.62%	– 9.9%	– 775 070	7 082 320
3.52%	– 6.8%	– 534 790	7 322 600
3.42%	– 3.5%	– 277 060	7 580 330
3.32% (Valuation as of 31 December 2019)	**0.0%**	**0**	**7 857 390**
3.22%	3.8%	298 480	8 155 870
3.12%	7.9%	621 320	8 478 710
3.02%	12.4%	971 920	8 829 310
2.92%	17.2%	1 353 080	9 210 470

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 380 million at most (2018: CHF 340 million; assumption: all other valuation variables remain unchanged). This would result in a change in the Company's net income of +/– CHF 303 million (2018: CHF 267 million).

An increase in the structural vacancy rates on which the estimates are based for all properties from 5.0% to 8.0% (2018: from 5.8% to 8.8%) would result in a depreciation of the entire portfolio of approximately CHF 305 million at most (2018: CHF 280 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 243 million (2018: CHF 220 million)
- Change in net income excluding gains/losses on real estate investments: no impact (2018: 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 2019 and 31 December 2018.

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 2019 and 31 December 2018.

3.4 Credit risk

Credit risks arise if clients do not meet their obligations towards PSP Swiss Property. Furthermore, credit risks may arise from active financial positions (derivative financial instruments, cash and cash equivalents, fixed-term deposits and tenants' receivables as well as tenant loans).

PSP Swiss Property has a broadly diversified tenant base. Creditworthiness is critically checked and documented by the property management before signing contracts, based on standard market data sources. In general, tenant deposits or bank guarantees of between 3 and 6 gross monthly rents are required for rental agreements. As at the end of 2018, PSP Swiss Property had no significant concentrations of credit risk from receivables as at the end of 2019 (see also the tenant structure on page 227). Due to the low default rate of 0.5% (previous year: 0.3%) on receivables from leases, the credit risk is considered low. The receivables include individual tenant loans. The largest individual position at the end of 2019 was CHF 2.4 million due from a global company (end of 2018: CHF 2.8 million). There are no indications of a default risk.

Our efforts to work with first-class banking institutions ensure that positive fair value receivables from derivative financial instruments (interest rate swaps) as well as cash and cash equivalents and fixed-term deposits are exposed to only minor credit risks. Creditworthiness considerations play an important role both in selecting these institutions and in continuous monitoring. The three largest institutions all had at least an "A" rating (S&P) or "A1" rating (Moody's) at the end of 2019. Together they covered CHF 1.9 million or 100% of all positive derivative financial instruments at the end of 2019 (end of 2018: CHF 1.7 million or 100%) and CHF 13.3 million or 67.7% of all cash and fixed-term deposits (end of 2018: CHF 142.6 million or 96.3%).

3.5 Liquidity risk

The capital and financial markets influence the Group's ability to raise funds. Careful liquidity risk management includes keeping sufficient cash and cash equivalents available and the availability of financing through committed credit lines of an appropriate volume. In addition, the liquidity risk is addressed by an appropriate selection and diversification of financing sources.

Together with PSP Swiss Property's accounting and operating units, Corporate Treasury carries out continuous liquidity planning, which ensures the Company's solvency at all times by taking into account recurring rental income, planned investments and forthcoming interest and dividend payments.

PSP Swiss Property aims to have available liquidity (cash and cash equivalents plus available credit lines) of at least CHF 100 million at all times. At the end of 2019, cash and cash equivalents amounted to CHF 19.7 million (end of 2018: CHF 23.1 million). At the same time, PSP Swiss Property had unused credit lines of CHF 1.05 billion (end of 2018: CHF 930 million), of which, 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 2019, committed credit lines amounted to CHF 1.85 billion; thereof CHF 0.35 billion was subject to short-term notice (end of 2018: CHF 2.05 billion, thereof CHF 0.50 billion subject to short-term notice).

- Financing sources: PSP Swiss Property has bilateral business relations with 9 Swiss banks. In addition, there is a syndicated loan with 11 Swiss cantonal banks. Furthermore, access to the money and capital markets is generally open.

3.6 Market risk

Interest rate risk

Scenario analysis is used to optimize the fixed interest period. This takes into account the exact maturity structure of the existing rental agreements, the intended property purchases and sales, and the development of market rents, inflation and interest rates. This optimisation does not necessarily lead to an equation of the average liability duration with that of the contractually agreed rental income. In view of its conservative attitude towards financial risks, PSP Swiss Property generally hedges interest rates in unclear cases by means of interest rate swaps and forward starting interest rate swaps, even if this may result in higher overall financing costs. In order to minimise interest rate risks, financial debt with variable interest rates should not exceed 20% of the real estate portfolio value.

PSP Swiss Property is financed through long-term capital market bonds and bank loans (fixed advances on a variable basis as well as fixed loans). Fixed advances are mainly hedged with interest rate swaps or forward starting interest rate swaps (cash flow hedges) for several years. Hedging is carried out on a rolling basis. All hedging transactions are carried out with first-class banking institutions, all of which have at least an "A" (S&P) or "A1" (Moody's) rating. There are no significant counterparty and bulk risks.

Based on the financial liabilities as of 31 December 2019 with interest rates fixed for less than twelve months, a change in interest rates of 50 basis points (assuming all other variables remain unchanged) would result in a change in annualised interest costs of approximately CHF 3.0 million (2018: CHF 2.9 million). This would have the following impact on the results:

- Change in net income: CHF 2.4 million (2018: CHF 2.3 million)
- Change in net income excluding gains/losses on real estate investments: CHF 2.4 million (2018: CHF 2.3 million)
- Change in shareholders' equity (retained earnings): CHF 2.4 million (2018: CHF 2.3 million)

An interest rate change of 50 basis points would have the following effects on the valuation of the existing interest rate swaps and would be fully recognised in shareholders' equity (assuming all other variables remain the same)

- Change in net income: no impact (2018: no impact)
- Change in net income excluding gains/losses on real estate investments: no impact (2018: no impact)
- Change in comprehensive income: CHF 5.8 million (2018: CHF 3.9 million)
- Change in shareholders' equity (revaluation reserves): CHF 5.8 million (2018: CHF 3.9 million)

Overall, the financing structure as at 31 December 2019 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, care is taken to ensure that there is sufficient room for manoeuvre in any economic situation and that dependence on individual banking institutions remains limited. Equity risk management is controlled by the equity ratio respectively the ratio of interest-bearing debt to total assets.

The optimisation of the equity base or capital structure includes the distribution policy, possible repurchases or issues of own shares or sales of non-strategic properties.

With shareholders' equity of CHF 4.450 billion at the end of 2019 (end of 2018: CHF 4.157 billion) – corresponding to an equity ratio of 55.4% (end of 2018: 54.6%) – PSP Swiss Property has a strong equity base. At the end of 2019, interest-bearing liabilities amounted to CHF 2.596 billion or 32.3% of total assets (end of 2018: CHF 2.511 billion or 33.0%). The remaining 12.3 percentage points (based on total assets) are mainly deferred taxes 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 2019, 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 2.6" and is shown in the positions "Rental income", "Income from property sales (inventories)", "Property management services" and "Other income".

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.

Segment information 2019

(in CHF 1 000)	Real Estate Investments	Property Management	Holding	Subtotal	Eliminations	Total Group
Rental income	292 106			292 106	– 1 646	290 460
Net changes in fair value of real estate investments	244 176			244 176		244 176
Income from property sales (inventories)	45 589			45 589		45 589
Expenses from sold properties (inventories)	– 33 402			– 33 402	647	– 32 755
Income from other property sales	13 909			13 909	1 053	14 961
Income from investments in associated companies		2		2		2
Property management services		13 866		13 866	– 13 866	0
Capitalised own services		2 578	2 285	4 863		4 863
Other income	3 011	1 191	20 800	25 002	– 21 910	3 092
Total operating income	**565 390**	**17 637**	**23 085**	**606 111**	**– 35 723**	**570 389**
Real estate operating expenses	– 25 880			– 25 880	13 866	– 12 014
Real estate maintenance and renovation expenses	– 17 607			– 17 607	811	– 16 796
Personnel expenses		– 9 885	– 9 558	– 19 443	100	– 19 343
Fees to subcontractors		– 48		– 48		– 48
General and administrative expenses	– 20 122	– 4 944	– 3 838	– 28 904	20 946	– 7 958
Depreciation	– 749	– 518		– 1 267		– 1 267
Total operating expenses	**– 64 358**	**– 15 395**	**– 13 395**	**– 93 148**	**35 723**	**– 57 426**
Operating profit (ebit)	**501 032**	**2 241**	**9 689**	**512 963**		**512 963**
Financial income						394
Financial expenses						– 19 478
Profit before income taxes						**493 879**
Income taxes						– 40 454
Net income attributable to shareholders of PSP Swiss Property Ltd						**453 425**
Income with third parties	339 061			339 061		339 061
Income with other segments	1 646	17 554	23 085	42 285	– 37 422	4 863
Total revenue	**340 707**	**17 554**	**23 085**	**381 346**	**– 37 422**	**343 924**
Assets	8 021 014	11 286	30 547	8 062 847	– 26 602	8 036 244
Liabilities	3 576 600	19 368	16 659	3 612 627	– 26 602	3 586 025
Capital expenditures	141 605	823		142 428		142 428
Associated companies		72		72		72

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)	2018	2019
Potential rent	329 421	324 405
Vacancy	– 42 602	– 28 154
Write-offs of defaulting tenants	– 829	– 1 510
Building right interests	– 1 470	0
Income from electricity sale	228	209
Other income	– 5 374	– 4 489
Total rental income	**279 373**	**290 460**

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 2018	31 December 2019
Rental income < 1 year	240 831	251 927
Rental income 2 to 5 years	565 405	559 938
Rental income > 5 years	176 276	164 948
Accumulated future rental income	**982 512**	**976 813**

Lease contracts for commercial properties usually include an index clause, whereby rents can be raised on the basis of the consumer price index. The vast majority of new contracts usually contain a clause for a 100% adjustment to the index; over the entire portfolio, 75.7% of contracts have a clause for a 100% indexation (end of 2018: 76.4%). At the end of 2019, the average remaining weighted duration for all leases was 4.2 years (2018: 4.5 years).

With the application of IFRS 16 in accordance with note 2.2 on page 47, land lease interest is no longer recognised in rental income, but divided into amortisation payments and interest payments.

In the previous year, the following building right interests were recorded as expenses:

(in CHF 1 000)	2018	2019
Building right interest expenses	1 514	n.a.
Total building right interest expenses for the period	**1 514**	**n.a.**

The following future cumulative expenditure resulted from the building right contracts in the previous year:

(in CHF 1 000)	31 December 2018	31 December 2019
Interest payments < 1 year	725	n.a.
Interest payments 2 to 5 years	2 376	n.a.
Interest payments > 5 years	17 709	n.a.
Accumulated future building right interest expenses	**20 810**	**n.a.**

The following building right interest payments were recorded as income in the previous year:

(in CHF 1 000)	2018	2019
Building right interest income	44	n.a.
Total building right interest income for the period	**44**	**n.a.**

The following cumulative income will, in future, result from the building right contracts with PSP Swiss Property as lessor:

(in CHF 1 000)	31 December 2018	31 December 2019
Interest payments < 1 year	44	n.a.
Interest payments 2 to 5 years	177	n.a.
Interest payments > 5 years	1 020	n.a.
Accumulated future building right interest income	**1 242**	**n.a.**

The existing building right 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)	2018	2019
Sales proceeds	80 400	61 105
Transaction costs	– 341	– 200
Carrying value of sold properties	– 77 587	– 45 943
Total income from property sales	**2 472**	**14 961**

In the reporting year, the sale of two investment properties generated a profit of CHF 15.0 million. In the previous year, three investment properties were sold with an income of CHF 2.5 million – consisting of CHF 2.6 million profit and CHF 0.2 million loss.

7 Other income

(in CHF 1 000)	2018	2019
VAT recovery	2 002	2 992
Other income	1 545	99
Total other income	**3 547**	**3 092**

The voluntary opting of several rental contracts (VAT recovery) resulted in an income of CHF 3.0 million in the reporting year (2018: CHF 2.0 million). The difference in other income resulted primarily from the reversal of an accrual in connection with the former WTF joint venture in the previous year.

8 Real estate operating expenses

(in CHF 1 000)	2018	2019
Taxes and fees	3 565	3 494
General operating expenses	3 776	3 251
Insurance fees	1 870	1 918
Letting expenses	2 263	1 661
Expenses for caretakers	681	921
Administrative expenses	375	493
Utilities and waste management	496	451
Ancillary expenses received	– 184	– 176
Total real estate operating expenses	**12 841**	**12 014**

Real estate operating expenses for vacant objects amounted to CHF 4.1 million in 2019. Thereof, CHF 2.0 million were for heating and general operating expenses (2018: CHF 6.3 million resp. CHF 3.3 million).

9 Personnel expenses

(in CHF 1 000)	2018	2019
Wages and salaries	15 232	16 766
Social security expenses	1 414	1 566
Expenses for staff pension schemes	2 927	754
Other expenses	454	256
Total personnel expenses	**20 027**	**19 343**
Employees at end of period (people)	91	94
Equal full-time employees (FTE)	86	89

Personnel expenses decreased mainly due to a one-off effect of a plan change at PSP Swiss Property's pension scheme.

10 General and administrative expenses

(in CHF 1 000)	2018	2019
Administrative expenses	3 603	3 542
IT expenses	1 943	2 332
General operating expenses	1 546	1 608
Current capital taxes	259	137
Occupancy expenses	339	340
Total general and administrative expenses	**7 690**	**7 958**
Current capital taxes	n.a.	65
Occupancy expenses	n.a.	27

Operating and administrative expenses increased mainly due to higher expenditure on individual digitisation projects.

11 Financial results

(in CHF 1 000)	2018	2019
Financial income	378	393
Income from financial investments	2	2
Total financial income	**380**	**394**
Financial expenses	23 529	20 569
Capitalised interests	– 2 108	– 1 690
Amortisation of issue expenses of bonds	938	599
Total financial expenses	**22 358**	**19 478**
Total financial result	**21 979**	**19 084**
Overall financial expenses for financial instruments at amortised cost	**24 467**	**21 168**

Interest-bearing debt amounted to CHF 2.596 billion at the end of 2019 (end of 2018: CHF 2.511 billion). The average interest rate was 0.77% in the reporting year (2018: 0.94%). As at 31 December 2019, the passing average interest rate was 0.73% (31 December 2018: 0.87%).

12 Income tax expenses

(in CHF 1 000)	2018	2019
Current income taxes of reporting period	21 291	29 607
Adjustments for current income taxes relating to other periods	– 157	– 237
Total current income taxes	**21 135**	**29 370**
Deferred income taxes from change in temporary net changes in fair value of investment properties	57 201	65 817
Deferred income taxes from changes in tax rates	294	– 54 917
Utilization of unrecognised deferred taxes from losses carried forward	0	– 280
Deferred income taxes from change in temporary net changes in fair value of other balance sheet positions	– 210	465
Total deferred income taxes	**57 285**	**11 084**
Total income tax expenses	**78 420**	**40 454**

Reconciliation to tax expenses:

(in CHF 1 000)	2018	2019
Operating profit before taxes	386 572	493 879
Reference tax rate	21.5%	20.2%
Income taxes at reference tax rate	**82 971**	**99 757**
Changes in tax rates on temporary changes in fair value	294	– 54 917
Adjustments for current income taxes relating to other periods	– 157	– 237
Offsetting losses carried forward	0	– 280
Local tax rate differences	– 4 688	– 3 869
Total income tax expenses	**78 420**	**40 454**

On 19 May 2019, the Swiss voters approved the Federal Tax Reform and AHV financing (TRAF) in a referendum. In addition, the cantonal tax bills for implementing the Federal Tax Reform in the cantons of Zurich, Geneva, Basel-Stadt and Fribourg were also approved by the Swiss voters in 2019. In the cantons of Ticino and Zug, the referendum period against the amendment of the cantonal tax law expired unused.

The revised cantonal tax legislation, including reductions in tax rates for companies, will come into force in Zurich, Geneva, Zug, Fribourg and Ticino on 1 January 2020, and in Basel retroactively as of 1 January 2019. The tax rate reduction in the canton of Vaud also took effect from 1 January 2019.

The above-mentioned tax rate reductions resulted in a one-time release of deferred tax liabilities totalling CHF 59.1 million for the 2019 financial year. Of this amount, CHF 22.1 million (37.4%) was allocated to “Net income excluding gains/losses on real estate investments” due to the origin of the previously formed deferred taxes. The release of deferred tax liabilities relates mainly to the cantons of Geneva (CHF 53.0 million), Basel (CHF 5.0 million) and Zurich (CHF 1.0 million).

The reference tax rate is a mixed rate. It takes into account the fact that profits subject to cantonal and municipal tax are currently subject to an average tax rate of 20.2% (including direct federal tax) (2018: 21.5%). The actual tax rate in the year under review was 8.2% (2018: 20.3%).

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

(in CHF 1 000)	2018	2019
Taxes from change in interest rate hedging	– 819	365
Taxes from staff pension scheme liabilities	– 1 834	305
Total income tax expenses (directly reported in equity)	**– 2 653**	**670**

13 Real estate investments

(in CHF 1 000)	Investment properties	Own-used properties	Sites and development properties at market value	Development properties for sale	Total real estate investment
	IAS 40	IAS 16	IAS 40	IAS 2	
Carrying value at 1 January 2018	**6 348 932**	**34 969**	**614 700**	**47 192**	**7 045 793**
Purchases	203 763	0	0	0	203 763
Capitalised/released rent-free periods[1]	887	0	686	0	1 572
Transfers	95 891	0	– 95 891	0	0
Capital expenditures	51 980	2 465	50 333	10 480	115 258
Capitalised own services	3 175	0	1 254	185	4 613
Capitalised interests	550	0	1 407	151	2 108
Disposals	– 77 587	0	0	– 19 384	– 96 971
Net changes in fair value of real estate investments	114 630	n.a.	52 062	n.a.	166 692
Depreciation	n.a.	– 722	n.a.	n.a.	– 722
Carrying value at 31 December 2018	**6 742 220**	**36 712**	**624 550**	**38 624**	**7 442 106**
Historical cost		39 501			
Accumulated depreciation		– 2 788			
Carrying value, net		**36 712**			
Carrying value at 31 December 2018	**6 742 220**	**36 712**	**624 550**	**38 624**	**7 442 106**
Effect from first-time adoption of IFRS 16	17 035	0	0	0	17 035
Carrying value at 1 January 2019	**6 759 255**	**36 712**	**624 550**	**38 624**	**7 459 141**
Purchases	223 260	0	0	0	223 260
Capitalised/released rent-free periods[1]	– 1 293	0	217	0	– 1 076
Transfers	24 962	0	– 75 122	50 160	0
Capital expenditures	45 874	291	67 881	14 959	129 005
Capitalised own services	3 563	0	1 044	256	4 863
Capitalised interests	458	0	994	237	1 690
Disposals	– 45 943	0	0	– 32 703	– 78 646
Net changes in fair value of real estate investments	213 051	n.a.	31 125	n.a.	244 176
Depreciation	n.a.	– 749	n.a.	n.a.	– 749
Carrying value at 31 December 2019	**7 223 187**	**36 254**	**650 690**	**71 533**	**7 981 664**
Historical cost		39 791			
Accumulated depreciation		– 3 538			
Carrying value, net		**36 254**			

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 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	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*
Carrying value at 1 January 2019	**4 548 419**	**998 340**	**683 080**	**296 130**	**409 785**	**431 016**	**7 366 770**
Effect from first-time adoption of IFRS 16	0	3 638	0	0	3 947	9 450	17 035
Additions	0	0	0	223 260	0	0	223 260
Capitalised/released rent-free periods[1]	– 796	– 185	– 23	0	0	– 72	– 1 076
Capital expenditures	63 155	19 874	14 734	4 938	6 288	4 766	113 755
Capitalised own services	1 291	314	472	2 342	107	83	4 607
Capitalised interest	1 082	163	67	17	74	49	1 452
Net changes in fair value recog-nised in the income statement, item Net changes in fair value of real estate investments	162 279	42 666	10 910	16 708	7 182	4 432	244 176
Deductions	– 46 200	– 18 650	0	– 15	0	– 31 238	– 96 103
Carrying value at 31 December 2019	**4 729 230**	**1 046 159**	**709 240**	**543 380**	**427 383**	**418 485**	**7 873 877**
Change of non-realised changes in fair value of real estate investments in the portfolio as at 31 December 2019; recognised in the income statement	*162 279*	*42 666*	*10 910*	*16 708*	*7 182*	*4 432*	*244 176*

1 Straightlining of incentives given to tenants.

During the reporting period, one property at Bärenplatz 9, 11, 27 / Käfiggässchen 10, 22, 26 in Bern and, in connection with the purchase of Carba Immobilien AG, four properties in Bern-Liebefeld were purchased. In addition, the property at Bernerstrasse Süd 167/169 in Zurich and the property at Route des Arsenaux 41 in Fribourg were sold. For further information, see pages 226 to 227.

During the reporting period, the last apartment in Löwenbräu Black and the development projects “Bankstrasse Uster” and “Rue de Berne” were also sold.

The following reclassifications were made during the reporting period:

Property	Classification at beginning of period	Classification at end of period
Basel, Steinentorberg 8/12	Investment property	Site and development property
Kilchberg, Seestrasse 40, 42	Investment property	Development property for sale
Lausanne, Rue Saint-Martin 7	Site and development property	Investment property
Zurich, Förrlibuckstrasse 151	Investment property	Site and development property
Zurich, Hardturmstrasse 161 / Förrlibuckstrasse 150	Site and development property	Investment property
Zurich, Sihlamtsstrasse 5	Investment property	Development property for sale
Zurich, Zurlindenstrasse 134	Investment property	Development property for sale

Net changes in fair value of real estate investments: The basis and assumptions for the valuation can be found in the valuation report of the external, independent appraiser Wüest Partner AG on pages 98 to 105.

The revaluation of the properties resulted in an appreciation of CHF 244.2 million (CHF 213.1 million of which related to the investment portfolio and CHF 31.1 million to the sites and development properties). The weighted average discount rate calculated for the entire portfolio – based on a long-term average annual inflation rate of 0.5% – was 3.32% nominal at the end of 2019 (end of 2018: 3.50%). In addition to the lower average weighted discount rate, several lettings as well as better income prospects related to planned capital expenditures had also a positive effect on the valuations.

For the properties recognised as at 1 January 2019, the fair value adjustments at the end of 2019 resulted in positive valuation differences totalling CHF 285.5 million (2018: CHF 219.7 million) and negative valuation differences totalling CHF 40.8 million (2018: CHF 50.8 million).

As of 31 December 2019, the independent appraiser had identified a total of ten properties for which significant optimisation of use appears possible (2018: eleven properties). The valuation experts have valued these properties as at the balance sheet date in accordance with IFRS 13 on the basis of “Highest and Best Use”. For four of these properties in the Zurich region, concrete steps are being taken to implement the optimisation of use. In the case of one property in Lausanne, further progress was also made in dialogue with the City of Lausanne with regard to optimising use. For the remaining five properties (two each in Basel and Zurich and one in Geneva), no concrete measures are currently planned.

In accordance with PSP Swiss Property’s accounting and valuation principles, own-used properties are reported at historical cost (IAS 16). The estimated market value for the own-used property (Seestrasse 353, Zurich) amounted to CHF 41.8 million at the end of 2019 (end of 2018: CHF 38.0 million).

Sites and development properties are carried at fair value if the market value can be determined with sufficient reliability; this applied at the end of 2019 to the following properties: i) “Steinentorberg” project in Basel, ii) “Rue du Marché” project in Geneva, iii) “ATMOS” project in Zurich, iv) “Bahnhofquai/-platz” project in Zurich and v) “P-West” project in Zurich. The estimated total market value of all sites and development properties at the end of 2019 was CHF 650.7 million (end of 2018: CHF 624.6 million). At the end of 2019, there were payment obligations totalling CHF 143.2 million for ongoing development and renovation work (end of 2018: CHF 136.1 million).

Notary and transfer fees for the sale of all properties were estimated at approximately CHF 99 million at the end of 2019 (end of 2018: approximately CHF 91 million).

14 Contract assets

(in CHF 1 000)	Carrying value 1 January 2018	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 CHF 1 000)	Carrying value 1 January 2019	project-progress	Disposals due to transfer of ownership	Carrying value 31 December 2019
Contract assets	1 719	7 639	0	9 358
Prepayments	– 1 574	– 2 856	0	– 4 430
Net contract assets	**145**	**4 783**	**0**	**4 928**

In 2019, the increase of contract assets arise from the progress of one single development project. Percentage of completion (PoC) increased from 22% (end of 2018) to 39% (end of 2019) while the share of notarised sales increased from 7% (end of 2018) to 24% (end of 2019). 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 2018						
IG REM	Zurich	342	0	202	87	n.a.
31 December 2019						
IG REM	Zurich	358	– 0	114	– 16	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)	2018	2019
Resulting from business activities with third parties	19 984	16 084
Fixed-term deposit	125 000	0
Value adjustment (accumulated)	– 1 460	– 2 181
Carrying value at 31 December	**143 524**	**13 903**
thereof short-term (current assets)	136 093	6 775
thereof long-term (non-current assets)	7 431	7 128

The short-term accounts receivable (current assets) consists of outstanding rental payments, claims for ancillary expenses as well as claims on the pension foundation (Previous year: Additionally a fixed-term deposit with an interest rate of 0.06% and maturity on 10 July 2019). The long-term accounts receivable (non-current assets) consists of loans granted to tenants with interest rates between 1.5% and 5.0%.

The accumulated impaired receivables changed as follows:

(in CHF 1 000)	2018	2019
Carrying value at 1 January	1 829	1 460
Additions debited to income statement	1 421	2 178
Release credited to income statement	– 540	– 375
Outflow	– 1 250	– 1 083
Carrying value at 31 December	**1 460**	**2 181**

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 31.12.18**	**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**						

				Thereof due but not value-adjusted			
(in CHF 1 000)	**Carrying value 31.12.19**	**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)	8 955	2 195	4 516	1 202	359	34	649
Accounts receivable (non-current assets)	7 128	0	7 128	0	0	0	0
Value adjustment	– 2 181						
Total accounts receivable	**13 903**						

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 0.5% (previous year: 0.3%), the quality of accounts receivable from rental agreements considered as good. At the end of 2019, guarantees (at fair value) totalled CHF 11.6 million on accounts receivable which were due and not value-adjusted of CHF 2.2 million (end of 2018: CHF 10.9 million for CHF 3.6 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 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**
31 December 2019				
2020	150 000	50 000	79	– 1 315
2021	150 000	100 000	0	– 3 452
2022	50 000	0	0	– 1 678
2023	50 000	0	0	– 2 183
2024	50 000	50 000	1 794	– 3 210
2025	0	0	0	0
2026	0	0	0	0
2027	100 000	0	0	– 3 900
2028	100 000	0	0	– 3 594
Total	**650 000**	**200 000**	**1 873**	**– 19 331**

1 Excl. accrued interest.

Five interest rate payer swaps and five interest rate receiver swaps expired in the reporting period. In addition, one interest rate payer swap and two forward starting interest rate payer swaps for CHF 50 million each with final maturities in 2027 and 2028 were concluded.

Financial statements

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 2019 was – 0.8000% to 1.5075% (previous year: – 0.9250% 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. As in the previous year, the cash flow hedges were effective in the reporting period.

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)	2018	2019
Carrying value at 1 January	855	1 492
Purchases	958	823
Depreciation	– 321	– 495
Carrying value at 31 December	**1 492**	**1 820**
Historical cost	5 316	6 138
Accumulated depreciation	– 3 823	– 4 318
Carrying value, net	**1 492**	**1 820**

Intangible assets consists of development cost for internal used software.

19 Tangible assets

(in CHF 1 000)	2018	2019
Carrying value at 1 January	293	252
Purchases	0	0
Depreciation	– 40	– 23
Carrying value at 31 December	**252**	**229**
Historical cost	504	504
Appreciation	200	200
Accumulated depreciation	– 452	– 475
Carrying value, net	**252**	**229**

20 Deferred tax assets and liabilities

31 December 2018 (in CHF 1 000)	Assets	Liability	Net amount
From derivative financial instruments	1 644	– 136	1 508
From pension liabilities	2 600	0	2 600
From positive net changes in fair value of properties	0	– 855 845	– 855 845
From contracts with customers	0	– 46	– 46
From accounts receivable	0	– 163	– 163
Total	**4 244**	**– 856 190**	**– 851 946**

31 December 2019 (in CHF 1 000)	Assets	Liability	Net amount
From derivative financial instruments	2 074	– 201	1 873
From lease liabilities / Right-of-use assets	2 681	– 2 681	0
From loss carryforward	280	0	280
From pension liabilities	2 646	0	2 646
From positive net changes in fair value of properties	0	– 866 744	– 866 744
From contracts with customers	0	– 272	– 272
From accounts receivable	0	– 143	– 143
Total	**7 681**	**– 870 041**	**– 862 360**
Thereof netted in the balance sheet	– 2 882	2 882	
Deferred taxes as reported in the balance sheet	**4 799**	**– 867 159**	**– 862 360**

Net deferred tax liabilities (in CHF 1 000)	2018	2019
Carrying value at 1 January	792 008	851 946
Deferred taxes booked to statement of profit or loss	57 285	11 084
Deferred taxes booked to shareholders' equity	2 653	– 670
Carrying value at 31 December	**851 946**	**862 360**

As a result of applying the property gains tax rates which theoretically were due if all properties had been sold as at 31 December 2019, tax liabilities would, compared to the reported deferred tax liabilities, increase by approximately CHF 119 million (end of 2018: approximately CHF 40 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 2018	31 December 2019
< 1 year	147	413
> 1 year	4 097	4 386
Total	**4 244**	**4 799**

Expiration of tax liabilities (in CHF 1 000)	31 December 2018	31 December 2019
< 1 year	2 062	4 537
> 1 year	854 129	862 622
Total	**856 190**	**867 159**

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 2017	45 867 891	0.10	4 587
31 December 2018	45 867 891	0.10	4 587
31 December 2019	45 867 891	0.10	4 587
Conditional share capital			
31 December 2017	2 000 000	0.10	200
31 December 2018	2 000 000	0.10	200
31 December 2019	2 000 000	0.10	200

During the reporting period, a total of 2 300 own shares were purchased at an average price of CHF 101.53 per share totalling CHF 0.2 million and 2 300 own shares were used as compensation in own shares at an average price of CHF 98.82 per share totalling CHF 0.2 million (previous year's period: 13 576 own shares purchased at an average price of CHF 96.26 and 13 576 own shares used as compensation in own shares at an average price of CHF 97.09).

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 2018	**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**
Changes current year	0	1 789	– 2 028	– 239
Income taxes	0	365	305	670
31 December 2019	**9 612**	**– 15 585**	**– 5 652**	**– 11 625**

23 Debt

(in CHF 1 000)	31 December 2018	31 December 2019
Short-term financial liabilities	500 000	350 000
Short-term bonds	119 993	199 987
Short-term lease liabilities	0	553
Long-term financial liabilities	620 000	450 000
Long-term bonds	1 271 219	1 579 662
Long-term lease liabilities	0	15 934
Total interest-bearing debt	**2 511 212**	**2 596 136**

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 01.01.18	Reclassifi-cation	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 CHF 1 000)	Carrying value 01.01.19	Reclassifi-cation	Amortisation of issuer costs	Repayment	Carrying value 31.12.19
Financial liabilities	1 120 000	840 000	n.a.	– 1 160 000	800 000
Bonds	1 391 212	507 838	599	– 120 000	1 779 649
Lease liabilities	17 035	0	– 548	0	16 487
Total interest-bearing debt	**2 528 247**	**1 347 838**	**51**	**– 1 280 000**	**2 596 136**

In the reporting period, fixed-term loans totalling CHF 840 million were drawn using existing credit lines and CHF 1.160 billion were repaid. During the same period, a bond with a volume of nominal CHF 180 million and maturity in 2027, a bond with a volume of nominal CHF 150 million and maturity in 2028, a re-opening of an existing bond with a volume of nominal CHF 75 million and maturity in 2024 and a bond with a volume of nominal CHF 100 million and maturity in 2030 were issued. One bond with a volume of nominal CHF 120 million was repaid.

At the end of 2019 (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 lease liabilities relate exclusively to obligations in connection with land lease agreements. As at the end of 2019, the contracts have terms from 2020 to 2072. All contracts are renewable and linked to the national consumer price index. The weighted average interest rate on lease liabilities is 1.05%.

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 2018	31 December 2019
< 6 months	139 993	249 987
6 to 12 months	450 000	350 000
1 to 5 years	1 346 933	999 563
> 5 years	574 286	996 586
Total interest-bearing debt	**2 511 212**	**2 596 136**

At the end of 2019, the average fixed interest rate period of all debt was 4.4 years (end of 2018: 3.0 years).

Details on the existing bonds are as follows:

(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**

(in CHF 1 000)	Carrying value 01.01.19	Reclassifi-cation	Issue	Amortisa-tion of issuer costs	Repay-ment	Carrying value 31.12.19	Nominal value 31.12.19
1.000% bond, maturing 08.02.19	119 993	0	0	7	– 120 000	n.a.	n.a.
1.375% bond, maturing 04.02.20	n.a.	199 858	0	130	0	199 987	200 000
Total short-term bonds	**119 993**	**199 858**	**0**	**136**	**– 120 000**	**199 987**	**200 000**
1.375% bond, maturing 04.02.20	199 858	– 199 858	0	0	0	n.a.	n.a.
0.045% bond, maturing 20.12.21	149 917	0	0	28	0	149 945	150 000
0.060% bond, maturing 11.02.22	99 677	0	0	104	0	99 780	100 000
0.000% bond, maturing 01.09.23	297 482	0	0	552	0	298 033	300 000
0.500% bond, maturing 16.02.24	225 003	0	76 833	– 206	0	301 630	300 000
1.000% bond, maturing 06.02.25	99 863	0	0	22	0	99 885	100 000
0.375% bond, maturing 29.04.26	199 420	0	0	78	0	199 498	200 000
0.700% bond, maturing 08.02.27	n.a.	0	181 183	– 131	0	181 053	180 000
0.550% bond, maturing 04.02.28	n.a.	0	149 938	6	0	149 944	150 000
0.000% bond, maturing 06.02.30	n.a.	0	99 884	10	0	99 893	100 000
Total long-term bonds	**1 271 219**	**– 199 858**	**507 838**	**463**	**0**	**1 579 662**	**1 580 000**

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 %
1.375% bond, maturing 4 February 2020 Securities number: 22988113				
31.12.2018	200 000	101.7	203 460	1.44
31.12.2019	200 000	100.2	200 314	1.44
0.045% bond, maturing 20 December 2021 Securities number: not listed				
31.12.2018	150 000	100.5	150 794	0.07
31.12.2019	150 000	100.5	150 771	0.07
0.060% bond, maturing 11 February 2022 Securities number: 373476537				
31.12.2018	100 000	101.7	101 700	0.16
31.12.2019	100 000	100.6	100 626	0.16
0.000% bond, maturing 1 September 2023 Securities number: 33014317				
31.12.2018	300 000	99.4	298 200	0.18
31.12.2019	300 000	100.4	301 167	0.18
0.500% bond, maturing 16 February 2024 Securities number: 30725643				
31.12.2018	225 000	100.5	226 125	0.50
31.12.2019	300 000	102.0	305 985	0.37
1.000% bond, maturing 6 February 2025 Securities number: 26288145				
31.12.2018	100 000	104.3	104 300	1.02
31.12.2019	100 000	105.0	104 977	1.02
0.375% bond, maturing 29 April 2026 Securities number: 31940377				
31.12.2018	200 000	99.3	198 600	0.42
31.12.2019	200 000	101.7	203 454	0.42
0.700% bond, maturing 8 February 2027 Securities number: 39863380				
31.12.2018	n.a.	n.a.	n.a.	n.a.
31.12.2019	180 000	103.7	186 730	0.62
0.550% bond, maturing 4 February 2028 Securities number: 41904122				
31.12.2018	n.a.	n.a.	n.a.	n.a.
31.12.2019	150 000	102.3	153 450	0.55
0.000% bond, maturing 6 February 2030 Securities number: 48850666				
31.12.2018	n.a.	n.a.	n.a.	n.a.
31.12.2019	100 000	96.4	96 425	0.01

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 2018	31 December 2019
Pension liabilities (present value)	42 975	49 824
Pension assets at market value	– 31 156	– 36 595
Pension liabilities (technical deficit)	**11 819**	**13 229**

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

(in CHF 1 000)	2018	2019
Actuarial pension expenses	2 019	1 726
Interest expenses	425	269
Expected income on plan assets	– 304	– 197
Changes in pension scheme	676	– 949
Administration cost	111	44
Total expenses	**2 927**	**893**

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

(in CHF 1 000)	2018	2019
Carrying value 1 January	18 735	11 819
Expenses for staff pension schemes debited to the income statement	2 927	893
Employer contributions	– 1 507	– 1 511
Actuarial gains and losses on OCI	– 8 336	2 028
Carrying value at 31 December	**11 819**	**13 229**

Pension liabilities and assets changed as follows:

(in CHF 1 000)	2018	2019
Pension liabilities (present value) at 1 January	65 930	42 975
Actuarial pension expenses	2 019	1 726
Employees' contributions	908	906
Interest expenses	425	269
Changes in pension schemes	676	– 949
Paid coverage	– 19 452	540
Actuarial gains and losses	– 7 531	4 357
Pension liabilities (present value) at 31 December	**42 975**	**49 824**
Pension assets at market value at 1 January	47 195	31 156
Expected income on plan assets	304	197
Employer contributions	1 507	1 511
Employees' contributions	908	906
Paid coverage	– 19 452	540
Administration cost	– 111	– 44
Actuarial gains and losses	805	2 329
Pension assets at market value at 31 December	**31 156**	**36 595**
Effective pension income	**1 109**	**2 526**

The position “Paid coverage” in the previous year 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 2018	31 December 2019
Pension liabilities (present value)	42 975	49 824
Pension assets at market value	– 31 156	– 36 595
Pension liabilities recognised in the balance sheet	**11 819**	**13 229**
Adjustments of pension liabilities by experience	3 656	– 937
Adjustments of pension liabilities caused by amended assumptions	3 875	– 3 420
Adjustments of pension assets by experience	805	2 329
Total actuarial gains and losses	**8 336**	**– 2 028**

The expected employer contributions for the business year 2020 amount to CHF 1.5 million (expected contributions 2019: CHF 1.5 million).

Calculation of pension liabilities was based on the following assumptions:

(in CHF 1 000)	31 December 2018	31 December 2019
Discount rate	0.85%	0.25%
Expected future salary increases	1.25%	1.25%
Expected future pension increases	0.00%	0.00%
Life expectancy in years at age of retirement (man/woman)	23.55/25.64	23.66/25.75

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

(in CHF 1 000)	31 December 2018	31 December 2019
Cash and cash equivalents	312	1 464
Bonds	9 347	11 710
Equities	8 724	9 881
Real estate	6 231	4 757
Other	6 543	8 783
Total	**31 156**	**36 595**

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 2018	31 December 2019
Discount rate		
+ 0.25%	1 201	1 501
– 0.25%	– 1 273	– 1 591
Salary change		
+ 0.25%	– 219	– 298
– 0.25%	213	290
Pension change		
+ 0.25%	– 1 003	– 1 271
– 0.25%	0	0
Life expectancy		
+ 1 year at age of retirement	– 1 253	– 1 464

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

25 Accounts payable

(in CHF 1 000)	31 December 2018	31 December 2019
Resulting from business activities with third parties	7 260	7 915
Prepayments	13 994	14 721
Total	**21 254**	**22 635**

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 2018		31 December 2019	
Financial assets (in CHF 1 000)	**Carrying value**	**Market value**	**Carrying value**	**Market value**
Accounts receivable at amortised cost	143 524	143 524	13 903	13 903
Financial investments at fair value through comprehensive income	9	9	9	9
Derivative financial instruments (hedging)	1 740	1 740	1 873	1 873
Cash and cash equivalents	23 123	23 123	19 673	19 673
Financial liabilities (in CHF 1 000)				
Financial liabilities at amortised cost	620 000	616 678	800 000	798 814
Bonds at amortised cost	1 391 212	1 403 371	1 779 649	1 803 899
Accounts payable at amortised cost	21 254	21 254	22 635	22 635
Derivative financial instruments (hedging)	20 987	20 987	19 331	19 331

27 Netting agreements

Receivables and liabilities can generally be offset in the event of the bankruptcy of the other party. An express offsetting ban has been contractually agreed with a counterparty. The contracts in connection with derivative financial instruments provide for a right to offset against other receivables from the counterparty in the event of a liquidation event defined in the contract.

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**

As at 31 December 2019

(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	19 673	0	19 673	– 17 324	2 348
Derivative financial instruments (positive)	1 873	0	1 873	– 1 873	0
Total	**21 546**	**0**	**21 546**	**– 19 198**	**2 348**
Financial instruments negative					
Financial liabilities	800 000	0	800 000	– 7 724	792 276
Derivative financial instruments (negative)	19 331	0	19 331	– 10 049	9 282
Total	**819 331**	**0**	**819 331**	**– 17 774**	**801 558**

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 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**

Assets (in CHF 1 000)	Level 1	Level 2	Level 3	Market value 31 December 2019
Investment properties (IAS 40 & IFRS 5)	0	0	7 873 877	7 873 877
Financial investments	0	0	9	9
Derivative financial instruments (hedging)	0	1 873	0	1 873
Total financial assets	**0**	**1 873**	**7 873 886**	**7 875 759**

Liabilities (in CHF 1 000)				
Derivative financial instruments (hedging)	0	19 331	0	19 331
Total financial liabilities	**0**	**19 331**	**0**	**19 331**

During the reporting period, no positions were transferred in between the fair value levels (2018: 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 31.12.18	< 6 months		6 to 12 months		1 to 5 years		> 5 years	
		Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment
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**

(in CHF 1 000)	Carrying value 31.12.19	< 6 months		6 to 12 months		1 to 5 years		> 5 years	
		Interest	Repayment	Interest	Repayment	Interest	Repayment	Interest	Repayment
Financial liabilities	800 000	231	0	288	350 000	900	400 000	1 013	50 000
Bonds	1 779 649	8 145	200 000	68		21 528	850 000	– 9 580	730 000
Leasing liabilities	16 487	86	276	86	276	648	1 555	2 793	14 380
Derivative financial instruments[1]	17 458	3 149	0	2 309	0	5 832	0	1 488	0
Accounts payable[2]	4 731	0	4 731	0	0	0	0	0	0
Total	**2 618 326**	**11 612**	**205 007**	**2 751**	**350 276**	**28 908**	**1 251 555**	**– 4 286**	**794 380**

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 2019, the average weighted duration of the loan agreements was 3.7 years (end of 2018: 3.0 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".

	2018	2019
Operating profit (ebit)	408 551	512 963
Depreciation	1 084	1 267
Net changes in fair value of real estate investments	– 166 692	– 244 176
Net income from other property sales	– 1 200	– 13 909
Net income excl. gains/losses on real estate investments	**241 743**	**256 145**

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":

	2018	2019
Net income in CHF 1 000	**308 152**	**453 425**
Net changes in fair value of real estate investments in CHF 1 000	– 166 692	– 244 176
Net income from other property sales in CHF 1 000	– 1 200	– 13 909
Attributable taxes from net changes in fair value of real estate investments in CHF 1 000	35 710	16 973
Attributable taxes from Income from other property sales in CHF 1 000	279	2 901
Net income excl. gains/losses on real estate investments in CHF 1 000	**176 250**	**215 214**
Number of average outstanding shares	45 867 891	45 867 891
Earnings per share in CHF (basic and diluted)	**6.72**	**9.89**
Earnings per share excl. gains/losses on real estate investments in CHF (basic and diluted)	**3.84**	**4.69**

The following table shows the equity per share:

	31 December 2018	31 December 2019
Shareholders' equity in CHF 1 000	4 156 908	4 450 220
Deferred taxes in CHF 1 000	851 946	862 360
Number of outstanding shares	45 867 891	45 867 891
Net asset value per share in CHF[1]	**90.63**	**97.02**
Net asset value per share before deduction of deferred taxes in CHF[1]	**109.20**	**115.82**

1 Based on number of outstanding shares.

31 Dividend payment

Based on the decision of the Annual General Meeting on 4 April 2019, a dividend payment of CHF 3.50 per outstanding share or a total of CHF 160.5 million (previous year: CHF 3.40 per share or a total of CHF 156.0 million) was made on 10 April 2019.

For the business year 2019, the Board of Directors will propose a dividend payment from retained earnings of CHF 3.60 gross per share respectively a maximum of CHF 165.1 million to the Annual General Meeting on 9 April 2020. 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 7.96% of the voting rights at the end of 2019), 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)	**2018**	**2019**	**2018**	**2019**
Fixed compensation in cash	1 376	1 376	658	658
Performance-based compensation in cash	433	677	0	0
Performance-based compensation in shares	1 298	2 031	0	0
Other benefits	0	0	0	0
Employer contributions pension benefits	236	256	15	13
Total	**3 343**	**4 339**	**673**	**671**

In the reporting year, fees for legal advice were paid in the amount of CHF 0.009 million to the law firm Niederer Kraft Frey Ltd, Zurich, where Mr. Peter Forstmoser holds the position of a partner (previous year: CHF 0.004 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 0.095 million in the reporting year (previous year: CHF 0.100 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.

No further fees were paid in the year under review (previous year: service fees for the implementation of a social media presence of the Company in the amount of CHF 0.011 million to a communications company owned by a person close to Mr. Adrian Dudle. No such fees were paid to Mr. Dudle himself).

In the 2019 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 2018, the members of the Board of Directors (including their related parties) held no options on PSP shares at the end of 2019. As at the end of 2018, the members of the Executive Board (including their related parties) held no options on PSP shares at the end of 2019.

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 2019. As at the end of 2018, there were no such accounts receivable from these groups of persons at the end of 2019. As at the end of 2018, there were no claims on related parties at the end of 2019.

33 Subsequent events

Two bonds were issued on 4 February 2020; a 0.00% bond with a volume of CHF 100 million and a maturity in 2021 and a 0.15% bond with a volume of CHF 150 million and a maturity in 2029.

There were no further material subsequent events.

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To the General Meeting of
PSP Swiss Property Ltd, Zug

Zurich, 24 February 2020

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 2019 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 accompanying consolidated financial statements (pages 40 to 93 and 210 to 227) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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 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 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 8.0 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 2.3 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 867 million represent a significant position within the consolidated financial statements of the group. As disclosed in section 2.6 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 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 2020

Independent valuer's report

Reference Number
102255.1931

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 2019 (reporting date). The valuation encompasses all investment properties as well as sites and development properties.

Valuation standards
Wüest Partner confirms that the valuations were carried out in accordance with national and international standards and guidelines, in particular the «International Valuation Standards» (IVS and RICS/Red Book) and the «Swiss Valuation Standards» (SVS). They were also carried out in accordance with the requirements of the SIX Swiss Exchange.

Accounting standards
The market values determined for the investment properties correspond to the «fair value» as described in the «International Financial Reporting Standards» (IFRS) in accordance with «International Account Standard» IAS 40 (Investment Property) and IFRS 13 (Fair Value Measurement). In addition, the regulations of IFRS 16 are taken into account and, in the case of properties with ground leases, the earliest possible reversion is taken into account.

Sites and development properties intended for future use as investment properties are accounted for by PSP Swiss Property in accordance with IAS 40, while sites and development properties intended for sale are accounted for in accordance with IAS 2 (Inventories).

Definition of fair value
The «fair value» is the price that independent market participants would agree upon under normal market conditions on the valuation date when selling an asset or transferring a liability (debt) (disposal price or exit price).

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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' commissions, transaction taxes and land registry and notary fees, are not taken into account when determining the fair value. Therefore, in accordance with paragraph 25 of IFRS 13, the fair value is not adjusted for the transaction costs incurred by the acquirer in a sale (gross fair value). This is in line with Swiss valuation practice.

Principal market, active and most advantageous market

The valuation at fair value presupposes that the hypothetical transaction for the asset to be valued takes place on the market with the largest volume and the largest business activity (principal market) and that transactions of sufficient frequency and volume occur so that sufficient price information is available for the market (active market). If such a market cannot be identified, the principal market for the asset is assumed to be the one that maximizes the selling price on disposal of the asset.

Implementation of fair value

Highest and best use

The fair value is determined on the basis of the best possible use of a property (highest and best use). The best possible use of a property is the one which maximizes its value. This assumption assumes a use that is technically/physically possible, legally permitted and financially feasible. Since the determination of the fair value is based on the assumption that the benefits will be maximised, the best possible use may differ from the actual or planned use. Future capital expenditure to improve or increase the value of a property is taken into account accordingly in the fair value measurement.

Significance in relation to the highest and best use approach

The application of the «highest and best use» approach is based on the principle of the significance of the possible difference in value in relation to the value of the individual property and the total property assets as well as in relation to the possible absolute difference in value. Potential added values of a property which are within the usual estimation tolerance of an individual valuation are regarded as insignificant and subsequently neglected

Fair value hierarchy

The 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 classified according to the lowest level of the fair value hierarchy in which the valuation parameters are found.

Valuation level for property valuations

The value of PSP Swiss Property's properties is determined using a model-based valuation in accordance with Level 3 on the basis of input parameters not directly observable on the market, whereby adjusted Level 2 input parameters are also applied here (e.g. market rents, operating and maintenance costs, discount/capitalisation rates, proceeds from the sale of residential property). Unobservable input factors are only used if relevant observable input factors are not available.

Significant input factors, influence on fair value

Market rents, vacancies and discount rates are defined as key input factors. These factors are influenced in different ways by market developments. If the input factors change, the fair value of the property also changes. These changes are simulated for each input factor using static sensitivity analyses.

Due to the interdependencies of the input factors, the effects on the fair value can cancel each other out; or accumulate. For example, reduced market rents combined with increased vacancy rates and higher discount rates have a cumulative negative effect on the fair value of the property. Due to the regional and object-specific diversification in the portfolio, however, changes in the input factors rarely have a short-term cumulative effect.

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. At the same time, however, such market situations usually result in favourable, i.e. low, interest rates, which has a positive effect on discount rates. Thus, a certain compensation of the input factors can be assumed. Continuous optimisation measures of PSP Swiss Property's properties (e.g. conclusion/extension of long-term rental agreements, investments in the expansion of rental space, etc.) prevent such short-term market shocks, which primarily affect market rents and vacancy rates. As mentioned above, the individually risk-adjusted discount rate of the property follows the return expectations of the respective investors or market participants and can only be influenced to a limited extent by the owner.

Valuation procedures

The valuation methods used are those that are appropriate in the circumstances and for which sufficient data are available to determine the fair value, whereby the use of relevant observable input factors is maximized and that of unobservable 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 widely used 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. The net income is discounted separately for each property depending on its individual opportunities and risks and 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 were analysed in detail with regard to their qualities and risks (attractiveness and lettability of the rental units, construction method and condition, micro and macro location, etc.). Currently vacant rental units were valued taking into account a marketing period customary in the market.

All properties are inspected by Wüest Partner at least every three years as well as after the purchase of properties and after completion of major renovation work.

Within the review period from the 1st of July 2019 to the 31st of December 2019, Wüest Partner inspected nine properties belonging to PSP Real Estate AG and two properties belonging to PSP Properties AG.

Results
A total of 161[1] investment properties and property units as well as seven investment properties under construction were valued as of the 31st of December 2019 by Wüest Partner. As of the 31st of December 2019 the fair value of all 161 investment properties is estimated at 7,206,700,000 Swiss Francs and of the investment properties under construction in accordance with IAS 40 at 650,690,000 Swiss Francs.

Changes during reporting period
During the reporting period from the 1st of July 2019 to the 31st of December 2019 two properties were sold:
- Bankstrasse 11, 8610 Uster;
- Rue de Berne 6, Rue Pécolat 1, 1201 Geneva.

Additionally, three properties were reclassified from investment properties to development properties:
– Sihlamtsstrasse 5, 8001 Zurich;
– Zurlindenstrasse 134, 8003 Zurich;
– Seestrasse 40/42, 8802 Kilchberg ZH.

In the same period no properties were acquired and no properties were reclassified from development properties to investment properties.

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

Independence and confidentiality
In line with Wüest Partner's business policy, the properties of PSP Swiss Property were valued independently and neutrally. The valuation only serves the purpose mentioned above. Wüest Partner does not assume any liability towards third parties.

Valuation fee
The compensation for the valuation services provided by Wüest Partner is independent of the valuation result. It is based on the number of valuations to be carried out and on the leasable area of the property.

Zurich, 23rd of January 2020
Wüest Partner AG

Patrik Schmid
Chartered Surveyor MRICS | dipl. Architekt ETH/SIA | MAS ETH MTEC/BWI | Partner

Jan Bärthel
Chartered Surveyor MRICS | dipl. Bauingenieur TU | MSc in Real Estate (CUREM) | Partner

Annex: Valuation assumptions

Investment properties

For the valuation of the properties, the following ranges of nominal discount rates were applied:

Table 1 Region	Minimum discount rate in %	Maximum discount rate in %	Average discount rate (weighted average*) in %
Zurich	2.46	4.72	3.25
Geneva	2.51	4.42	3.26
Lausanne	2.76	4.32	3.44
Basel	3.01	3.87	3.50
Bern	2.76	4.32	3.32
Other regions	3.06	5.53	3.96
All regions	2.46	5.53	3.33

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

For the valuation of the properties, the following ranges of sustainable market rents were applied:

Table 2 Region	Office CHF / m² p.a.	Retail CHF / m² p.a.	Storage CHF / m² p.a.	Outdoor parking CHF / p.mo.	Indoor parking CHF / p.mo.	Residential CHF / m² p.a.
Zurich	125 - 820	180 – 5,850	50 - 500	35 - 590	100 - 700	158 - 699
Geneva	200 - 680	280 – 3,000	100 - 450	60 - 450	100 - 490	268 - 350
Lausanne	150 - 390	290 – 1,500	80 - 310	70 - 300	150 - 360	130 - 396
Basel	180 - 360	95 – 2,400	85 - 400	120 - 250	120 - 350	150 - 320
Bern	130 - 390	80 – 1,300	30 - 200	60 - 180	140 - 250	173 - 500
Other regions	140 - 360	150 – 1,650	50 - 250	60 - 200	100 – 400	192 - 389
All regions	125 - 820	80 – 5,850	30 - 500	35 - 590	100 - 700	130 – 699

The following ranges for structural vacancies were used for the valuation of the properties:

Table 3 Region	Office in %	Retail in %	Storage in %	Outdoor parking in %	Indoor parking in %	Residential in %
Zurich	2.0 - 15.0	2.0 - 30.0	1.5 - 60.0	1.0 - 25.0	1.0 - 50.0	1.0 - 15.0
Geneva	3.0 – 5.5	3.0 - 6.0	2.0 - 10.0	3.0 - 8.0	4.5 - 15.0	1.0 - 1.5
Lausanne	4.0 - 9.0	2.0 - 5.0	3.0 - 15.0	3.0 - 10.0	2.0 - 20.0	1.0 - 4.0
Basel	3.0 – 7.0	2.0 - 5.0	3.0 - 20.0	1.0 - 4.0	2.0 - 10.0	2.0 - 5.0
Bern	2.0 - 7.0	3.0 - 10.0	2.5 - 15.0	1.0 - 15.0	1.0 - 10.0	1.5 - 3.0
Other regions	4.0 - 20.0	3.0 - 12.0	3.5 - 30.0	1.0 - 5.0	1.0 - 10.0	1.0 - 5.0
All regions	2.0 - 20.0	2.0 - 30.0	1.5 - 60.0	1.0 - 25.0	1.0 - 50.0	1.0 - 15.0

The following general assumptions underlie the valuations of the investment properties:

- The valuation is based on PSP Swiss Property's rent roll as of the 1st of January 2020.
- The DCF model used corresponds to a two-phase model. The valuation period extends from the valuation date to the end of the reporting period with an implicit residual value in the eleventh period.
- The discount rate is based on a risk-adjusted interest rate. The respective rate is determined individually for each property by using corresponding comparative values from freehand transactions. It is calculated as follows: Risk-free interest rate + real estate risk (immobility of capital) + surcharge macrolocation + surcharge microlocation depending on use + surcharge property quality and income risk + any specific surcharges or discounts. Depending on the property, use and location, the nominal discount rates range between 2.46 percent and 5.53 percent (see Table 1).
- Unless otherwise specified, the valuations assume an annual inflation rate of 0.5 percent, both for earnings and for all expenses. The discount rate is adjusted accordingly in nominal terms.
- Credit risks of the respective tenants are not explicitly taken into account in the valuation.
- Specific indexations of existing leases are taken into account on an individual basis. Once the contracts have expired, a degree of indexation of 80 percent (Swiss average) and an average contract term of five years are assumed.
- In the case of existing leases, the individual payments are scheduled in accordance with the terms of the contract. Once the contracts have expired, the cash flows are taken into account quarterly in advance for business use and monthly in advance for residential use.
- As far as operating costs are concerned, it was assumed that completely separate ancillary cost accounts are kept and that tenants' ancillary costs are outsourced accordingly.
- The maintenance costs (repair and maintenance costs) were calculated using a building analysis tool. Based on a status analysis of the individual components, the remaining service life is determined, the periodic renewal modelled and the annual annuities calculated. The calculated values are checked for plausibility using the cost benchmarks collected by Wüest Partner.

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 reasons of transparency, this subdivision is adopted by Wüest Partner in the valuations. The value of the projects or properties is equal to the sum of the individual properties or parts of properties.
- The overall strategy regarding project development/promotion (e.g. sale vs. letting) is adopted by PSP Swiss Property if it appears plausible to Wüest Partner.
- PSP Swiss Property's basic data is verified and adjusted if necessary (e.g. utilisation, lettable areas, deadlines/development process, letting/absorption).
- The valuations are subjected to an independent income and cost assessment as well as to a return analysis.
- It is assumed that the construction costs are secured by work contracts with general contractors and total contractors.
- The construction costs include PSP Swiss Property's services as client representative and project developer.
- In the case of properties held for sale (e.g. condominiums), the sales costs are included in the valuations.
- The preparatory work is included in the construction costs if these are known (e.g. remediation of contaminated sites, demolitions, infrastructure).
- The construction costs include the usual ancillary construction costs excluding construction financing. These are implicitly included in the DCF model.
- Previously performed and value-relevant services of third parties or PSP Swiss Property are taken into account if they 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 do not include any deferred taxes.

Valuation of investment properties: Discount rates

	Zurich area		Geneva area		Basel area	
Discount rates in % (Market value in CHF 1 000)	Number of properties	Market value	Number of properties	Market value	Number of properties	Market value
2.25 – 2.49	1	86 100 000	0	0	0	0
2.50 – 2.74	8	628 250 000	1	53 500 000	0	0
2.75 – 2.99	10	702 720 000	5	189 960 000	0	0
3.00 – 3.24	12	710 670 000	3	159 720 000	4	67 040 000
3.25 – 3.49	17	938 420 000	5	275 580 000	3	213 510 000
3.50 – 3.74	11	411 350 000	3	149 030 000	5	221 130 000
3.75 – 3.99	6	566 210 000	1	17 640 000	2	129 750 000
4.00 – 4.24	3	53 530 000	0	0	0	0
4.25 – 4.49	5	157 380 000	1	40 990 000	0	0
4.50 – 4.74	3	57 870 000	0	0	0	0
4.75 – 4.99	0	0	0	0	0	0
5.00 – 5.24	0	0	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	**76**	**4 312 500 000**	**19**	**886 420 000**	**14**	**631 430 000**

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 2019, the portfolio's average weighted nominal discount rate was 3.32% (end of 2018: 3.50%).

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	1	86 100 000
0	0	0	0	0	0	9	681 750 000
6	156 610 000	2	109 720 000	0	0	23	1 159 010 000
1	21 920 000	4	132 530 000	4	50 760 000	28	1 142 640 000
4	193 410 000	1	6 640 000	1	10 560 000	31	1 638 120 000
5	139 440 000	2	21 430 000	5	69 810 000	31	1 012 190 000
0	0	2	48 020 000	3	33 830 000	14	795 450 000
0	0	2	72 400 000	3	175 790 000	8	301 720 000
1	32 000 000	3	32 820 000	0	0	10	263 190 000
0	0	0	0	1	49 140 000	4	107 010 000
0	0	0	0	0	0	0	0
0	0	0	0	1	16 380 000	1	16 380 000
0	0	0	0	0	0	0	0
0	0	0	0	1	3 140 000	1	3 140 000
17	**543 380 000**	**16**	**423 560 000**	**19**	**409 410 000**	**161**	**7 206 700 000**

Financial statements

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	2018	2019
A. EPRA earnings per share (EPS)	CHF	3.64	3.94
B. EPRA NAV per share	CHF	110.24	117.04
C. EPRA triple net asset value per share (NNNAV)	CHF	91.05	97.31
D. EPRA net initial yield	%	3.3	3.4
EPRA "topped-up" net initial yield	%	3.5	3.4
E. EPRA vacancy rate	%	5.0	3.6
F. EPRA cost ratio (including direct vacancy costs)	%	20.6	19.3
EPRA cost ratio (excluding direct vacancy costs)	%	18.3	17.9
G. EPRA like-for-like rental change	%	0.9	1.2
H. EPRA cap ex	CHF 1 000	318 119	353 651

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)	2018	2019
Earnings per IFRS statement of profit or loss	**308 152**	**453 425**
Adjustments to calculate EPRA earnings, exclude:		
Changes in value of investment properties, development properties held for investment and other interests	– 166 692	– 244 176
Profits or losses on disposal of investment properties, development properties held for investment and other interests	– 2 472	– 14 961
Profits or losses on sales of trading properties including impairment charges in respect of trading properties	– 10 484	– 12 835
Tax on profits or losses on disposals	2 660	4 412
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	35 710	– 5 155
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	**166 874**	**180 711**[1]
Average number of outstanding shares	45 867 891	45 867 891
EPRA EPS in CHF	**3.64**	**3.94**

1 Without the adoption of IFRS 16, EPRA earnings in 2019 would have been TCHF 80 lower.

B. EPRA net asset value (NAV) (in CHF 1 000)	**31 December 2018**	**31 December 2019**
NAV per the financial statements	**4 156 908**	**4 450 220**
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	**4 156 908**	**4 450 220**
Include:		
Revaluation of investment property under construction (IPUC) (if IAS 40 cost option is used)	0	0
Revaluation of own-used properties	1 268	5 546
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	24 652	30 028
Exclude:		
Fair value of financial instruments	19 247	17 458
Deferred tax	854 383	865 143
Goodwill as result of deferred tax	n.a.	n.a.
EPRA NAV	**5 056 457**	**5 368 395**
Number of outstanding shares	45 867 891	45 867 891
EPRA NAV per share in CHF	**110.24**	**117.04**

C. EPRA triple net asset value (NNNAV) (in CHF 1 000)	**31 December 2018**	**31 December 2019**
EPRA NAV	**5 056 457**	**5 368 395**
Include:		
Fair value of financial instruments	– 19 247	– 17 458
Fair value of debt	– 8 836	– 23 064
Deferred tax	– 851 880	– 864 406
EPRA NNNAV	**4 176 494**	**4 463 467**
Number of outstanding shares	45 867 891	45 867 891
EPRA NNNAV per share in CHF	**91.05**	**97.31**

D. EPRA net initial yield (NIY) (in CHF 1 000)	**31 December 2018**	**31 December 2019**
Investment property – wholly owned	7 366 770	7 873 877
Less developments	– 624 550	– 650 690
Gross up completed property portfolio valuation (B)	**6 742 220**	**7 223 187**
Annualised cash passing rental income	272 142	287 826
Property outgoings	– 46 558	– 43 478
Annualised net rents (A)	**225 584**	**244 348**
Add: notional rent expiration of rent free periods or other lease incentives	8 590	3 073
Topped-up net annualised rent (C)	**234 174**	**247 421**
EPRA NIY (A/B)	**3.3%**	**3.4%**
EPRA “topped-up” NIY (C/B)	**3.5%**	**3.4%**

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 2018**	**31 December 2019**
Estimated rental value of vacant space (A)	14 670	10 873
Estimated rental value of the whole portfolio (B)	294 628	300 900
EPRA vacancy rate (A/B)	**5.0%**	**3.6%**

F. EPRA cost ratio (in CHF 1 000)	**2018**	**2019**
Administrative/operating expense line per IFRS income statement	57 519	56 111
Net service charge costs/fees	0	0
Management fees less actual/estimated profit element	39	48
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)	**57 558**	**56 159**
Direct vacancy costs	6 342	4 139
EPRA costs (excluding direct vacancy costs) (B)	**51 216**	**52 020**
Gross rental income less ground rent costs	279 373	290 460
Gross rental income (C)	**279 373**	**290 460**
EPRA cost ratio (including direct vacancy costs) (A/C)	**20.6%**	**19.3%**
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**18.3%**	**17.9%**
Capitalised operating costs	**2 449**	**2 322**

Staff costs for the development of own projects amounting to CHF 2.6 million (2018: 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)	**2018**	**2019**
Rental income	279 373	290 461
Acquisitions	– 6 507	– 13 775
Disposals	– 4 549	– 873
Developments	– 12 138	– 16 719
Properties' operating expenses	– 12 841	– 12 014
Rent-Free-Periods	5 511	4 765
Other	870	779
Total EPRA like-for-like net rental income	**249 719**	**252 624**
EPRA like-for-like change absolute	**2 236**	**2 905**
EPRA like-for-like change relative	**0.9%**	**1.2%**
EPRA like-for-like change by areas		
Zurich	0.2%	2.3%
Geneva	6.6%	– 0.0%
Basel	– 0.7%	0.4%
Bern	2.5%	– 1.5%
Lausanne	– 3.2%	– 6.8%
Other locations	4.7%	4.6%

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 3.7% from CHF 6.219 billion at the end of 2018 to CHF 6.450 billion at the end of 2019.

H. EPRA capex (in CHF 1 000)	**2018**	**2019**
Acquisitions	203 763	223 260
Development (ground-up/green field/brown field)	60 813	82 840
Like-for-like portfolio	51 444	45 874
Capitalised interests	2 100	1 677
Capital expenditure	**318 119**	**353 651**

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

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To the Management of

PSP Swiss Property Ltd, Zug

Zurich, 24 February 2020

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 2019.

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 2019 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 2019 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)	2018	2019	Note
Other income	874	0	
Total operating income	**874**	**0**	
Operating expenses	– 3 645	– 3 645	3.1
Total operating expenses	**– 3 645**	**– 3 645**	
Earnings before interest and taxes (ebit)	**– 2 771**	**– 3 645**	
Financial income	30 872	33 586	3.2
Financial expenses	– 24 485	– 20 923	3.3
Financial result	**6 387**	**12 663**	
Earnings before taxes (ebt)	**3 616**	**9 017**	
Direct taxes	– 446	– 730	
Net profit	**3 170**	**8 287**	

The notes are part of these financial statements.

Balance sheet

(in CHF 1 000)	31 December 2018	31 December 2019	Note
Cash and cash equivalents	10 511	11 384	
Trade receivables			
– to third parties	110	63	
– to investments	97	72	
Financial assets			
– Other financial assets	125 919	290	3.4
Total current assets	**136 638**	**11 809**	
Financial assets			
– Loans to investments	2 111 900	2 155 400	3.4
– Other financial assets	2 871	3 070	3.4
Investments	1 322 245	1 322 245	3.5
Total non-current assets	**3 437 016**	**3 480 715**	
Total assets	**3 573 654**	**3 492 524**	
Trade creditors			
– to third parties	368	308	
Other current liabilities			
– to third parties	40	40	
Interest-bearing debt			
– to third parties	620 000	550 000	3.6
– to investments	65	129	3.6
Deferred income and accrued expenses	10 794	10 510	
Total current liabilities	**631 266**	**560 987**	
Other non-current liabilities			
– to third parties	0	3 007	
Non-current interest-bearing debt			
– to third parties	1 895 003	2 030 002	3.6
– to investments	3 900	7 300	3.6
Total non-current liabilities	**1 898 903**	**2 040 310**	
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	1 031 974	874 967	
– Retained earnings	4 544	9 293	
Total shareholders' equity	**1 043 485**	**891 228**	
Total liabilities and shareholder's equity	**3 573 654**	**3 492 524**	

The notes are part of these financial statements.

Notes to the financial statements 2019

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 2019 were authorised for issue by the Board of Directors on 24 February 2020.

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 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.

2.4 Cash and cash equivalents

Liquid assets are shown in the balance sheet at their nominal value; they include bank deposits.

2.5 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.

2.6 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.

2.7 Investments

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

2.8 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. A premium (less issuing costs) is recognised under other non-current liabilities and amortised over the term of the bond (straight-line method). Issuing costs and additional financing expenses are capitalised and amortised over the bonds' term.

2.9 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 Operating expenses

(in CHF 1 000)	2018	2019
Investor Relations / Company expenses	– 2 829	– 2 890
Management fees	– 724	– 719
Other general and administration expenses	– 92	– 36
Total operating expenses	**– 3 645**	**– 3 645**

3.2 Financial income

(in CHF 1 000)	2018	2019
Income from loans to investments	30 773	33 524
Other financial income	99	62
Total financial income	**30 872**	**33 586**

3.3 Financial expenses

(in CHF 1 000)	2018	2019
Interest expense for liabilities to third parties	– 21 552	– 18 039
Interest expense on cash and cash equivalents	– 86	– 110
Other financial expenses	– 2 847	– 2 774
Total financial expenses	**– 24 485**	**– 20 923**

3.4 Financial assets

(in CHF 1 000)	31 December 2018	31 December 2019
Fixed-term deposit	125 000	0
Other financial assets	919	290
Total short-term financial assets	**125 919**	**290**
Loans to investments	2 111 900	2 155 400
Other financial assets	2 871	3 070
Total long-term financial assets	**2 114 771**	**2 158 470**
Total financial assets	**2 240 690**	**2 158 760**

Financial investments are mainly loans to direct or indirect investments.

3.5 Investments

(in CHF 1 000)	Registered office	Share capital 2018	Ownership 2018	Share capital 2019	Ownership 2019
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”.

3.6 Interest-bearing debt

(in CHF 1 000)	31 December 2018	31 December 2019
Liabilities to banks	500 000	350 000
Liabilities to investments	65	129
Short-term bonds	120 000	200 000
Total current interest-bearing debt	**620 065**	**550 129**
Liabilities to banks	620 000	450 000
Liabilities to investments	3 900	7 300
Long-term bonds	1 275 003	1 580 002
Total non-current interest-bearing debt	**1 898 903**	**2 037 302**

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 2019 (as at the end of 2018), no debt or loans were outstanding which were secured by mortgages on properties and no debt or loans were outstanding with an amortisation obligation.

3.7 Bonds according to article 959c, paragraph 4 CO

(in CHF 1 000)	Carrying value 31.12.17	Issue / Repayment	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**

(in CHF 1 000)	Carrying value 31.12.18	Issue / Repayment	Amortisation issue costs	Reclassification	Carrying value 31.12.19
1.000% bond, maturing 08.02.19	120 000	– 120 000	0	0	n.a.
1.375% bond, maturing 04.02.20	n.a.	0	0	200 000	200 000
Total short-term bonds	**120 000**	**– 120 000**	**0**	**200 000**	**200 000**
1.375% bond, maturing 04.02.20	200 000	0	0	– 200 000	n.a.
0.045% bond, maturing 20.12.21	150 000	0	0	0	150 000
0.060% bond, maturing 11.02.22	100 000	0	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	75 000	– 1	0	300 002
1.000% bond, maturing 06.02.25	100 000	0	0	0	100 000
0.375% bond, maturing 29.04.26	200 000	0	0	0	200 000
0.700% bond, maturing 08.02.27	n.a.	180 000	0	0	180 000
0.550% bond, maturing 04.02.28	n.a.	150 000	0	0	150 000
0.000% bond, maturing 06.02.30	n.a.	100 000	0	0	100 000
Total long-term bonds	**1 275 003**	**505 000**	**– 1**	**– 200 000**	**1 580 002**

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 2019, 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 2018	Voting rights 31 December 2019
Alony Hetz Properties & Investments Ltd	Ramat-Gan, Israel	10.03%	7.96%
BlackRock Inc.	New York, N.Y., USA	5.95%	5.95%
Credit Suisse Funds AG	Zurich, Switzerland	3.01%	5.20%
Nominee exempt from reporting requirements (Chase Nominees Ltd)	London, UK	11.04%	9.86%

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:

Participations of members of the Board of Directors (non-executive)	Number of shares 31 December 2018	Number of shares 31 December 2019
Luciano Gabriel, Chairman	198 004	198 004
Corinne Denzler, Member	250	250
Adrian Dudle, Member	0	0
Prof. Dr. Peter Forstmoser, Member	2 000	2 000
Nathan Hetz, Member[1]	4 600 000	3 650 000
Josef Stadler, Member	168	168
Aviram Wertheim, Member	0	0
Total	**4 800 422**	**3 850 422**

1 Held by Alony Hetz Properties & Investments Ltd which is controlled by Nathan Hetz.

In 2019, no participation rights or options were allocated to Members of the Board of Directors.

Participations of members of the Executive Board	Number of shares 31 December 2018	Number of shares 31 December 2019
Giacomo Balzarini, Chief Executive Officer/Chief Financial Officer	50 031	50 000
Adrian Murer, Chief Investment Officer	7 013	7 524
Martin Heggli, Chief Operating Officer	2 390	2 646
Total	**59 434**	**60 170**

Neither the Members of the Board of Directors nor the Members of the Executive Board held any options on PSP shares in 2019 or 2018. As in 2018, no loans were granted to Members of the Board of Directors or the Executive Board in 2019. As at the end of 2018, there were no claims on these Members at the end of 2019.

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	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.**
Purchases	2 300	234	101.53
Performance-based compensation in shares for the Executive Board	– 2 300	– 227	98.82
Effect of performance-based compensation		– 6	
31 December 2019	**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

Two bonds were issued on 4 February 2020; a 0.00% bond with a volume of CHF 100 million and a maturity in 2021 and a 0.15% bond with a volume of CHF 150 million and a maturity in 2029.

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 9 April 2020, the appropriation of the retained earnings 2019 and the statutory and regulative-decided retained earnings as well as the distribution of a dividend of **CHF 3.60 gross per share** to the shareholders as follows.

Retained earnings (in CHF 1 000)	2018	2019
Profit carried forward from the previous year	1 374	1 006
Net Profit	3 170	8 287
Retained earnings	**4 544**	**9 293**
Allocation from statutory and regulative-decided retained earnings	157 000	157 000
Total available to the Annual General Meeting	**161 544**	**166 293**
Dividend payment of CHF 3.60 gross per share	– 160 538	– 165 124
Balance carried forward	**1 006**	**1 169**

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)	2018	2019
Balance carried forward from the previous year	1 031 962	874 974
Effect of performance-based compensation	11	– 6
Statutory and regulative-decided retained earnings	**1 031 974**	**874 967**
Transfer to retained earnings	– 157 000	– 157 000
Balance carried forward	**874 974**	**717 967**

If the proposal is approved, the dividend payment of CHF 3.60 gross per share – less withholding tax – is expected to be made from 17 April 2020 on. Accordingly, as of 15 April 2020, 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.

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To the General Meeting of
PSP Swiss Property Ltd, Zug

Zürich, 24 February 2020

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 2019.

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 2019 comply with Swiss law and the company's articles of incorporation.

Building a better working world

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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 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 member of the Board of Directors is insured under a company pension scheme.

Compensation to members of the Board of Directors business year 2019 (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	0	160
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	0	91
Josef Stadler, Member	75	0	0	3	78
Aviram Wertheim, Member	107	0	0	4	111
Total	**658**	**0**	**0**	**13**	**671**

1 The mandatory employer contributions to the company pension scheme (Old Age and Survivor's insurance, "AHV") are – in the amount of TCHF 13 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 member of the Board of Directors is insured under a company pension scheme.

2 Compensation of the Executive Board

Compensations to members of the Executive Board business year 2018 (in CHF 1 000)	Fixed compen-sation in cash	Perfor-mance-based compen-sation in cash	Other bene-fits	Performance-based compensation in contractual blocked shares[1]		Employer contribu-tions pension benefits[2]	Total compen-sation
				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.

Compensations to members of the Executive Board business year 2019 (in CHF 1 000)	Fixed compen-sation in cash	Perfor-mance-based compen-sation in cash	Other bene-fits	Performance-based compensation in contractual blocked shares[1]		Employer contribu-tions pension benefits[2]	Total compen-sation
				Amount	in number of shares		
Giacomo Balzarini, Chief Executive Officer/ Chief Financial Officer	652	0	0	1 354	10 391	125	2 131
Adrian Murer, Chief Investment Officer	452	451	0	451	3 464	83	1 437
Martin Heggli, Chief Operating Officer	272	226	0	226	1 732	48	771
Total	**1 376**	**677**	**0**	**2 031**	**15 587**	**256**	**4 339**

1 Allocated at the market value per share (average of daily closing prices week 50/2019: CHF 130.30).
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 193. 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 2019 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 2019 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 2019 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 2019 – as likewise per 31 December 2018 – there were no such claims vis-à-vis of this group of people.

In the 2019 business year, legal fees of TCHF 9 were paid to lawyers of the law firm Niederer Kraft Frey Ltd, Zurich, where Mr. Peter Forstmoser holds the position of a partner (2018: TCHF 4). No legal fees were paid to Mr. Forstmoser himself. Also, no fees were paid any more to a related party of Mr. Adrian Dudle.[1]

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 95 in the reporting year (2018: TCHF 100). 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 > investors > governance > corporate covernance).

In the 2019 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.

1 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.

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To the General Meeting of
PSP Swiss Property Ltd, Zug

Zurich, 24 February 2020

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 2019.

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 2019 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 **2019 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 2019 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 ff. 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 4 April 2019,** 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 2019 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 2019 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 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 members of the Board of Directors, including the Chairman, of TCHF 1 000 until the Annual General Meeting 2019. 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 2018 compensation report on 26 February 2019 the number of Board Meetings to be held until the Annual General Meeting 2019 was still uncertain, the total amount of compensations could only be stated tentatively therein with an amount of TCHF 672. The definite total amount of compensations is **TCHF 672** and is composed as follows:

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	from AGM 2018 to AGM 2019
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.

The total amount of compensations for the members of the Board of Directors of **TCHF 672** (previous period: TCHF 677) for the period from the Annual General Meeting 2018 to the Annual General Meeting 2019 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 2019 to the Annual General Meeting 2020

The Annual General Meeting of 4 April 2019 has approved a maximum total amount of compensations for the Board of Directors of **TCHF 1 000 until the Annual General Meeting 2020** (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 2019 business year are listed in section 1 of the compensation report. They amount to TCHF 671 in total (previous year: TCHF 673). The compensations for the period from the Annual General Meeting 2019 to 31 December 2019 are based on three Board Meetings and total TCHF 499. On the assumption that only one more ordinary Board Meeting will be held until the Annual General Meeting 2020, such amount will increase by TCHF 172 to **TCHF 671**.

Total compensations of the Board of Directors[1, 2] (in CHF 1 000)	from AGM 2019 to 31 December 2019	from 1 January 2020 to AGM 2020[3]	from AGM 2019 to AGM 2020[3]
Luciano Gabriel, Chairman	120	40	160
Corinne Denzler, Member	59	20	78
Adrian Dudle, Member	59	20	78
Peter Forstmoser, Member	56	19	75
Nathan Hetz, Member	64	27	91
Josef Stadler, Member	59	20	78
Aviram Wertheim, Member	83	28	111
Total	**499**	**172**	**671**

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 13.
3 Based on the assumption of one Board Meeting from 1 January 2020 until AGM 2020 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 2020 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 2019 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, and remained unchanged for the entire 2019 business year.

1 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 the 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 2019 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 (see Article 23 (3) of the Articles of Association).

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.**

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

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 (2018: 120 000)
K for Martin Heggli = 40 000 (2018: 40 000)
K for Adrian Murer = 80 000 (2018: 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 – unchanged compared to the previous year – for the 2019 business year: TCHF 2 200 for Mr. Giacomo Balzarini (2018: TCHF 2 200); TCHF 1 500 for Mr. Adrian Murer (2018: TCHF 1 500) and TCHF 800 for Mr. Martin Heggli (2018: TCHF 800).

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 2019 business year such calculation results in the following caped amounts for the performance-based compensations: TCHF 1 423 for Mr. Giacomo Balzarini (2018: TCHF 1 423), TCHF 966 for Mr. Adrian Murer (2018: TCHF 966) and TCHF 481 for Mr. Martin Heggli (2018: TCHF 500).

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 2019

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 2019 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 **2019 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**		
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	Δ
Giacomo Balzarini	652	652	0	0	125	126	1 354	866	2 131	1 643	488
Martin Heggli	272	272	0	0	48	28	451	289	771	589	182
Adrian Murer [2]	452	452	0	0	83	82	903	577	1 437	1 111	326
Total	**1 376**	**1 376**	**0**	**0**	**256**	**236**	**2 708**	**1 731**	**4 339**	**3 343**	**996**

1 The ratios compared to the fixed compensations are for Giacomo Balzarini 208% (2018: 133%), for Martin Heggli 166% (2018: 106%) and for Adrian Murer 200% (2018: 128%).
2 On the Executive Board until 31 December 2019 and leaving the Company respectively on 31 March 2020 at the latest. The compensation owed pursuant to the employment contract and the termination agreement respectively until 31 March 2020 at the latest, which encompasses on a pro rata basis the fixed and performance-based compensations, other benefits and employer contributions for pension benefits, will only be established at the end of the 2020 business year and in the compensation report 2020 respectively based on the respective business results.

The **total amount of compensations** amounted to **TCHF 4 339** (2018: TCHF 3 343). Compared to the previous year, this means an **increase** of TCHF 996. This is mainly due to the higher **performance-based compensations**.

The **performance-based compensations** increased in comparison with the previous year from TCHF 1 731 to **TCHF 2 708**. This increase is mainly driven by the very strong business results, which led to **positive changes in both the EPS excluding gains/losses on real estate investments** (CHF 4.69; 2018: CHF 3.84) as well as **the EPS** (CHF 9.89; 2018: CHF 6.72) compared to the previous year.

The **shares for the 2019 business year** were allocated based on the average of the end of day share prices of week 50/2019, i.e. CHF 130.30 (2018: week 50/2018: CHF 98.97).

5.5 Compensations of the Executive Board for the 2019 business year within the approved total amount

The Annual General Meeting of 5 April 2018 has approved a maximum total amount of compensations for the Executive Board of **TCHF 4 500 for the 2019 business year** (2018: TCHF 4 500). This prospectively approved total amount was sufficient for the actually incurred compensations of the members of the Executive Board of **TCHF 4 339** (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 2019 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 2019	31 December 2018
Giacomo Balzarini, Chief Executive Officer/Chief Financial Officer[1]	50 000	50 031
Martin Heggli, Chief Operating Officer	2 646	2 390
Adrian Murer, Chief Investment Officer	7 524	7 013
Total	**60 170**	**59 434**

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 upon recommendation by the Compensation Committee not seen any reason to change the compensations of the Board of Directors and the Executive Board in comparison to the 2018 business year.

Thus, in the 2019 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 until 31 December 2019 (see section 5.4 above) remained unchanged.

The Board of Directors has – with recommendation by the Compensation Committee – approved the employment contract with Reto Grunder, Chief Investment Officer and member of the Executive Board as of 1 January 2020, at its own discretion pursuant to the standard currently applicable for Executive Board members, in particular a fixed compensation of TCHF 352, the performance-based compensation in accordance with the mathematical formula as further described under section 5.2 above with an individual factor «K» of 60 000, as well as a cap of TCHF 1 130. The Board of Directors has further with recommendation by the Compensation Committee at its own discretion approved an adjustment of the employment contract of Martin Heggli as of 1 January 2020 with a new fixed compensation of TCHF 302 (previously: TCHF 272) and a new cap of TCHF 820 (previously: TCHF 800). The respective caps in the total amount of TCHF 4 150 will be the basis for the proposal to the Annual General Meeting 2020 for the approval of the maximum total amount of compensations for the Executive Board for the 2021 business year (see «Proposals to the Annual General Meeting 2020» on the next page).

Proposals to the Annual General Meeting 2020

The Board of Directors will submit the following compensation-related proposals to the Annual General Meeting of Thursday, 9 April 2020. 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 2019 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 2021

In accordance with the Articles of Association, the Board of Directors will propose to the Annual General Meeting 2020 to approve the maximum total amount of compensations for the Board of Directors from the Annual General Meeting 2020 **until the Annual General Meeting 2021.**

The **maximum total amount** will be calculated based on the **sum of the fixed compensations – which remained unchanged compared to the previous year** – of all members of the Board of Directors (including the Chairman) proposed for election and the **potential additional amounts** payable to members arriving from abroad and on the assumption of a maximum of eight 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 9 April 2020.

3 Approval of the maximum total amount of compensations for the Executive Board for the 2021 business year

In accordance with the Articles of Association, the Board of Directors will propose to the Annual General Meeting 2020 to approve the maximum total amount of compensations for the Executive Board **for the 2021 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 4 150 000** (previous period: CHF 4 500 000). For details, refer to the invitation to the Annual General Meeting of 9 April 2020.

The actual compensations for the 2021 business year will be established on the basis of the employment contracts and the 2021 business year results. They will be shown in detail in the 2021 compensation report, which will be submitted to the Annual General Meeting 2022 for approval by way of non-binding advisory vote.

Corporate Governance

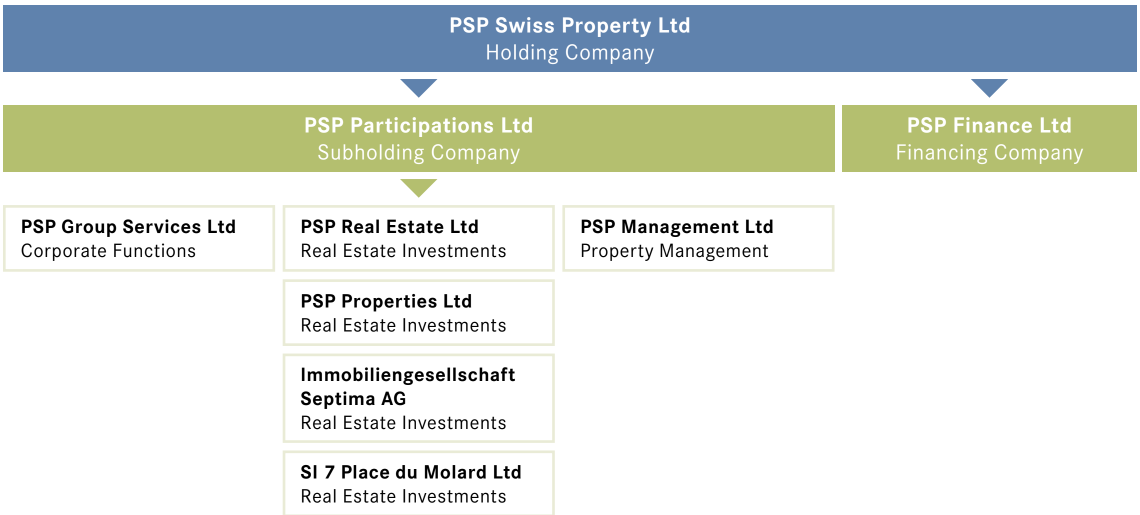
Corporate Governance

This Corporate Governance report shows generally the situation as at 31 December 2019 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



(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 2019	CHF 6.128 billion
PSP shares held by subsidiaries	0%
Symbol	PSPN
Security number	1829415
ISIN	CH 0018294154

Non-listed participations

See note 3.5 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.

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 2019

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 seven disclosure notifications/publications reported on the electronic disclosure platform for the disclosure of shareholdings of the Disclosure Office of SIX Swiss Exchange[3].

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 3 650 000 shares, corresponding to 7.96% of the voting rights (31 December 2018: 4 600 000 shares). There was one disclosure notification in the reporting year.

(b) **Credit Suisse Funds AG,** Zurich, to the extent of 5.2% of the voting rights, pursuant to the ***disclosure notification/publication on 14 November 2019*** (31 December 2018: 3.01%). There were three disclosure notifications in the reporting year.

(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) **Two nominees exempt from reporting requirements,** to the extent of 9.86% of the voting rights (Chase Nominees Ltd, London, United Kingdom; 11.04% in the previous year), and of 3.27% of the voting rights respectively (Nortrust Nominees Limited, London, United Kingdom; n/a in the previous year).

1.3 Cross-shareholdings

As at 31 December 2019, there were no cross-shareholdings.

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

1.4 Shareholders as at 31 December 2019

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	3 705	82.15	865 230	1.89			
1 001 to 10 000	557	12.35	1 766 932	3.85			
10 001 to 100 000	202	4.48	6 267 792	13.66			
100 001 to 1 000 000	43	0.95	11 356 917	24.76			
1 000 001 to 1 376 036	0	0	0	0			
1 376 037 (3%) to 2 293 394	1	0.02	1 501 579	3.27			
2 293 395 (5%) and above	2	0.05	8 172 096	17.82			
Total registered shareholders/shares	**4 510**	**100.00**	**29 930 546**	**65.25**			
Total non-registered shares					**15 937 345**	**34.75**	
Total							**45 867 891**

Registered shareholders and shares	Registered shareholders		Registered shares	
	Number	%	Number	%
Individuals	3 850	85.37	2 589 507	8.65
Legal entities	660	14.63	27 341 039	91.35
(thereof nominees/trustees)	(50)	(1.11)	(8 642 017)	(28.87)
Total	**4 510**	**100.00**	**29 930 546**	**100.00**
Switzerland	4 187	92.84	16 718 408	55.86
Europe (excluding Switzerland)	250	5.54	8 249 974	27.56
North America	28	0.62	1 122 718	3.75
Other countries	45	1.00	3 839 446	12.83
Total	**4 510**	**100.00**	**29 930 546**	**100.00**

2 Capital structure

2.1 Share capital as at 31 December 2019

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 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
Issued, fully paid-in share capital at 31 December 2019	45 867 891	0.10	4 587
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
Conditional share capital at 31 December 2019	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 2019, 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[4].

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 2019, 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 2019, neither convertible bonds nor options were outstanding.

4 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 2019, 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. As of March 2020, Ms. Denzler will take up the position of General Manager of Chenot Palace in Weggis.

Other activities and vested interests: In addition to her mandate at PSP Swiss Property Ltd, Ms. Denzler did not perform, as at 31 December 2019, any activities or functions which are subject to disclosure in accordance with the DCG.

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

Education: Lic. iur. University Freiburg i. Ue. (1989), bar exam (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 2019, 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 2019, the following activities or functions which are subject to disclosure in accordance with the DCG: Chairman of the Board of Directors of Hesta Ltd, 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 2019, 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 Boards of Directors of the publicly listed Amot Investments Ltd, Ramat-Gan, Israel, of the publicly listed Energix – Renewable Energies Ltd, Ramat-Gan, Israel, and of Brockton Everlast Inc. Limited, London, UK, all controlled by Alony Hetz Properties & Investments Ltd, as well as Chairman of the Board of Directors of Carr Properties Corporation, Washington D.C., USA, an associated company 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 2019, 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 2019, 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 2019 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 2019, 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[4]); 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[4] 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[4] governing the delegation of duties and as permitted by law (see section 3.5 below). 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.

4 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 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
Peter Forstmoser	30 March 2010
Adrian Dudle	3 April 2014
Nathan Hetz[1]	9 May 2007
Josef Stadler	2 April 2009

[1] respectively since the existence of the Audit Committee

The Audit Committee submits recommendations to the Board of Directors above all with regard to the approvals of the annual, interim and quarterly financial statements as well as in respect to the evaluation of the effectiveness of the audit, the performance, fees and independence of the Statutory Auditors as well as the relationship with them. 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 2019. 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.

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 and the resolution for the proposal to the Annual General Meeting regarding the re-election of the current Statutory Auditors, or the election of new Statutory Auditors respectively. The Nomination Committee meets as often as required, above all in preparation of the proposals to the Annual General Meeting regarding the re-election of current members of the Board of Directors, or the election of new Board Members respectively.

In the reporting 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 and the Nomination Committee met once for half an hour. The Board of Directors and the Compensation and the Nomination Committees took one resolution by written consent and in addition have been in contact via telephone and e-mail. The attendance rate for meetings of the Board of Directors and of its Committees respectively was 100%.

In the reporting year, the Board of Directors has upon recommendation by the Nomination Committee proposed to the Annual General Meeting 2019 the re-election of all current members of the Board of Directors, of the current Chairman of the Board of Directors and of all current members of the Compensation Committee. Further, the Board of Directors has upon recommendation by the Nomination Committee appointed as per 1 January 2020 a new member of the Executive Board as successor to the Chief Investment Officer who left the Executive Board end of 2019 (see section 4.1 below). In respect to the compensation-related activities of the Board of Directors and the Compensation Committee, refer to section 6, Compensation-related activities in respect to the reporting year, of the compensation report on page 140.

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 all four meetings of the Board of Directors and at all 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[4] 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.

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

(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."

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 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

The Executive Board consists of three members. Mr. Adrian Murer has left the Executive Board as per end of 2019. Mr. Reto Grunder succeeded him and was appointed Chief Investment Officer and member of the Executive Board as of 1 January 2020.

	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 (until 31 December 2019)	1 July 2016
Reto Grunder, Chief Investment Officer (as of 1 January 2020)	1 January 2020

Giacomo Balzarini, 1968, CH and IT, Wollerau, lic. oec. publ., MBA, Chief Executive Officer/ Chief Financial Officer of PSP Swiss Property (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 2019, 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 Certified 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 2019, 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 (1 July 2016 until 31 December 2019) and member of the Board of Directors of all PSP Swiss Property Ltd subsidiaries (until end of 2019).

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 Ltd in Zurich from 2007 to 2011 and as Director at Orascom Development Holding Ltd in Altdorf from 2011 to 2013. From mid-2013 until mid-2016, Mr. Murer was a partner at the law firm Baur Hürlimann Ltd in Zurich.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd during 2019, Mr. Murer did perform, as at 31 December 2019, 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 Ltd, Andermatt.

Reto Grunder, 1974, CH, Adliswil, lic.iur., Attorney-at-Law, MLP-HSG, CAS in Construction and Real Estate Law, Chief Investment Officer (since 1 January 2020) and member of the Board of Directors of all PSP Swiss Property Ltd subsidiaries.

Education: Mr. Grunder studied law at the University of Bern and graduated in 2001 with a licentiate. In 2004, he was admitted to the Bar of the Canton of Bern.

Professional activity: From 2004 to 2007, Mr. Grunder worked as a lawyer in law firms in Biel and Thun. In 2008, he joined PSP Swiss Property as Legal Counsel. He then worked from 2016 as an Asset Manager and has been Head of Acquisition & Sales in 2019.

Other activities and vested interests: In addition to his mandates at the subsidiaries of PSP Swiss Property Ltd, Mr. Grunder did not perform, as at 1 January 2020, any activities or functions which are subject to disclosure in accordance with the DCG.

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 2019, 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 page 128 ff. in the compensation report together with the explanations on the compensation system on pages 132 to 140.

In respect to compensation-related matters regarding the leaving and succession respectively, of the Chief Investment Officer as per 31 December 2019 and 1 January 2020 respectively, refer to section 6, Compensation-related activities in respect to the reporting year, of the compensation report on page 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 2019 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 2019 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 2019 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[4], 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[4].

Voting-rights representation by the independent shareholder representative is governed by Article 13 of the Articles of Association[4] 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[4], 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[4], 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 9 April 2020, the 45th day before the date of the General Meeting is 24 February 2020.

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[4]).

4 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[4], 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 9 April 2020, such record date is Monday, 6 April 2020.

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[4].

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 2019 business year at the Annual General Meeting of 4 April 2019.

The Lead Engagement Partner responsible for the existing auditing mandate in the 2019 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 2019 as well as for reviewing the interim financial statements as per 30 June 2019 and the quarterly financial statements as per 31 March and 30 September 2019 amounted to CHF 0.545 million (previous year: CHF 0.535 million).

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

8.3 Additional fees

For the reporting period, additional fees of CHF 0.06 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 2019.

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.

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Agenda

9 April 2020	Annual General Meeting 2020, Theater Casino Zug, Zug
5 May 2020	Publication Q1 2020
18 August 2020	Publication H1 2020
10 November 2020	Publication Q1–Q3 2020

Preview

23 February 2021	Publication FY 2020
31 March 2021	Annual General Meeting 2021

www.psp.info
Additional information and all publications including, in particular, the **2019 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

We have been reporting on our sustainability efforts in our annual report for ten years, and since 2015 we have been publishing our performance measures according to the EPRA Sustainability Best Practices Recommendations (sBPR). For this disclosure, we received the sBPR Gold Award from EPRA for the fourth time in a row in 2019.

Our sustainability report outlines our activities in the reporting year as well as the priorities for the coming year; it describes the prioritisation and organisation around sustainability topics and provides the corresponding key figures.

Important activities in the reporting year:

- **Strengthening the sustainability organisation:** Based on our materiality analysis, we have given our internal sustainability organisation a broader and clearer structure. Sustainability data management was optimised and, in particular, we further improved the database for energy consumption and CO_2 emission calculation. We are pleased with the score A- in the Climate Change 2019 survey by CDP. This underlines the success of our longstanding efforts to reduce our CO_2 footprint.

- **Strengthening the sustainability communication:** For the fourth consecutive year, we received the EPRA Gold Award for our Sustainability Report. Furthermore, we greatly improved our score in the GRESB survey, and achieved Green Star status.

- **Tenant communication:** We have taken various measures to further strengthen the partnership with our tenants, to increase operational efficiency, and to offer support in the area of sustainability.

- **Enhancement:** In the case of existing properties, we have invested a lot in enhancing the surrounding areas, for example at the Richtipark Wallisellen, where we created an inviting green landscape park with native plants.

- **Employees:** In autumn 2019, our employees were asked in an anonymous survey based on the approach and theory of Great Place to Work® on workplace culture and employer attractiveness. Due to the very positive results, we were certified as a “Great Place to Work”.

- **Networking:** In 2019, we again participated in panels and commented several times in interviews on current topics and trends such as digitalisation in property management, sustainability in construction, workplaces of the future or requirements for work spaces. In this way, we contribute to social topics related to the property sector.

Focus for the 2020 financial year:

- **Definition of the new CO_2 target and CO_2 reduction path:** In 2020 we will communicate the new long-term CO_2 target and CO_2 reduction path.

- **Involvement of tenants in attaining sustainability goals:** We will involve selected tenants in various (pilot) projects in defining and working together to achieve sustainability goals.

- **Photovoltaics:** We will expand our own solar electricity production, and plan further projects.

- **District heating and cooling networks:** We are analysing additional possibilities for connecting our properties to existing and planned district heating and cooling networks.

- **Employees:** The employee survey has also identified areas with potential for improvement. We will analyse them in more detail and identify possible measures.

Stakeholder groups and materiality analysis

Creating added value is our declared goal. We achieve this goal with partnership solutions that are characterised by respect and mutual understanding – an attitude that applies to all our stakeholder groups.

Our success is based on sustainable thinking and responsible conduct. Our employees, tenants, business partners, investors as well as the public are crucial stakeholder groups for us. Through openness, transparency and regular dialogue, we strive to receive, reflect on and where appropriate implement their concerns for the success of our Company.

In the reporting year, we analysed whether the demands of our stakeholders and the impact of our work on the environment and society are adequately reflected in our business orientation. We have come to the conclusion that the various requirements of the stakeholder groups – also in terms of sustainability – cannot simply be quantified, weighted and put in a chart. In our materiality analysis we have therefore proceeded as follows:

1. Register and assess the expectations and interests of our stakeholders:
- Employees
- Tenants
- Business partners
- Investors
- Public, politics and environment

We have recorded and analysed the essential requirements of our stakeholders by means of internal analyses, discussions and document evaluations (e.g. tenant surveys, external analyses of PSP). The assessment concerned our business activities in general, but we put a focus on sustainability. The demands of the environment cannot be directly recorded, but only through the voice of the stakeholders, mainly from the public, politicians and legislators as well as, to a lesser extent, investors, employees, tenants and business partners. However, clear identification of stakeholders' claims regarding the environmental impact of a sector or company is always delayed. This is also often the case for social concerns. In order not to overlook any important aspects, we therefore carried out an analysis of the most significant environmental and social impacts of our business activities. We have also considered in which areas we can and must make an effective contribution to the achievement of the UN Sustainable Development Goals (UN SDGs). Although we can directly or indirectly influence a large number of areas, we deliberately limit ourselves to those targets that have a direct connection to our business.

2. Identify comprehensive topics: We identified topics under which we were able to summarise the various stakeholders' requirements. For example, we grouped the tenants' desire for low ancillary expenses, the business partners' need for efficient cooperation, and our notions of effective management and cost control, under the topic "Operational efficiency". In the end, we defined 12 topics that cover the most important requirements and expectations.

3. Assign topics: We assigned the 12 topics to the four levels of our business activity. The topics mentioned first are considered to be important by several stakeholders or are crucial from an ecological point of view (such as CO_2 reduction and resource conservation). However, we consider all issues to be material.

Relevant UN SDGs

Target 7.2 Target 12.2 Target 13.1

Target 8.4 Target 9.1

Target 11.3/11.4 Target 15.5

Portfolio

- CO_2 reduction / Resource conservation
- Flexibility of use
- Local development

Tenants

- Operational efficiency
- Service orientation
- Wellbeing of tenants

Relevant UN SDGs

Target 7.3

Target 13.3

Target 11.6 Target 3.9

Relevant UN SDGs

Target 17.16/17.17

Target 16.5

Finances

- Financial strength
- Transparency
- Reputation

Employees

- Corporate culture
- Employee development and retention
- Employee health and wellbeing

Relevant UN SDGs

Target 5.1/5.5

Target 10.2 Target 4.3/4.4

Target 3.9

Sustainability in our business strategy

Our core business is the rental of commercial properties in Switzerland. This business model with a long-term focus requires that we assume our responsibility towards people and the environment. Sustainability is therefore an integral part of our business strategy.

Commercial properties can only be sustainable if they are rented out and provide good rental income in the long term. This also presupposes that the tenants are satisfied and that the rental properties meet changing requirements in terms of property and location quality, price and service. Sustainability is therefore an integral part of our business strategy and is based on our values.
www.psp.info/values

Sustainability initiatives are steered by an eight-member panel composed of representatives from property management, construction, asset management, human resources and communications. The coordination of activities is carried out by a newly created position for communication and sustainability. We purposely did not create a separate CSR or sustainability committee. Sustainability initiatives and prioritisation are discussed with and defined by the Executive Board.

Implementation is in the hands of the most involved department for each initiative. Selected individuals assume this responsibility as part of their job description or as project managers for a specific sustainability initiative. One staff member in 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. A graphic representation of the sustainability organisation can be found on our website.
www.psp.info/sustainability

The following is a summary of our sustainability-related goals and activities – divided according to the material topics with respect to our portfolio, tenants and employees.

Portfolio

We focus on easily accessible, centrally located properties that create both economic and social value and have a low environmental impact. Since the launch of our sustainability programme in 2010, we have been able to reduce the specific greenhouse gas emissions of our properties by 44%.

Preserving resources and minimising CO_2 emissions over the entire life cycle of a building, flexibility of use and the contribution of the building to local development are the three aspects that significantly shape the sustainability of our buildings.

Reduction in CO_2 emissions and conservation of resources

Due to the considerable size of our property portfolio, we are well aware of our responsibility with regard ecological sustainability – especially when it comes to energy and resource efficiency. That is why it is important to us to keep our ecological footprint as small as possible. The reduction of our CO_2 emissions is of strategic importance to us.

CO_2 reduction target and CO_2 reduction path

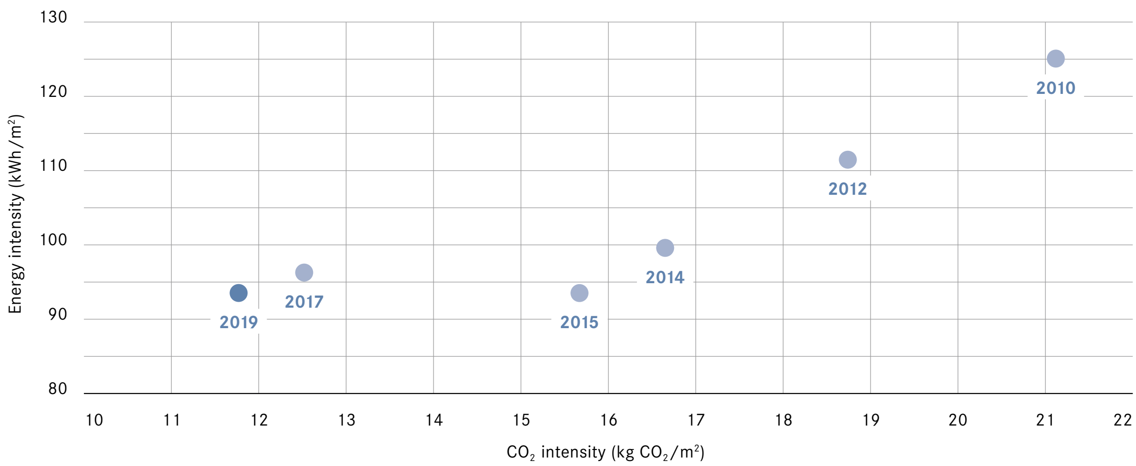
Our clear long-term focus on CO_2 reduction has had a significant impact on both our new construction and renovation projects, as well as our efforts in operations. Since the launch of our sustainability programme in 2010, we were able to reduce our properties' specific emissions **from 21.1 to 11.7 kg CO_2e per square metre.** This amounts to a reduction of 44%. The corresponding saving of around 30 million kWh of heating and electrical energy is equivalent to the annual heating requirements of approximately 3 000 average single-family homes. We have clearly exceeded the five-year target of a 5% reduction set in 2015. We want to further reduce the specific CO_2 emissions of our properties. Therefore, in the year 2020, we will define a new CO_2 reduction target and reduction path until 2050. In doing so, we will be guided on the one hand by international and national goals and framework conditions, but also by the actual conditions in the individual buildings. Consequently, we examine measures in the following areas and estimate their reduction potential:

- Measures (partially) depending on the life cycle: heating replacement, energetic renovations (insulation, window replacements)
- Measures independent of the life cycle (e.g. lighting)
- Optimisation of operations
- Purchase of heating energy and electricity
- Own production of renewable energies
- Possible need for CO_2 compensation

Thereby, the reduction potential, the proportionality of investment costs and possible operational cost savings as well as the optimal timing of the relative measures must be taken into account.

Statements on our strategy and our measures regarding physical and transition risks related to climate change are provided in the next section. Further information can also be found in our responses to the Carbon Disclosure Project's (CDP) climate change questionnaire. These are publicly available.
www.cdp.net

CO_2 intensity vs. energy intensity



Careful use of resources and consideration of climate risks

We want to keep the environmental impact caused by the construction and operation of our buildings as low as possible. Therefore, we strive to treat both of land as a resource and building materials with care. Another aspect we take into account is the mobility that our buildings may trigger. At the same time, we also consider the extent to which environmental influences and climate risks affect our buildings. We therefore take environmental aspects into account in all phases of our business activities:

Acquisition of buildings

We examine potential purchase properties with regard to their environmental impact or possible exposure to physical risks. Access to public transport and the associated reduced traffic-related pollution are essential criteria. We also always take materialisation and energy efficiency into account. This does not mean that we only consider ecologically high-quality and energy-efficient properties. Most older buildings do not meet today's ecological standards. However, if our assessment comes to the conclusion that a building can be renovated at reasonable cost, such a property also offers an opportunity to contribute to improving sustainability and generate added value in the long term.

New buildings and renovations

In new construction and renovation projects, we try to balance the possibilities for optimising energy efficiency, flexibility of use, optimal access to public transport, and the impact on the neighbourhood-specific social environment.

Sustainability and energy efficiency are key criteria for new buildings. In the case of new constructions and renovations, we aim to comply with the Minergie standard and often exceed it. Since we generally own and manage the newly constructed buildings ourselves, we optimise them for operation and invest in good long-term energy management systems. Considerations on adapting to the effects of climate change, so-called physical risks, are also reflected in our specifications for new buildings. However, new buildings only represent a small part of our business.

Considerations on energy efficiency and reduction in CO_2 emissions are important factors that also shape our long-term investment plan. This plan includes the conversion of heating systems to less CO_2-intensive systems (e.g. from oil or gas to district heating and heat pumps), the improvement of ventilation, air conditioning and control systems, as well as insulation and window replacements. We follow the Minergie standard for renovations, but do not necessarily aim for certification. We employ three full-time specialists in the field of energy and HVAC (heating, ventilation, air conditioning) in order to implement the optimisation process in terms of operation and construction. Our employees strive to continuously acquire new knowhow in energy and sustainability issues. For example, we are examining the possibility of using electrochromic windows to reduce the amount of cooling energy required. Such windows are designed to reflect infrared radiation and thus reduce heating, while at the same time allowing visible light to pass through if desired. This not only leads to a reduced need for cooling energy and lower maintenance costs, but also increases the wellbeing of the tenants.

In 2019 we continued our proven approach. In this context, it is particularly worth mentioning the major renovations completed during the reporting year, as shown below. The stated quantities are estimates of the expected savings. These savings are not yet fully recorded in the figures for the reporting year.

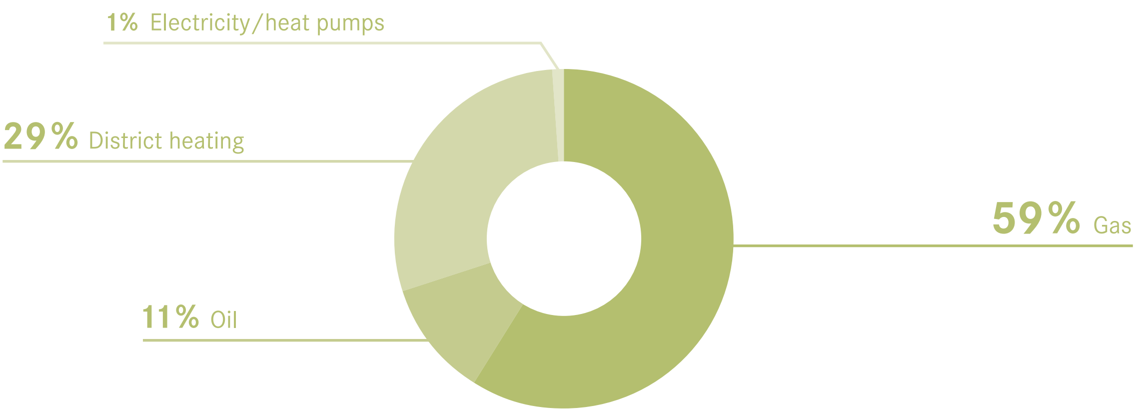
- **Lighting systems:** In the underground car park of the property Hardturmstrasse 101–105 in Zurich, the old lighting system was replaced by a modern swarm-controlled LED system. We assume that this will save around 150 000 kWh of electricity per year in the future and reduce CO_2e emissions by around 5 tonnes.

- **Building envelope and building services:** At Bahnhofstrasse 28a in Zurich, the windows and ventilation were replaced. This will enable us to reduce the heating energy requirement by approximately 80 000 kWh per year, which corresponds to a reduction in CO_2e emissions of about 15 tonnes. At Seefeldstrasse 123, also in Zurich, we were able to save approximately 365 000 kWh or 65 tonnes of CO_2e by replacing the lighting, window seals, and cold pumps.

- **Heating systems:** In addition to numerous minor renovations of ventilation and air conditioning systems in various properties, we achieved a reduction in heating consumption of approximately 20% through modernisation and partial optimisation at our property at Hardturmstrasse 169 in Zurich. For this large property, this means a saving of 255 000 kWh and a corresponding reduction in CO_2e emissions of approximately 30 tonnes in the reporting year. A further reduction will be evident next year.

In inner cities, it is not always possible to implement all the desired measures for better energy efficiency. On the other hand, such properties are fully accessible by public transport, which leads to a correspondingly low traffic-related environmental impact.

Energy sources for heating 2019



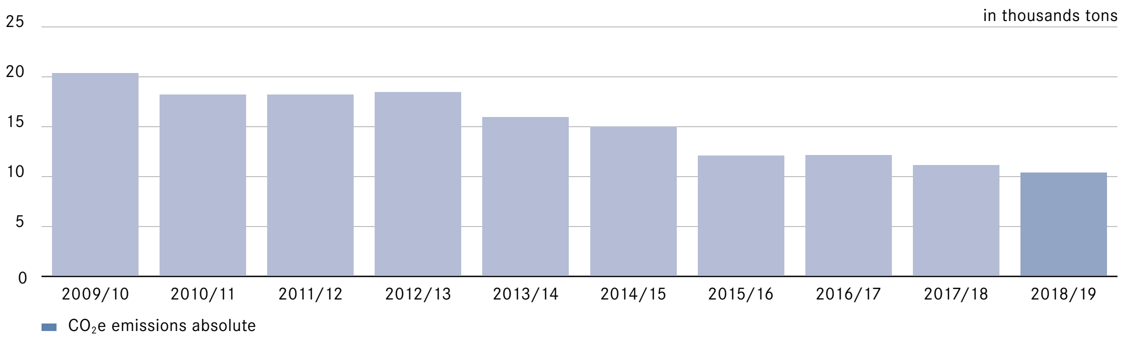
Property management

PSP Swiss Property attaches great importance to well-maintained buildings. A suitable measurement is an important prerequisite for optimising operations, including energy efficiency. We are therefore continuously expanding our smart metering and monitoring functions. Further information on our operational measures can be found in the section “Operational Efficiency” on page 184.

Purchase of heating energy and electricity

With our clear focus on CO_2 reduction, we continuously optimise our contracts with energy suppliers (electricity, gas, district heating) regarding the share of renewable energies. Since 2014, we have been pooling the electricity purchases for our larger properties, at lower cost and exclusively from renewable sources, primarily hydroelectric power. We already **cover 98% of the electricity demand for our entire portfolio with renewable energy.** For district heating and cooling, the share is 45%. It should be mentioned that we classify only 50% of waste incineration as “renewable” (see also deliminations and explanations on page 205). For fuels, 6% are also renewable (biogas). We closely follow the development of existing district heating and cooling networks and the planning of new ones in the service area of our properties in order to align our long-term planning for the replacement of heating and cooling systems. At the moment, for example, great efforts are being made in the cities of Geneva and Zurich to implement inner-city energy networks using lake water. This involves taking advantage of the consistent temperature of the deep water in lakes for heating and cooling purposes. Depending on the network, heat pumps are integrated into the system either on or off premise in order to achieve the desired temperature levels. The greatest challenge here is usually the timeline. From our side, we determine a renovation cycle for our properties. The planning and expansion of the energy networks does not always correspond to this cycle. Accordingly, we try to find and define mutually acceptable transitional solutions at an early stage.

CO_2e emissions absolute



The figures for 2017/18 and 2018/19 have been restated (see deliminations and explanations page 205).

Impact of the measures on consumption and CO_2 emissions

In the reporting year, we made a number of improvements to the collection and storage of our energy consumption and CO_2 emission data. As a result, we had to adjust the previous year's figures to the new database in order to enable a meaningful comparison. The comments below refer to the adjusted previous year's figures (see also deliminations and explanations on page 205). Due to numerous interdependencies as well as internal and external influences, it is difficult to precisely calculate the effects of our renovation projects and operational optimisations on consumption and CO_2 emissions. All the figures below concerning the contributions of the measures are approximations.

Analysis of absolute consumption and emissions

In absolute terms, we reduced our total energy consumption in the investment portfolio from 89.3 million KWh to 83.1 million KWh in 2019. This 7.6% reduction compared to the previous year resulted in a 6.6% reduction in CO_2e emissions, or 741 tonnes. These absolute values give an idea of the environmental footprint of our portfolio. However, their suitability for analysing the effects of taken measures is limited, considering that the investment portfolio changes from year to year due to purchases, sales and reclassifications (see deliminations and explanations on page 203).

Analysis of specific consumption and emissions

The specific values (the consumption and emissions per square metre of rental space) provide the best indication of effective improvements in the portfolio. Our specific energy consumption declined by 2.6% from 96 kWh/m^2 to 93.5 kWh/m^2 in 2019. As a result, CO_2e emissions decreased by 2.2% from 12 kg CO_2e/m^2 to 11.7 kg CO_2e/m^2.

- The **temperature conditions** also have an influence on the consumption of a particular year. The so-called heating degree days allow conclusions to be drawn about weather conditions-related heating energy consumption. Years can be compared more easily if adjusted for the heating degree days. Adjusted for heating degree days, our energy consumption fell from 92.6 kWh/m^2 to 89 kWh/m^2 in 2019, which is **4% lower than in the previous year.**

- **A reduction in the vacancy** usually increases energy and water consumption, both in absolute terms and per square metre of rental space. This has a negative impact on the key figures, but is in fact a positive development from both an economic and a sustainability point of view, as the rental space is used better and more efficiently. In the reporting year[1], we reduced vacancies from 6.8% to 4%. This corresponds to an increase of the heated floor area of approximately 3%. We therefore estimate that without measures on our part, this would have increased energy consumption by the same percentage (3%).

- Adjusted for heating degree days and vacancies, we can therefore conclude that we have **achieved an improvement of over 6% thanks to our measures.** Most of the improvement is attributable to measures in the consumption of heating energy.

Analysis of the “like-for-like” data

The “like-for-like” portfolio includes only those properties that were under our operational control and classified as investment properties, both in the reporting year and in the previous year. The changes therefore relate to exactly the same number of properties. This allows conclusions to be drawn about the improvement in operational efficiency and the effects of measures taken during operation. However, the impact of major renovations is not apparent here, as properties under renovation are not included in the “like-for-like” portfolio.

In the like-for-like portfolio, we were able to reduce electricity consumption by 4.4% and heat consumption by 3.9% compared to the previous year. The resulting 4% reduction in total energy consumption from 84 611 MWh to 81 313 MWh led to **a 3.6% reduction in CO_2e emissions. This corresponds to 366 tonnes of CO_2e.**

1 The reporting year i.e. measurement period for the environmental key figures is 01.07.2018 – 30.06.2019. The vacancy rate on 31.12.19 stood at 3.5%.

- Adjusted for heating degree days, energy consumption in the “like-for-like” portfolio amounted to 77 369 MWh. Compared to the previous year’s consumption of 81 633 MWh adjusted for heating degree days, this represents a **reduction of 5.2%.**

- Considering that the heated floor area in the like-for-like portfolio was also increased by approximately 3% due to reduction of vacancies, we can conclude that we **achieved savings of at least 8%** through measures taken during operation. This applies, for instance, to operational optimisations, renewal of technical equipment, or measures in insulation and window replacement.

Environmental performance measures page 198: Electricity, District heating and cooling, Fuels (oil/gas)
Environmental performance measures page 198: Greenhouse gas emissions Scope 1, 2 and 3
Environmental performance measures page 198: Energy intensity, Greenhouse gas intensity

Own photovoltaic production

We also rely on energy production from renewable sources such as solar electricity, so that our tenants can benefit from clean electricity and favourable costs. At the “Grosspeter Tower” in Basel, we have put into operation a photovoltaic system integrated into the façade and another one installed on the roof. The first two years of operation show that the expected annual yield of approximately 260 MWh per year can be achieved. We established the model of a property producing its own energy at the end of 2018 in another property in Basel, and in the coming years we intend to implement further projects. This model foresees that the solar power produced is sold directly to the tenants. Such models make sense if the majority of the electricity produced can be absorbed by the tenants, so that only a small part of it has to be fed into the grid. In 2019, we commissioned a study by an external consulting company to determine the potential for solar power production in our portfolio. In the meantime, four additional installations are now in the planning stage.

In 2019, **we produced around 1 241 MWh of environmentally-friendly solar electricity with our own photovoltaic installations,** which corresponds to roughly 1.5% of our consumption. An inverter problem in our largest installation, however, caused a drop in our annual production to 10% below the previous year.

Certified buildings

A total of 6.4% of our rental space is certified according to a label for sustainable construction (Minergie and LEED). However, the percentage of certifications is not the only way to measure the sustainability of a property portfolio. When we construct new buildings or carry out major renovations, we aim for the level of a sustainable building label, but not necessarily for the certification itself. The Minergie standards have been incorporated into many cantonal energy laws. Therefore, such certification is of secondary importance to PSP Swiss Property today.

In some cases, the costs of administrative requirements necessary for the “last mile” of certification are not reasonable. In those cases, the money saved is better invested in actual consumption-reducing measures. In the case of new buildings in particular, there is often a so-called **“performance gap”:** Once in operation, significantly more energy is consumed than predicted. We have set the goal of avoiding this “performance gap” wherever possible. Therefore, we regularly invest in the development of a comprehensive energy management system which allows a continuous energy analysis. In addition, we aim to keep energy consumption low and plant efficiency high by optimising the long-term operation. We are convinced that these investments will lead to a greater leverage effect in energy-saving measures and effective CO_2 emissions than mere certification. The resulting lower operating costs are in the best interest not only of the owner, but also of the tenants. Further information on our consumption reduction measures can be found in the “Operational Efficiency” section on page 184.
Environmental performance measures page 198: Certified buildings

Flexibility of use

We want to offer our tenants high-quality properties that will also meet their requirements in the long term. With the increasing degree of digitalisation, new forms of cooperation and decentralised, mobile work patterns are emerging in the office world. This enables new team structures, makes working hours more flexible, and opens the door to home-office solutions. The younger generation's call for work-life balance and the trend towards "portfolio careers" place further demands on buildings and infrastructure. An office is no longer just a workplace with a desk, but a meeting place where people exchange ideas and work together in constantly changing structures. This often leads to a reduced need for space but requires more flexibility in design.

In both new construction and renovations, we try to take these trends into account from the very beginning. For this purpose, we have **strengthened our capacity in the area of tenant fit-outs.** With the following measures we create more flexibility and thus a more careful use of resources:

- The traditional procedure for commercial properties is to rent out in shell. The tenants are responsible for the fit-out, which they can design according to their own wishes, possibly with the participation of the owners. This requires large investments in terms of financial means and resources. When the tenants move out, everything is often dismantled. Even today, larger companies in particular want to rent premises for the longer term and fit them out according to their very specific requirements. However, we think that providing a certain **basic infrastructure** is useful. Apart from heating, this includes ventilation, toilets, showers and, increasingly, also air-conditioning. A uniform system for power distribution in the basic construction, such as a double floor, supports the tenants with simple fit-outs and conversions. Pre-calculated **fit-out options** make it easier for tenants to plan costs. It is important to find generally appealing, flexible designs and materials, so that a tenant fit-out with a lifespan of 20 years can be used for more than one rental client.

- A good arrangement of the spatial and technical infrastructure allows a **high degree of flexibility** in the subdivision of rental space. This applies to, for example, the precise positioning of the bathrooms and entrances, as well as the option to move walls. Depending on the need, large spaces should be available on one level, which can be divided into smaller units in case of changes in tenancy. In new buildings, flexibility is already integrated into the façade and column grid at the design stage. In existing buildings, the potential for increased flexibility is often determined by the construction method (e.g. solid or framed).

- We are making more room for flexible **cooperation and exchange.** Infrastructure for social contacts, mobility (e.g. bicycle parking spaces, charging stations for electric vehicles) and fitness is becoming increasingly important. In addition to cleverly designed space, additional **services** can be integrated where necessary and possible. An example would be a reception in the lobby, where services such as catering or the reservation of in-house conference rooms are offered. In this case, the right tenant mix also plays a decisive role.

- The importance of **co-working** is still growing. We consider the co-working providers to be an ideal complement to our long-term rental business. This allows our tenants to react to short-term space needs in an uncomplicated manner and, for example, to rent areas tailored to the needs of a specific project. On the other hand, co-working tenants can rent a larger space directly from us when they grow. We already have several co-working providers as tenants. In the newly renovated property at Hardturmstrasse 161, for example, Westhive complements the offer for flexible working and meeting rooms in Zurich-West. We are thus strengthening our competence in this interesting segment.

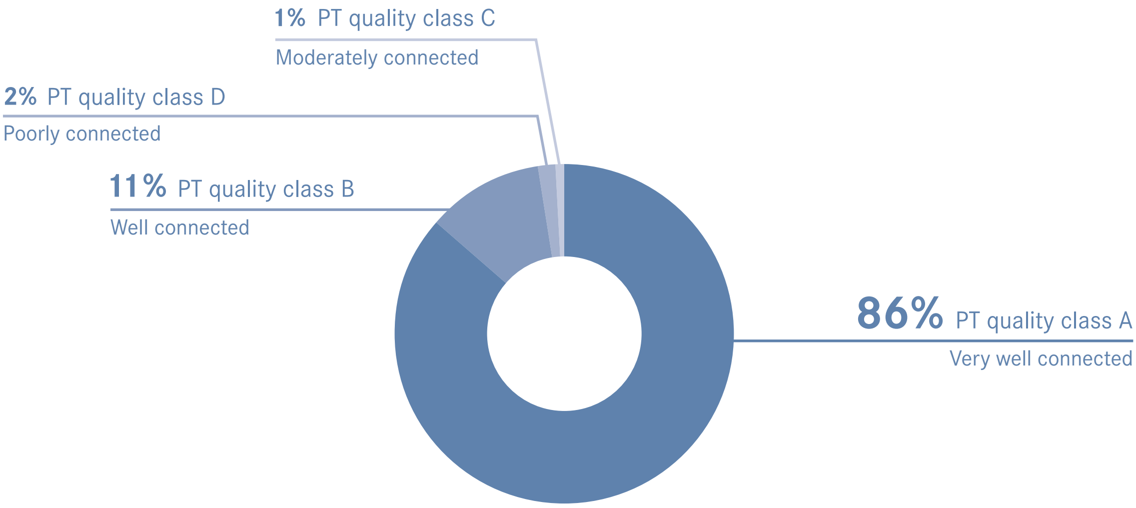
Local development

Most of our properties are positioned in central locations and are well connected to public transport. From a sustainability point of view, they are therefore generally well positioned, as they are accessible by environmentally-friendly mobility and do not contribute to urban sprawl. Due to their central location, these properties also have a special importance in the cityscape and in revitalising the surrounding area. With their spatial presence, our properties influence not only the immediate surroundings and the everyday life of tenants and neighbours, but also the perception of passers-by. For this reason, we attach great importance to architectural quality for new buildings and conversions, but also for major renovations, which ultimately leads to an enhancement of the public space.

Public transport quality classes

The public transport (PT) quality classes provide information on the accessibility of an area with public transport. Important criteria that are included in this indicator are the distance to the stop, the type of transport, and its frequency.

More than 85% of the buildings in our portfolio are located in areas with public transport access of class A, thus they are very well connected. According to the public transport quality class, less than 3% of our portfolio is moderately or poorly connected.



Source: INFOPLAN-ARE, opentransportdata.swiss

Preservation of historical properties

The urban location of our properties in large cities means that a considerable number of them are under historic preservation. The preservation of historical monuments is challenging in terms of energy and space efficiency goals. But it also shows that CO_2 reduction and energy efficiency are not the only important sustainability aspects of buildings. A monument reminds us of historical events, cultural events, social or technical achievements. Such protected buildings have an identity-forming character, and with their preservation we can conserve an intangible value for society. As owners, we therefore bear a great responsibility, which we fulfil with the help of selected artisans and other partners. These properties offer a high quality work environment and are popular with tenants because of their uniqueness.

Enhancing the surroundings

Designing and enhancing the immediate vicinity of a property is a further element of great importance in the context of our responsibility towards the environment and the public. In the case of site developments, the inclusion of urban development plans and consideration of urban planning principles are predetermined. On such projects we work closely with public authorities, partners and the local population. The cooperative model encourages the development of solutions that generate long-term economic and social value and minimise the environmental impact. We take into account the urban development objectives regarding the mix of uses, infrastructure and sustainability for the respective areas and try to support them in the best possible way. We also give due consideration to aspects of urban identity.

Consideration of all the above-mentioned aspects in concert with the authorities and other interest groups has, for example, contributed to the decision to replace the former Orion buildings on Hardturmstrasse in Zurich with the **new ATMOS building.** Construction will be completed by early 2021. The two buildings, which were only 30 years old, were extremely restricted in terms of room height, layout, building services and energy efficiency, so that they could hardly be rented out or meaningfully converted. The new ATMOS building, which is now fully let and will meet the Minergie-P-Eco standard, will contribute to a sustainable, high-quality urban development and identity. With the building, new outdoor spaces will also be created, which will significantly enhance the surroundings. The new public square will become a welcome rest area and the pavilion on the square a meeting place for young and old.

In 2019, we also invested a lot in enhancing existing properties. In the **Richtipark Wallisellen,** a group of five representative and modern office properties, we redesigned the courtyards and improved the lighting. The result is an inviting, green landscape with shady seating for lunch breaks and play facilities. With native plants, we also fulfil ecological goals. In the Carbahaus in Zurich, attractive lighting will now provide inviting access even in the dark. Benches and gazebos offer inviting outdoor seating, and the presence of native plants contributes to biodiversity. In the spirit of an artistic enhancement, we commissioned a graffiti artist to design the façade facing the platform on Gutenbergstrasse in Zurich, turning a back wall into an artistic object. A previously rather unattractive side of the building now becomes a visual focal point. This is great for waiting passengers and it also pleases our tenant, who operates a fitness centre.

Local commitment

Local commitment also means that, when developing large areas or during major construction projects, we think about neighbourhood development with the goal of finding solutions with all parties involved, leading to a sustainable use of the site from an ecological, social and economic point of view. We want to create animated areas where people can meet, where they like to linger, and where local jobs are created.

We engage with local communities and residents both during the construction project and operation. Effective communication and interaction with local stakeholders is essential, especially in new construction projects. That is why we conduct regular dialogues and information events. As a smaller company, however, we cannot organise everything in formalised “programmes”. Some interesting projects also emerge from the situation, for example in the case of interim use. In any case, it is important to be open – and we are. The association “Sollbruchstelle” has, for example, already carried out two projects in the field of “Art in dying buildings” in PSP Swiss Property buildings. In spring 2019, we made the former main theatre of the ABC cinema at Bahnhofplatz in Zurich available for the cinema festival “stattkino”. We also made an interim use possible at short notice for a film project in June in the former brewery building, the so-called “elephant”, on the Gurten site in Bern.
Social performance measures page 201: Community engagement

Historic preservation as opportunity

Protected buildings are part of our cultural heritage and contribute to our sense of identity. With their preservation we can conserve an intangible value for society. These properties are also popular with tenants because of their uniqueness. As owners, we therefore bear a great responsibility, which we fulfil with the help of selected partners.

Tenants

Satisfied tenants are essential for the success of a property company. We want tenants who appreciate our services and our buildings and who can work productively inside them. This is why personal contact and partnership with our tenants are our top priority.

With our **own property management and our caretakers,** we want to offer our tenants the best possible conditions for their successful business activities – through customer proximity and with functional, flexible and attractive commercial spaces. In all these efforts we rely on the most efficient processes possible to ensure that our tenants also benefit from low costs. Due to our efforts in energy efficiency and CO_2 reduction, for example, we have already been able to save our tenants at least CHF 30 million in energy costs and CO_2 taxes since 2010.

Operational efficiency

Operational efficiency in the management and maintenance of our properties reduces our costs and ancillary expenses for our tenants. It avoids bureaucracy and duplication and improves our internal communication and the exchange with our tenants, as well as our business partners.

As part of operational efficiency, we also want to keep the environmental impact as low as possible, especially in the areas of energy and water consumption as well as CO_2 emissions. An important basis for this is the adequate measurement of consumption.

Central energy control and alarm management system

Two thirds of our properties are now connected to our energy control and alarm management system. This enables us to centrally monitor the relevant consumption values of our properties and see at a glance whether or not the current figures are within the tolerance range. In the event of irregularities such as a conspicuous increase in water consumption, we can react immediately.

Permanent monitoring also enables us to plan and implement measures in real time in order to **continuously** reduce energy and water consumption and consequently minimise CO_2 emissions. It also pays off economically, as it reduces ancillary expenses and offers tenants noticeable added value. And when heating costs and CO_2 charges decrease, tenants tend to accept higher net rents. Thus, ecological sustainability ultimately generates an "eco-return" for our company and our shareholders.

Optimisation of operations

For us the optimisation of operations is directly related to the type of building and the applicable warranty conditions:

Operational optimisation immediately after handover of new buildings and renovations

At the start-up or technical acceptance of installations, often only one operating condition can be assessed (e.g. summer/winter). The interaction of the systems through all seasons requires adjustment with monitoring. The focus here is on ensuring operation and comfort to the satisfaction of the tenants. The actual energy optimisation takes place afterwards. Due to the ever-increasing connectivity of technical systems, the early detection and elimination of defects and software errors becomes increasingly important. Basically, all completed projects at PSP Swiss Property pass through this phase. For larger and more complex buildings we involve various external specialists. Currently, for example, the Grosspeter Tower in Basel and the office building at Hardturmstrasse 161 in Zurich are in this phase of operational optimisation. At Hardturmstrasse 161, we expect that the optimisation measures will reduce heating energy consumption by approximately 300 000 kWh and electricity consumption by approximately 150 000 kWh. This means a reduction in CO_2 emissions of almost 20 tonnes per year.

Energetic operational optimisation in existing buildings

During operation, problems with comfort or sudden increases in energy consumption cannot be completely excluded. There are many reasons for such events, for instance, a system defect. As owners, we strive to recognise these at an early stage and to take appropriate countermeasures immediately. At the Hürlimann site in Zurich, for example, a steadily increasing energy consumption was detected. Due to the complexity of the energy network supplying the various buildings, we were unable to address the situation by adjusting parameters alone. We also had to make structural changes in the technical systems. Through targeted optimisation measures, we managed to reduce energy consumption over the entire site by approximately 1 400 000 kWh over the last two years. This corresponds to the heating energy consumption of over 120 single-family houses. By the same token, electricity use could be reduced by approximately 390 000 kWh.

Energetic operational optimisation as a permanent task

In the course of technical renovations, we equip the facilities with a building management system, if appropriate. At a minimum, this includes the central energy control and alarm system, which enables central energy management and a performance monitoring. With these instruments, we are able to react to changes in use, or at least to verify them. The focus is on efficient plant operation, which we ensure for the entire expected duration. Depending on the use, the task of optimisation can also consist in preventing energy consumption from rising. For example, at the property at Bahnhofstrasse 10 in Zurich, we began optimising operations immediately after the renovation, in order to ensure that our tenants' comfort requirements were met promptly. In the meantime, this property is in regular operation and we are carrying out a small number of optimisation measures in the form of parameter adjustments when necessary. With the expansion of the salesroom, internal heat loads in this property had risen enormously, which led to a significantly higher cooling requirement and thus to increased electricity consumption. With the help of operational optimisation, the energy requirement can now be kept at a constant level.

At Hardturmstrasse 131–135 in Zurich, use has remained virtually unchanged since the renovation. In this case, energy consumption has been continuously reduced through ongoing operational optimisation. As a result, we were able to guarantee the comfort of the tenants at all times and reduce the annual energy consumption by a further 55 000 kWh since the renovation.

Environmental performance measures page 198: Electricity, District heating and cooling, Fuels (oil/gas)
Environmental performance measures page 198: Greenhouse gas emissions Scope 1, 2 and 3
Environmental performance measures page 198: Energy intensity, Greenhouse gas intensity

Water consumption

The specific water consumption in 2019 was 0.56 m^3/m^2 (2018: 0.50 m^3/m^2). The increase in water consumption is due to a very specific renovation project at the thermal bath on the Hürlimann site in Zurich. This increased consumption compensated all other efforts to save water.

Environmental performance measures page 198: Water consumption
Environmental performance measures page 198: Water intensity

Waste prevention

We strive to raise awareness among our tenants in this regard and to provide suitable infrastructure for efficient waste disposal. However, we do not currently report waste indicators as we, as owners, have no direct influence on waste production. In Switzerland, waste management is organised at local level, and the disposal of waste as well as the payment of waste charges, based on the polluter-pays principle, are the responsibility of the tenants.

Service orientation and wellbeing of tenants

For us, appreciation, reliability, quality and transparency are the basis of a professional business relationship that is successful in the long term. We want to be a solution-oriented, trustworthy and flexible partner for our customers and business partners.

A long-term customer relationship begins with the rental of offices or shops. However, its basis is laid even earlier, during the first customer discussions, the evaluation of the ideal property, and the professional handling of the rental process. This step is followed by comprehensive support for fit-out and occupation. After that, it is the task of our property managers and local caretakers to identify new customer needs at an early stage, provide proactive support, and take the appropriate measures. **Setting us apart from other companies, we offer all these services in-house.**

As part of a cross-departmental project, we developed and analysed the **"Customer Journey Map"** together with an external partner in the reporting year. The "journey" of the tenants from first contact to rental contract or to moving out came from interviews with PSP Swiss Property customers and was compared with the corresponding activities and interactions on the owner side. Based on the identified challenges, we have developed possible adjustments for efficiency and quality improvements. Our focus was specifically on those moments in the process when we can actively influence the customers' decision in a positive way. The sustainability factor was always part of this process. In the area of service orientation and tenant wellbeing, we will give priority to the following topics in the future:

- An important basis for a long-term relationship is the condition that the rental space is perfect for the tenant. This is in the interest of both parties, but also in the interest of the environment, because it eliminates the need for expensive and energy-intensive relocation. **Increased digitalisation in marketing** supports this process through greater transparency, efficiency and improved support in finding the ideal property. Efforts are underway, for example, in the areas of electronic rental dossiers, 3D visualisation, and electronic rental contracts.

- We have already increased our capacity in the area of **tenant fit-outs,** in order to provide closer support to our tenants. Further efforts are planned to facilitate tenants' decision-making, make the process more efficient, and introduce sustainability considerations such as resource efficiency or wellbeing, health and safety at an early stage.

- Thanks to our **own property management,** we have a unique proximity to our tenants. We can support them efficiently and competently. After the comprehensive **customer survey** conducted in 2017, we have identified various focal points with a view to optimising our Customer Relationship Management (CRM); we have already introduced the first corresponding measures to improve CRM, such as institutionalised customer visits by our key account management. Digitalisation is also increasingly being used in property management, in order to be able to react faster and more specifically to any needs. A pilot programme with an app for recording tenant concerns has already brought positive results. We also want to make our **tenants more aware of sustainability** issues and increasingly involve them in our efforts, for example in the areas of energy optimisation and water saving.
Social performance measures page 201: H&S Impact assessments, and Number of incidents

Sustainability in operation

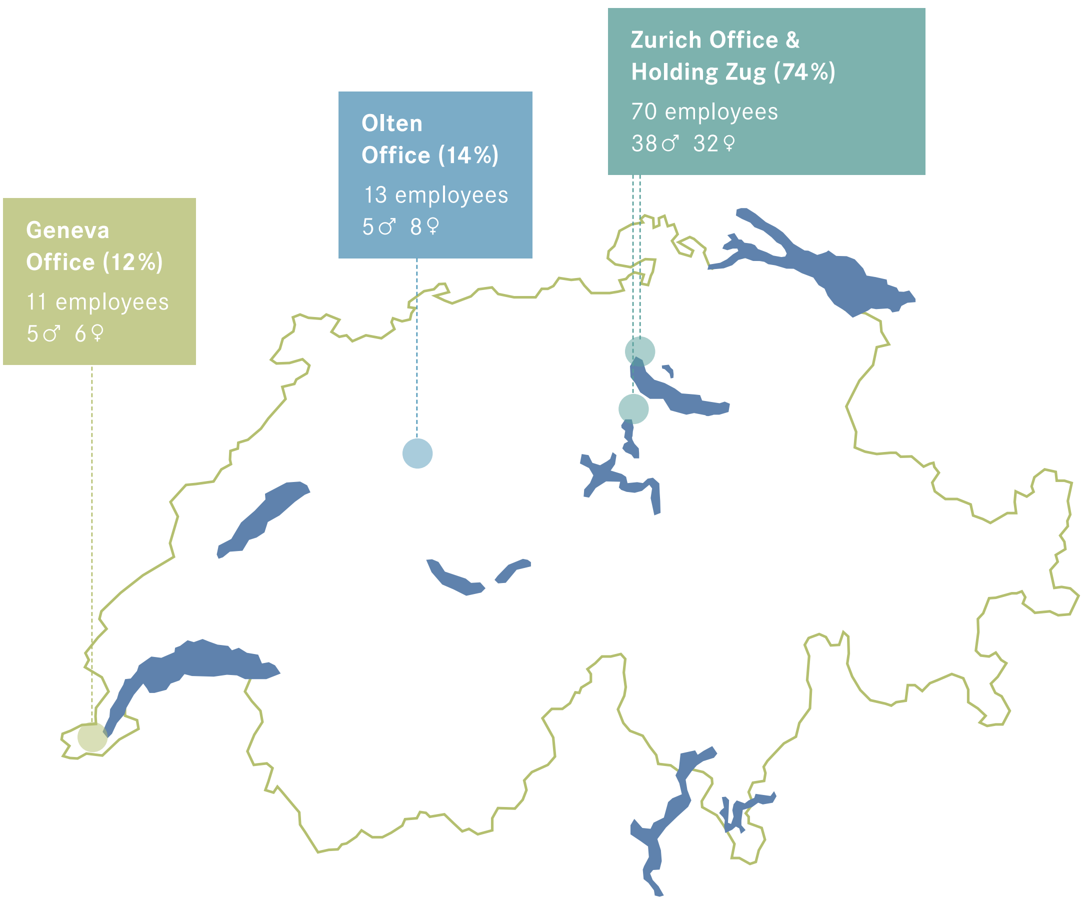
The "Grosspeter Tower" has received various awards for its sustainable design. However, work doesn't merely stop with the construction of a sustainable building. We have also initiated a systematic operational optimisation programme during the start-up phase that helps us to overcome the so-called "performance gap".

Employees

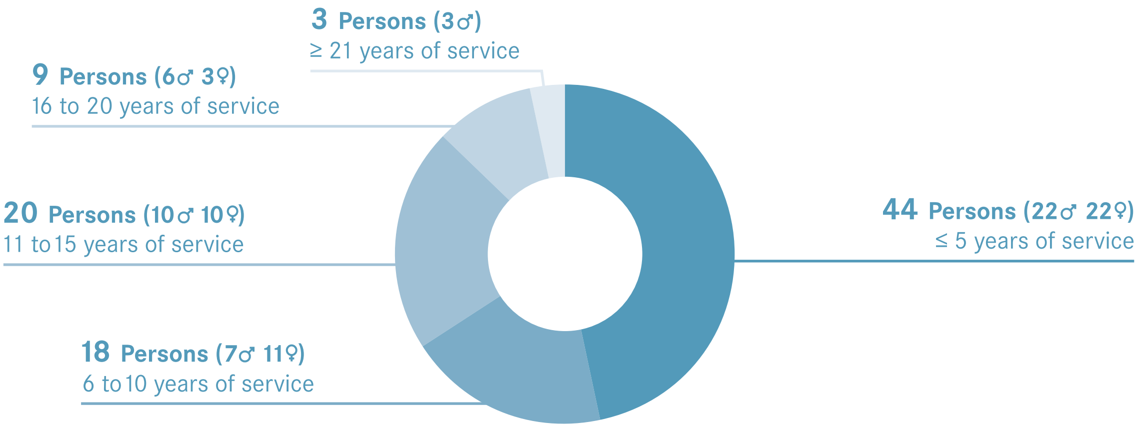
Our employees are the key factor for the success of our Company. Every day, they are committed to the concerns of our tenants and business partners and work with them to find optimal solutions.

At the end of 2019, 119 employees were working at PSP Swiss Property, 25 of whom were caretakers (end of 2018: 117 employees, 26 of them caretakers). The caretakers work on a property-related basis and are managed by the property management unit of PSP Management AG. Details on our operational organisation can be found on our website.
www.psp.info/management-structure

PSP Swiss Property is characterised by a high stability level and job security. More than half of the employees have been working at the Company for six years or more.
Social performance measures page 200: Fluctuation



Years of service of employees



We offer an attractive, safe and varied working environment that increases the motivation of our employees and enables them to perform to a high standard. We also promote the professional and personal development of our employees and encourage them to be creative and take responsibility for their own work on a daily basis. Our open corporate culture is designed to instil confidence and security in all employees. Our interaction is based on mutual appreciation, respect, loyalty and responsibility – values that we live and that are central to us.
www.psp.info/values

In autumn 2019, we conducted an anonymous **employee survey** based on the approach and theory of Great Place to Work®. The survey identified workplace culture and employer attractiveness based on five dimensions: credibility, respect, fairness, pride and team spirit. The response rate of 87% was very encouraging. The survey clearly confirmed that we are a particularly attractive employer.

96% of all employees agreed with the statement "All in all I can say that this is a very good place to work".

This puts us above the Swiss average of the last two years. Thanks to the very positive results, we were certified as a "Great Place to Work". Details about the survey results are published on the Great Place to Work® website.
www.greatplacetowork.ch

Corporate Culture

With our open corporate culture, we lay the foundation for creating trust, conveying security and convincing all our stakeholders with optimal solutions. Our principles on employee rights and obligations, which we have been following for a long time, were published for the first time in May 2019 as an actual **code of conduct.**
www.psp.info/values

Workplace culture and communication

We offer an attractive and varied working environment that increases motivation and enables high-quality achievements. An **open discussion culture, flat hierarchies, and our manageable size,** allow us to efficiently exchange and discuss ideas, information and concerns. In the context of collaborative corporate management, as much responsibility and competence as possible is transferred to the employees.

We welcome the uncomplicated and interdisciplinary exchange of information and ideas among our employees. For this purpose, we want to create thinking and work spaces that can also bring employees and business partners together in an uncomplicated way. In 2018, for example, we opened our “Collaboration Lab” at the Zurich location – a marketplace of knowledge. The 400 m^2 Collaboration Lab offers moveable tables, workstations and lounges equipped with state-of-the-art audio and video technology for presentations. This is also where we hold our internal theme lunches (“PSP Academy”, see below, Training and Continuing Education). The Collaboration Lab is also an ideal showroom that helps our tenants and business partners visualise how rooms and office spaces can be designed attractively.

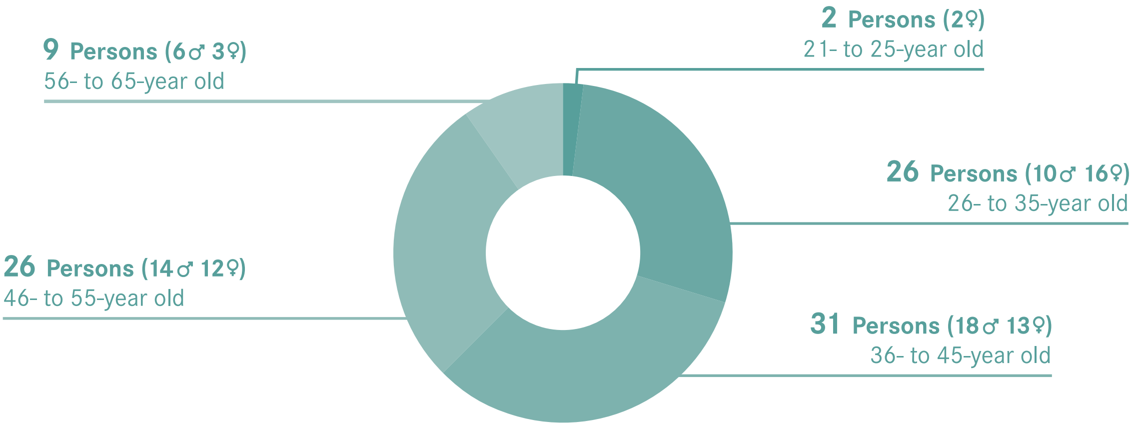
The employee survey conducted in autumn 2019 confirmed that our managers are approachable, open to dialogue, and that they keep their promises. We inform all employees in a timely manner about important business transactions and internal matters (such as personnel information and organisational changes) in German and French. In the interest of good internal networking and communication, we regularly inform all employees about current topics, the developments and goals of the Company, as well as about the current course business: we do this, in particular, within the framework of our quarterly reporting.

Equal opportunity and diversity

All employees enjoy equal opportunity. We do not tolerate any discrimination based on nationality, gender, sexual orientation, age, religion, or ideology. In May 2019, we renewed our internal policy on protection against discrimination.

With 46 **women** working for the Company, their share was 49%, showing an increase of 5 percentage points compared to the previous year. As a result, the gender ratio is almost balanced overall, with a different distribution in the different departments. The property and construction industry is traditionally male-dominated. This is gradually changing. While in property management the gender ratio is fairly balanced, women are still greatly underrepresented in the construction department. Thus, we are very pleased that we were able to recruit two women as construction project managers in the reporting year.
Social performance measures page 200:
Gender diversity

Age of employees



The average age of all employees is 42 years, 44 years for men and 40 years for women.

We, too, will have to meet the challenges of demographic change in Switzerland, with a growing group of older employees on one side and a comparatively smaller number of younger professionals on the other. Both younger and older employees will have to be more willing to benefit from each other's experiences and knowledge in the future. In this way, the experiences and perspectives of all employees can be optimally used as a source of innovation, problem-solving, and motivation. When recruiting staff, we always ensure that we form teams that are mixed in terms of gender and age. Deserving employees can also be employed beyond retirement age, for example on a part-time or hourly basis.

Employee development and retention

Recruitment

Our recruitment and employment process is characterised by fairness and transparency. We are looking for people who fit into our corporate culture and identify with our values. This requires expertise and willingness to perform, but also a high level of service and customer orientation as well as social skills. We attach great importance to the careful introduction of all new employees into our organisation. In the reporting year 2019, 19 employees took up new positions.
Social performance measures page 200:
New hire rate and Turnover

Assessment and development

There are regular personnel reviews between managers and employees. They provide our employees with important feedback on their work and define their contribution to the achievement of goals within the Company. Concrete achievements, results achieved, and social behaviour are also discussed.

It is important to us that employees can also continue progressing within our Company, for example by moving to another department. Three such transfers took place in 2019.
Social performance measures page 200:
Performance appraisals

Training and continuing education

We promote the professional and social skills of employees and support them in their professional development with personal training and continuing education. Our internal theme lunches ("PSP Academy Lunches"), which we hold on a regular basis, are also popular. At these events, current business cases are discussed and analysed. Other options for internal training and for broadening horizons are our internships at different PSP Swiss Property offices. These usually last a maximum of three months.

External training and continuing education include courses in the areas of real estate, IT, management, communications, accounting, and sustainability. As language skills are becoming increasingly important, also in the local property business, we have been offering our employees free courses in German, French and English for several years. These can be attended during working hours at the office locations. Our survey has confirmed that our employees appreciate the training and support we offer and that it provides them with the necessary resources and equipment to do their job well.

In 2019, each employee completed an average of four days of internal or external training or continuing education. There were four PSP Academy Lunches, two of them in the area of sustainability.
Social performance measures page 200:
Training and development

Salary and benefits

We pay competitive market-based salaries, which we determine individually according to criteria such as education, function and level, professional experience and performance. All employees receive a bonus based on the business results, as well as benefiting from other advantages. These include Reka checks, reduced fares on public transport, free continuing education, accident insurance, and guaranteed paid sick leave. By providing financial support to employees for the use of public transport, we also make an additional contribution to ecological sustainability

It goes without saying that we guarantee equal opportunity for all employees. In order to ensure equal pay between men and women, we regularly compare the salaries of our employees. We also always compare salaries when hiring. In 2020, we will also conduct a **salary equality analysis** in line with the new Equal Opportunities Act.
Social performance measures page 200:
Gender pay gap

Employee health and wellbeing

Among other topics, the employee survey addressed the issue of “care” under the dimension “respect”. In this area, we significantly **exceed the average of the best medium-sized Swiss companies.** Specifically, we received outstanding marks for enabling a good work-life balance, for our understanding of different life situations, and for our good working environment.

Health and safety

Health and safety are important for a good working environment. For us, generous, modern work areas, an attractive work environment, and a high-quality infrastructure are a matter of course and create ideal conditions for working. In line with the strict Suva (Swiss Accident Insurance Fund) standards, we also provide all employees with ergonomic chairs and desks equipped with electric height adjustment.

There is a break area at all locations where employees can enjoy a selection of fruit free of charge every day. The in-house fitness facilities and the generously equipped kitchen, which were set up in 2018 at the Zurich location, are well utilised by our employees and thus promote our corporate culture. Our employees in Olten and Geneva benefit from contributions towards fitness subscriptions.

In the area of occupational safety, we have the appropriate emergency protocols. Our Human Resources department, in cooperation with our safety officer, organises the required courses (first aid courses, defibrillator, fire) for our employee volunteers. In addition, the entire staff participates in drills. We also offer our employees the opportunity to obtain free, anonymous advice on personal or professional matters from external specialists.
Social performance measures page 200:
Injury rate, Lost day rate

Work-life balance

Those who work often face the challenge of balancing work and private life. Balance is important for personal development. It also strengthens physical and mental health and general wellbeing. The requirements on cooperation and flexibility have changed considerably in recent years. The younger generations in particular take flexible working hours, state-of-the-art workplaces, the latest technologies, and having a say for granted. As an employer, we try to take this “New Work” trend into account as far as possible, the focus of which is on the development of an individual’s potential. Accordingly, we can offer flexible working time models with part-time work, part-time work after retirement, employment on an hourly basis, or early retirement.

In 2019, 21 employees were employed part-time, which corresponds to a share of around 22%. Eleven female and two male employees without rank as well as eight female middle-management staff had a part-time contract.

In 2018, we introduced the so-called “annual working time” for all employees and caretakers. This is intended to allow flexible working hours. In this way, we can manage fluctuations in workload and the varying needs of employees. On the one hand, this enables us to increase operational efficiency, but on the other hand, it also increases the time autonomy of employees for a better balance between family, leisure, and career.

Starting in 2020, the holiday entitlement for all employees will be increased to at least five weeks, corresponding to 25 days per year. The legal minimum in Switzerland is four weeks, or 20 days per year.
Social performance measures page 200:
Absentee rate

Great Place to Work®

"A Great Place to Work® is where you trust those you work for, take pride in what you do and enjoy working with others."

Robert Levering, co-founder of Great Place to Work®

The employee survey carried out in autumn 2019 showed that this statement applies to PSP Swiss Property's employees. We are very pleased about the certification as Great Place to Work®.

Great Place To Work® Certified 12.2019 - 11.2020 SWITZERLAND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To
Work

Performance measures

EPRA Sustainability performance measures – Environment

The following table contains the environment-related performance measures for 2019 and 2018. Performance measures which are reported according to the EPRA sBPR standard and are marked with the respective EPRA code. The values marked with ☑ has been externally reviewed by Ernst & Young AG.

EPRA code	Unit	Indicator	Scope
Energy			
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[2]
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
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
		Total Energy	**Total landlord-obtained energy[3]**
			Proportion of total landlord obtained energy from renewable sources
Greenhouse gas (GHG) emissions			
GHG-Dir-Abs	Tonnes CO_2e	Direct	Scope 1
GHG-Indir-Abs		Indirect	Scope 2
			Scope 3
		Total	**Scope 1, Scope 2, Scope 3**
Water			
Water-Abs, Water-LfL	m^3	Water	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[4]
Water-Int	m^3/m^2	Water Intensity	Landlord-obtained water
GHG-Int	kg/m^2	GHG Intensity	Scope 1, Scope 2
Certified buildings			
Cert-Tot	5 buildings or 6.4% of lettable space as a percentage of the reported portfolio are certified (LEED and Swiss “Minergie” standard)		

1 Several adjustments to the data basis lead to a correction and restatement of the previous year’s figures, see deliminations and explanations.
2 Emissions are calculated using market-based emissions-factors.
3 These figures are not adjusted for heating degree days. Adjusted for heating degree days, absolute energy use for 2018 and 2019 is 86 165 512 kWh and 79 031 821 kWh respectively. Adjusted for heating degree days, Like-for-like energy use for 2018 and 2019 is 81 632 796 kWh and 77 368 866 kWh respectively.
4 These figures are not adjusted for heating degree days. Adjusted for heating degree days, energy intensity for 2018 and 2019 is 92.582 kWh/m^2 and 89.006 kWh/m^2 respectively.

Absolute measures (Abs)			Like-for-like (LfL)				
2018[1]	2019	+/–	2018	2019	+/–	Disclosure coverage	Share of estimates
22 340 819	20 934 794	– 6.7%	21 699 799	20 780 614	– 4.4%		
22 340 819	20 934 794 ☑	– 6.7%	21 699 799	20 780 614	– 4.4%	100%	20.5%
98%	98%						
20 567 370	18 154 135	– 13.3%	18 876 611	18 154 135	– 4.0%		
20 567 370	18 154 135 ☑	– 13.3%	18 876 611	18 154 135	– 4.0%	100%	6.8%
45%	45%						
46 421 266	43 963 947	– 5.6%	44 034 807	42 387 854	– 3.9%		
46 421 266	43 963 947 ☑	– 5.6%	44 034 807	42 387 854	– 3.9%	100%	5.7%
7.0%	6.0%						
89 329 455	83 052 876 ☑	– 7.6%	84 611 217	81 322 603	– 4.0%		
38%	38%						
8 452	8 019 ☑	– 5.4%	8 019	7 744	– 3.6%		
2 708	2 400 ☑	– 12.8%	2 490	2 400	– 3.8%		
57	49 ☑	– 14.8%					
11 218	10 468 ☑	– 6.7%					
461 336	498 393	7.4%	444 765	490 684	10.3%		
461 336	498 393 ☑	7.4%	444 765	490 684	10.3%	100%	6.0%
95.981	93.534 ☑	– 2.6%					
0.496	0.561 ☑	11.7%					
11.991	11.734 ☑	– 2.2%					
						100%	

EPRA Sustainability performance measures – Social

Employees ☑

The following table contains the key performance measures for 2019 and 2018 that relate to social aspects. The performance measures are marked with the respective EPRA code. Our caretakers are now also integrated into the key figures. The caretakers work on a property-related basis and are managed by the management unit of PSP Management Ltd. The key performance measures relating to employees were externally reviewed by Ernst & Young AG (marked with ☑).

EPRA code	Unit	Indicator	Scope	Performance measure 2018	Performance measure 2019
Diversity					
Diversity-Emp	% of employees	Gender diversity	Board of Directors	86% ♂ / 14% ♀	86% ♂ / 14% ♀
			Executive Board	100% ♂ / 0% ♀	100% ♂ / 0% ♀
			Senior Management[1]	100% ♂ / 0% ♀	100% ♂ / 0% ♀
			Middle Management[2]	68% ♂ / 32% ♀	58% ♂ / 42% ♀
			Employees without rank[3]	23% ♂ / 77% ♀	21% ♂ / 79% ♀
			Caretakers	88% ♂ / 12% ♀	88% ♂ / 12% ♀
Diversity-Pay	Female to male ratio	Gender pay gap[4]	Board of Directors[5]	1	1
			Middle Management	0.98	0.89
			Employees without rank	1.05	1.09
Development, Training and Turnover					
Emp-Training	Average hours per year and employee	Training and development[6]	Direct employees	34.4h	32.6h
Emp-Dev	% of total workforce	Performance appraisals	Direct employees	85%	92%
Emp-Turnover	Total number	New hires	Direct employees	10	19
		Leavers		10	17
		Number of employees at year end		117	119
	Rate in %	New hire rate		8.5%	16.0%
		Turnover		8.5%	14.3%
Health & safety					
H&S-Emp	Number of injuries per 200 000 hours worked	Injury rate	Direct employees	2.0	1.9
	Number of lost days per 200 000 hours worked	Lost day rate		4.2	5.8
	% of average hours worked	Absentee rate[7]		1.6%	2.3%
	Total number	Fatalities		0	0

1 We classify employees with the rank “Direktion” as Senior Management.
2 We classify employees with the rank “Kader” as Middle Management.
3 Direct employees excluding caretakers.
4 We do not report pay gap for the Executive Board as there are no female members of the Executive Board and we do not consider the corresponding performance measure to be meaningful. Compensation of our Executive Board is disclosed in the compensation report. We do not report pay gap for Senior Management as there are currently no women in Senior Management. We do not report pay gap for caretakers because the cumulated FTE of female caretakers is too small to generate a meaningful performance measure.
5 Excl. Chairman of the Board, excluding compensation for members of the Board of Directors who travel from abroad.
6 Incl. internal and external education and development per employee. The figure for 2018 relates to direct employees excluding caretakers, as data on training and development was not collected yet for caretakers in 2018.
7 Absentee rate excludes long-term absences of more than 12 weeks. Absentee rate including long-term absences was 1.6% for 2018 and 3.2% for 2019.

Assets

EPRA code	Unit	Indicator	Scope	Performance measure 2018	2019
Health & Safety					
H&S-Asset	% of assets	H&S impact assessments	Assets under operational control[8]	100%	100%
H&S-Comp	Total number	Number of incidents	Incidents of non-compliance scope: assets and assessments identified under H&S-Assets	0	0
Community					
Comty-Eng	% of assets	% of assets with community engagement initiatives[9]		N/A	N/A

8 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.

9 This Performance measure is not reported because we have not yet identified a good basis of measurement by which this can be expressed as a clear percentage. The topic is commented on page 181.

EPRA sustainability performance measures – Governance

The following table contains the governance related key performance measures for 2019 and 2018. The key performance measures are marked with the respective EPRA code.

EPRA code	Unit	Indicator	Scope	Performance measure 2018	Performance measure 2019
Board composition					
Gov-Board	Total number	Executive members	Board of Directors	0	0
		Non-executive members		7	7
		Independent members		6	6
		Independent and non-executive members with competencies relating to environmental and social topics[1]		4	4
	Years	Average tenure of Board members		8.7	9.7
Nomination and selection					
Gov-Select	Narrative	Description of the nomination and selection process	Board of Directors	See below[2]	See below[2]
Conflicts of interest					
Gov-Col	Narrative	Processes for managing conflicts of interest	Board of Directors	See below[3]	See below[3]

1 Please refer to the Corporate Governance section in the annual report 2018 (page 143 ff.) and annual report 2019 (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 career 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 Chairman of “The Sustainability Forum” Zurich, and as former Member of the Board of the “Center for Corporate Responsibility and Sustainability”, an organisation connected with the University of Zurich.

2 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 2019 (page 154 f.).

3 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 2018, page 143 ff. and annual report 2019, 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.

Delimitations and explanations on the performance measures

EPRA Reporting

We have been reporting in accordance with the Best Practices Recommendations (sBPR) of EPRA (European Public Real Estate Association) since 2015. In 2019, PSP Swiss Property received the EPRA Gold Award for its 2018 reporting - for the fourth consecutive year.

The EPRA sBPR require information on the areas of environmental performance, social performance and governance. We strive to report our performance according to all these performance measures. This is an ongoing process. For figures that were not available at the time of reporting, "N/A" (not available) applies.

We take the liberty of expanding the table of performance measures to include additional data that does not comply with the EPRA standard. All key figures reported according to sBPR are marked with the corresponding EPRA code.

Delimitations

Organisational boundaries

The organisational boundary for property reporting is defined by the full operational control over individual properties. Consequently, properties under joint ownership and properties where a single tenant exercises sole operational control are therefore not taken into account. New buildings and renovations are only taken into account if they were operational for the entire reporting year. Properties sold during the reporting period are not included. Properties purchased during the reporting period are only included in the following year.

Time boundaries

Compared to the financial reports, the reporting of the energy and water-related data (EPRA table of environment-related performance measures) is shifted by half a year (in line with the heating and ancillary cost accounts). The current reporting period for these performance measures thus runs from July 1, 2018 to June 30, 2019. The social indicators (EPRA table performance measures) and the governance-related performance measures refer to the same period as the financial reports (January 1, 2019 to December 31, 2019).

Boundaries tenant/landlord

We always procure the heating energy ourselves and charge it to the tenants via the heating bill. Consequently, heating energy is factored into our calculations. The same applies to electricity for common areas (access) as well as ventilation and air-conditioning, where ventilated or air-conditioned spaces are leased. Electricity consumed by tenants on their premises is settled directly between the tenants and the utilities via a separate meter and is not included in our calculations.

Own-used properties

We are tenants in 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.

Degree of coverage

Within the defined organisational boundaries, we cover all properties in operation.

Reporting segments

Our real estate portfolio consists mainly of office space. Several properties have mixed use, i.e. in addition to offices, there is also retail space (mostly on the ground floor) and, in some cases, apartments. We also own hotels and thermal baths/spas. However, independent non-office uses make up an insignificant part of the total lease area (< 2%). Therefore, we do not define or disclose specific segments for these areas.

Investment properties taken into account for different performance measures

Absolute values (Abs)

In 2019, we analysed 153 investment properties with 887 696 m^2 of lettable space (2018: 151 investment properties with 930 696 m^2 of lettable space). On 30 June 2019, the portfolio comprised 165 investment properties.

The difference to the 153 investment properties included in the Sustainability Report is explained as follows: PSP Swiss Property does not exercise operational control over properties rented by a single tenant or in a joint ownership. 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 in Zurich); Seilerstrasse 8a, Bern. The property Rue de Sébeillon 2 in Lausanne consists only of parking spaces, so there is no energy consumption. The four properties in Liebefeld and the property at Bärenplatz 9 in Bern, which were purchased during the reporting period, are also not included.

These 13 mentioned properties were therefore not included in the Sustainability Report. On the other hand we included a property in Uster which was reclassified at the end of June as development property and subsequently sold.

The properties Route des Arsenaux 41 in Fribourg, Bernerstrasse Süd 167/169 in Zurich, Spitalgasse 9 in Berne and Bahnhofstrasse 21 in Rheinfelden, which were sold during the reporting period, are not included in the performance measures for 2019.

New buildings and renovations completed during the reporting period will be included in the analysis in the following year. However, properties where renovation work was carried out during operation were taken into account.

"Like-for-like" values (LfL):

The "like-for-like" portfolio comprises only those properties which were under operational control and classified as investment properties both in the reporting year and in the previous year. The "like-for-like" portfolio for this reporting year comprises 144 properties.

Specific figures (intensities)

The reference value for the specific consumption figures (kWh energy/m^2, m^3 water/m^2 and kg CO_2e/m^2) is the lettable floor space in line with the values published in the Annual Report for the mentioned 153 properties.

Explanations on the data basis

Estimates

Of the energy we procure, 9.7% of total was estimated in 2019 (15% in 2018). For properties for which the final settlements are not yet available at the closing date, we use the previous year's figures. Some larger properties are rented by major tenants; these receive their invoices 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 consumption at these properties (for which we do not receive a statement from the tenant) on the basis of figures for comparable properties. For the portfolio Edmond de Rothschild (Suisse) S.A. purchased in 2018 (9 properties), it was possible to record the consumption of fuels, but the electricity and water consumption had to be estimated on the basis of consumption figures from comparable properties.

Waste

In Switzerland, disposal of waste as well as the payment of the waste charges, based on the polluter-pays principle, are the responsibility of the tenants. We have no data on tenants' waste production and therefore do not disclose these performance measures.

CO_2e emissions Scope 3

Business travel: We also calculate the CO_2e emissions from our business travel (air, car, train). Emissions from business travel in 2019 amounted to 49 tonnes CO_2e (2018: 57 tonnes). The reduction compared to the previous year is mainly due to a reduction in flights.

CO_2 factors electricity

We apply market-based emission factors for electricity.

Correction/reporting of environmental indicators

In the year under review, we took various measures that required the previous year's figures to be corrected or restated to ensure comparability:

- **Energy consumption of heating oil and gas:** In collaboration with an external consulting firm, we revised and adjusted the conversion factors for energy sources from litres or m^3 to kWh. This results in consumption figures for both oil and gas that are approximately 5% higher than those stated in the previous year.

- **Corrections to consumption figures for the previous year:** Based on a closer analysis, errors were discovered in the measurement of some of the figures for the previous year. This affects 18 values. These were corrected.

- **Electricity mix, district heating mix and share of renewable energies:** In cooperation with an external consulting firm, we have revised the allocation of the respective energy purchases (electricity mix, district heating, gas) to the individual properties and put it on a more reliable basis. This has resulted in some deviations from the previous year's figures, which have an impact on the share of renewable energies and the calculation of CO_2 emissions. While the share of renewable energies in electricity purchases is much higher than our original conservative estimate (98% instead of 82%), the share of biogas is slightly lower than originally estimated (6% instead of 8%). We can now also provide information on the share of renewable energy in district heating. This is lower than, for example, stated in the CDP-Questionnaire. The lower share of renewable energies in district heating is mainly due to the fact that we now classify only 50% of waste incineration as renewable.

- **CO_2e emissions Scope 1 and 2:** We now calculate our energy and CO_2 data based on the Myclimate Smart3 data management system and the CO_2 factors provided by Myclimate. Myclimate's expertise in greenhouse gas calculations allows us to provide a better basis for our CO_2 emissions calculations and ensure that the factors are always up to date. The calculations based on Smart3 results in Scope 2-values that are considerably higher than our previous calculations. This is mainly due to the fact that higher factors were used for district heating, based on an analysis of the information provided by the district heating suppliers. Our previous estimates assumed a higher share of renewable energy.

- **CO_2e emissions Scope 3:** Already in the previous years, Scope 3 emissions were calculated using a calculation tool from Myclimate, however, the new calculations result in higher values. This is mainly due to the fact that the flight kilometres covered were calculated differently. These have increased, for example, due to the inclusion of holding patterns.

The adjustment of the factors and the corrections led to the following deviations between the previous year's values in the last annual report and the newly presented previous year's values: Oil & Gas: 7% higher; Electricity: 1.6% higher; District Heating: 3.7% higher; Water: 4.8% higher; CO_2e emissions Scope 1: 2.9% lower; CO_2e emissions Scope 2: 37% higher; CO_2e emissions Scope 3: 46% higher.

Correction/reporting of social indicators

The caretakers are now also included in the calculation of employee-related performance measures. For this reason, the previous year's figures have also been adjusted to include caretakers. In addition, the revision of the processes for collecting social indicators has led to some adjustments to the calculation basis for the indicators with the EPRA code Diversity-Pay and H&S-Emp. Furthermore, the diversity indicators have been more strongly segmented, which makes them more meaningful.

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To the management of
PSP Swiss Property Ltd, Zug

Zurich, 24th February 2020

Independent assurance report

We have undertaken a limited assurance engagement of the following quantitative performance measures marked with a „☑" disclosed in the PSP Swiss Property AG Annual Report in the chapter "Sustainability report" for the reporting period from 1 January 2019 to 31 December 2019:

- Environmental performance measures related to energy and water consumption as well as CO2 emissions (Scope 1, 2 and 3) on pages 198/199
- Social performance measures related to employees on page 200

Our engagement was limited to the performance measures listed above. We have not assessed the following performance measures or information disclosed in the report:

- Information other than the sustainability performance measures indicated above
- performance measures 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 performance measures marked with a „☑" in the chapter "Sustainability report" in the Annual Report in accordance with the applicable criteria. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of performance measures 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) for the environmental performance measures
- EPRA Sustainability Best Practices Recommendations Guidelines for the social performance measures

Summaries of these guidelines are presented on the Greenhouse Gas Protocol website (online at http://www.ghgprotocol.org/sites/default/files/ghgp/standards/ghg-protocol-revised.pdf) and the EPRA website (online at https://www.epra.com/sustainability/sustainability-reporting/guidelines). 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 the 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.

(Translation of the original report in German language)

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Our responsibility

Our responsibility is to express a limited assurance conclusion on the above mentioned performance measures based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised) ”Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised)”, 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 performance measures 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 performance measures 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 performance measures 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 performance measures marked with a „☑“ in the report are not prepared, in all material respect, in accordance with the applicable criteria.

Ernst & Young Ltd

Tobias Meyer Partner	Mark Veser Senior 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								
2019	77	166 330	9 954	10 577	145 799	58.6%	173 079	57.8%
2018	81	162 521	10 738	10 924	140 859	59.6%	170 899	58.2%
Geneva								
2019	19	32 646	4 265	1 533	26 848	10.8%	34 692	11.6%
2018	19	32 181	4 355	1 304	26 522	11.2%	34 167	11.6%
Basel								
2019	14	25 815	1 816	1 428	22 572	9.1%	27 259	9.1%
2018	15	27 573	2 289	1 972	23 313	9.9%	30 600	10.4%
Bern								
2019	17	19 995	2 326	1 027	16 642	6.7%	21 486	7.2%
2018	12	12 946	1 409	1 067	10 470	4.4%	13 543	4.6%
Lausanne								
2019	16	17 642	2 617	1 225	13 800	5.6%	21 133	7.1%
2018	15	17 068	1 970	1 020	14 078	6.0%	19 205	6.5%
Other locations								
2019	19	20 413	1 882	1 648	16 883	6.8%	22 021	7.3%
2018	21	20 644	2 257	1 280	17 106	7.2%	25 319	8.6%
Sites and development properties								
2019	12	9 266	3 021	170	6 075	2.4%	n.a.[8]	n.a.
2018	11	8 050	3 942	157	3 951	1.7%	n.a.[9]	n.a.
Overall total portfolio								
2019	**174**	**292 106**	**25 880**	**17 607**	**248 620**	**100.0%**	**299 669**	**100.0%**
2018	**174**	**280 982**	**26 960**	**17 724**	**236 298**	**100.0%**	**293 734**	**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 22 497 in 2019.
9 Annualised rent of potential rent amounts to TCHF 24 937 in 2018.

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)
170 398	56.6%	151 988	4 348 754	54.5%	3.9%	3.4%	4 267	2.5%	16 469	3.2%
169 395	57.5%	68 052	4 123 381	55.4%	4.0%	3.4%	7 110	4.2%	25 367	5.1%
34 605	11.5%	21 616	890 009	11.2%	3.7%	3.1%	1 542	4.4%	2 505	3.3%
34 591	11.7%	23 252	861 940	11.6%	3.8%	3.2%	1 447	4.2%	2 718	3.6%
27 516	9.1%	10 643	631 430	7.9%	4.2%	3.6%	1 160	4.3%	5 087	5.4%
31 230	10.6%	12 477	683 080	9.2%	4.1%	3.5%	1 230	4.0%	4 492	4.1%
23 788	7.9%	16 708	543 380	6.8%	3.7%	3.1%	733	3.4%	4 354	4.6%
13 643	4.6%	3 862	296 130	4.0%	4.2%	3.4%	1 142	8.4%	8 410	15.2%
23 314	7.7%	7 182	427 383	5.4%	4.2%	3.3%	1 764	8.3%	5 511	6.7%
21 732	7.4%	13 827	383 385	5.2%	4.5%	3.7%	1 410	7.3%	4 213	5.4%
21 277	7.1%	4 432	418 485	5.2%	4.9%	4.1%	1 125	5.1%	5 513	6.5%
24 037	8.2%	– 4 064	431 016	5.8%	4.8%	4.0%	2 405	9.5%	11 759	12.1%
n.a.	n.a.	31 607	722 223	9.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	49 285	663 174	8.9%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
300 900	**100.0%**	**244 176**	**7 981 664**	**100.0%**	**4.0%**	**3.4%**	**10 591**	**3.5%**	**39 439**	**4.2%**
294 628	**100.0%**	**166 692**	**7 442 106**	**100.0%**	**4.1%**	**3.5%**	**14 745**	**5.0%**	**56 959**	**6.2%**

Property details

Area	Land area m²	Office area m²	Retail area m²	Gas-tronomy area m²	Other area m²	Total rentable area m²
Zurich						
Rüschlikon, Moosstr. 2	6 798	5 606	0	0	3 560	9 166
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	3 134	46 796
Wallisellen, Richtistr. 3	5 578	7 538	0	0	0	7 538
Wallisellen, Richtistr. 5	5 197	6 469	0	0	496	6 965
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	950	0	0	47	997
Zürich, Augustinergasse 25	236	255	0	327	157	739
Zürich, Bahnhofplatz 9	998	2 522	2 036	0	0	4 558
Zürich, Bahnhofstr. 10 / Börsenstr. 18	344	646	844	0	0	1 490
Zürich, Bahnhofstr. 28a / Waaggasse 6	763	1 888	649	419	277	3 233
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, Binzring 15/17	33 878	35 680	0	0	4 659	40 339
Zürich, Bleicherweg 10 / Schanzengraben 7	1 155	3 394	237	0	293	3 924
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	11 686	0	0	0	11 686
Zürich, Brandschenkestr. 100 (DL2)	5 139	8 627	0	0	1 134	9 761
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	3 532	1 401	0	40	4 973
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
122	0.0%	5.4%	1969 | 89	2010	01.06.2002	PR	SO	100.0%
59	0.5%	5.6%	1967	1989	01.11.2015	PR	SO	100.0%
209	0.4%	7.3%	1976	2002 | 03 | 10 | 13	01.07.2004	PR	SO	100.0%
137	0.0%	7.0%	2000 | 01	2011	01.11.2001	PR	SO	100.0%
126	27.0%	4.3%	2003	2011	01.04.2003	PR	SO	100.0%
156	0.0%	5.4%	2003	2011	01.04.2003	PR	SO	100.0%
105	0.0%	5.6%	2010		13.06.2008	PR	SO	100.0%
123	23.1%	5.1%	2010		13.06.2008	PR	SO	100.0%
0	0.0%	3.5%	1907	2000	01.10.1999	PR	SO	100.0%
1	0.0%	2.6%	1850	1994 | 2000 | 04	01.04.2004	PP	SO	100.0%
0	0.0%	3.2%	1933	2003 | 04 | 14	01.04.2004	PP	SO	100.0%
0	0.0%	2.4%	1885	1984 | 2015	01.10.1999	PR	SO	100.0%
0	0.0%	1.8%	1812	2005 | 10 | 19	01.04.2004	PP	SO	100.0%
7	0.0%	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%
140	0.0%	5.5%	1992		01.04.2001	PR	SO	100.0%
17	2.2%	2.8%	1930 | 76	1985 | 2006 | 09	01.10.1999	PR	SO	100.0%
7	0.0%	3.4%	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%	2.5%	2005		01.04.2004	PP	SO	100.0%
272	0.0%	3.1%	2003		01.04.2004	PP	SO	100.0%
0	0.0%	3.1%	2003		01.04.2004	PP	SO	100.0%
0	0.0%	3.2%	2007		01.04.2004	PP	SO	100.0%
0	0.0%	3.7%	1877 | 82	2004	01.04.2004	PP	SO	100.0%
0	0.6%	3.8%	1882	2004	01.04.2004	PP	SO	100.0%
0	0.0%	4.4%	1913	2012	01.04.2004	PP	SO	100.0%
0	0.0%	3.1%	2008		01.04.2004	PP	SO	100.0%
0	0.0%	5.0%	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 224 to 225.
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	15 737	0	885	7 706	24 328
Zürich, Förrlibuckstr. 66	2 055	5 254	0	0	1 901	7 155
Zürich, Förrlibuckstr. 110	2 963	9 525	350	194	1 391	11 460
Zürich, Förrlibuckstr. 181	1 789	4 813	0	0	144	4 957
Zürich, Freieckgasse 7	295	285	89	210	224	808
Zürich, Füsslistr. 6	907	1 245	1 044	0	711	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	1 766	784	0	0	2 550
Zürich, Goethestr. 24	842	613	0	116	91	820
Zürich, Gutenbergstr. 1/9	1 488	7 313	810	0	904	9 027
Zürich, Hardturmstr. 101, 103, 105 / Förrlibuckstr. 30	7 567	18 210	4 941	0	633	23 784
Zürich, Hardturmstr. 131, 133, 135	6 236	16 762	1 293	0	5 489	23 544
Zürich, Hardturmstr. 161 / Förrlibuckstr. 150	8 225	28 177	0	280	5 827	34 284
Zürich, Hardturmstr. 169, 171, 173, 175	5 189	12 385	417	80	5 851	18 733
Zürich, Hottingerstr. 10–12	1 922	3 408	0	0	547	3 955
Zürich, In Gassen 16	331	0	0	487	620	1 107
Zürich, Konradstr. 1 / Zollstr. 6	686	265	385	190	2 240	3 080
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	711	8 802
Zürich, Limmatstr. 291	973	2 816	0	0	154	2 970
Zürich, Lintheschergasse 23	135	359	0	80	171	610
Zürich, Löwenstr. 16	206	484	153	0	179	816
Zürich, Löwenstr. 22	250	643	198	0	115	956

1 As per reporting date. Annualised vacancy (CHF) in % of potential rent (market rent for vacant area).
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3 Year of last overall renovation.
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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
12	0.0%	3.2%	1950	1997 | 2006	01.10.1999	PR	SO	100.0%
65	0.2%	5.4%	1982	2007	01.10.1999	PR	SO	100.0%
85	1.4%	4.0%	1963	2002	29.06.2001	PR	SO	100.0%
312	1.3%	4.8%	1989	2016 | 17	01.04.2001	PR	SO	100.0%
80	0.3%	5.0%	1969	1992 | 2003 | 04	01.12.2002	PR	SO	100.0%
64	4.0%	4.9%	1962	2000	01.12.2002	PR	SO	100.0%
39	0.2%	4.1%	2002		01.12.2002	PR	SO	100.0%
0	0.0%	2.8%	1700	1992 | 2012	01.04.2004	PP	SO	100.0%
3	13.7%	2.2%	1925	1998 | 2005	01.04.2001	PR	SO	100.0%
23	0.9%	3.2%	1967	1986 | 2005	01.07.2005	PP	SO	100.0%
0	0.0%	3.6%	1895	1998 | 2014	01.10.1999	PR	SO	100.0%
2	6.8%	2.0%	1904	1993 | 2010 | 12 | 18	27.05.2004	PP	SO	100.0%
0	0.0%	2.8%	1874	2014	01.04.2004	PP	SO	100.0%
15	1.3%	3.4%	1969	1986 | 2008	31.12.2004	PR	SO	100.0%
236	6.2%	3.5%	1992	2009 | 13	01.08.2016	PR	SO	100.0%
41	1.2%	4.5%	1982	2008	01.12.2002	PR	SO	100.0%
66	7.0%	3.9%	1975	1999 | 2019	01.12.2002	PR	SO	100.0%
44	11.3%	3.6%	1952	1997 | 2006 | 18	01.12.2002	PR	SO	100.0%
18	0.6%	3.6%	1914 | 40	1994	01.04.2001	PR	SO	100.0%
0	4.8%	2.6%	1812	1984 | 2007	01.04.2004	PP	SO	100.0%
0	0.0%	2.7%	1879 | 1982	1990	01.04.2004	PP	SO	100.0%
35	0.4%	4.0%	1971	1999 | 2006 | 07 | 12	01.10.1999	PR	SO	100.0%
0	0.0%	3.0%	1837	2000	01.01.2000	PR	SO	100.0%
0	0.0%	2.6%	1888	1994	01.04.2004	PP	SO	100.0%
35	1.9%	3.3%	2013		01.10.2010	PP	SO	100.0%
7	0.0%	4.3%	1985	2016	01.04.2001	PR	SO	100.0%
0	0.0%	3.2%	1879	2001	01.04.2004	PP	SO	100.0%
1	0.4%	2.1%	2015		01.04.2004	PP	SO	100.0%
4	1.1%	3.2%	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 224 to 225.
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, 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	811	854	0	34	1 699
Zürich, Schaffhauserstr. 611	1 981	2 846	656	0	107	3 609
Zürich, Seebahnstr. 89	2 455	2 998	739	0	1 293	5 030
Zürich, Seefeldstr. 5	498	604	0	306	289	1 199
Zürich, Seefeldstr. 123	2 580	6 586	1 562	0	138	8 286
Zürich, Seestr. 353[7]	3 593	7 352	0	0	344	7 696
Zürich, Splügenstr. 6	430	1 072	0	0	31	1 103
Zürich, Stampfenbachstr. 48 / Sumatrastr. 11	1 589	4 418	222	0	389	5 029
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	3 486	313	909	672	5 380
Zürich, Walchestr. 11, 15 / Neumühlequai 26, 28	1 074	2 953	676	102	358	4 089
Zürich, Wasserwerkstr. 10, 12 / Stampfenbachstr. 109	1 760	6 463	0	0	1 528	7 991
Zürich, Zweierstr. 129	597	1 759	260	0	834	2 853
Total	**242 516**	**386 116**	**35 109**	**10 458**	**79 992**	**511 675**

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
7	0.0%	4.0%	1975	1993	01.10.1999	PR	FA	29.8%
21	0.0%	3.6%	1981	1999 | 2007	01.10.1999	PR	SO	100.0%
16	0.6%	4.0%	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	10.8%	4.6%	2001 | 02	2017	01.07.2005	PP	SO	100.0%
76	3.4%	3.7%	1959	2003 | 08 | 18	01.04.2001	PR	SO	100.0%
0	0.0%	3.1%	1840	2000	01.04.2004	PP	SO	100.0%
85	0.8%	3.1%	1972	2004 | 17	01.10.1999	PR	SO	100.0%
125	4.6%	5.8%	1981 | 2001	2010	01.04.2010	PR	SO	100.0%
8	0.0%	2.4%	1896	1998 | 2011	01.10.1999	PR	SO	100.0%
35	0.5%	3.7%	1929	1999 | 2001 | 07	01.10.1999	PR	SO	100.0%
3	0.0%	3.0%	1896	2000	01.04.2004	PP	SO	100.0%
3	0.2%	2.8%	1973	1993 | 2004 | 07	01.10.1999	PR	SO	100.0%
0	0.0%	2.7%	2013		01.04.2004	PP	SO	100.0%
2	14.5%	2.5%	1906	1992 | 2002	01.04.2004	PP	SO	100.0%
6	0.3%	3.8%	1919	2000 | 08 | 09	01.10.1999	PR	SO	100.0%
125	6.1%	3.8%	1981	2006 | 16 | 18	01.04.2004	PP	SO	100.0%
7	3.0%	3.9%	1958	2003	01.10.1999	PR	SO	100.0%
3 303	**2.5%**	**3.4%**						

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CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 224 to 225.
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	314	1 601	0	0	0	1 601
Genève, Rue de l’Arquebuse 8	347	2 160	0	0	0	2 160
Genève, Rue de la Corraterie 24/26	1 005	1 579	617	0	185	2 381
Genève, Rue de la Fontaine 5	226	968	172	0	162	1 302
Genève, Rue des Bains 31bis, 33, 35	3 368	10 392	1 249	0	354	11 995
Genève, Rue du Grand-Pré 54, 56, 58	2 864	5 792	0	0	564	6 356
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	632	2 438	0	0	0	2 438
Genève, Rue Jean-Petitot 12	354	1 343	0	0	0	1 343
Genève, Rue Jean-Petitot 15 / Rue Firmin-Abauzit 2	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**	**63 617**	**4 807**	**977**	**6 013**	**75 414**
Basel						
Basel, Barfüsserplatz 10	3 655	336	0	530	314	1 180
Basel, Dornacherstr. 210	4 994	9 795	2 770	0	1 963	14 528
Basel, Falknerstr. 31 / Weisse Gasse 16	320	133	0	345	724	1 202
Basel, Freie Str. 38	299	363	848	0	65	1 276
Basel, Greifengasse 21	416	199	878	0	832	1 909
Basel, Grosspeterstr. 18, 20	8 062	13 183	0	0	654	13 837
Basel, Grosspeterstr. 44 (Grosspeter Tower)	3 978	11 418	0	5 493	1 096	18 007
Basel, Hochstr. 16 / Pfeffingerstr. 5	7 018	15 393	0	0	0	15 393
Basel, Kirschgartenstr. 12/14	1 376	4 962	787	143	480	6 372
Basel, Marktgasse 4	272	374	367	0	327	1 068
Basel, Marktgasse 5	330	986	296	0	128	1 410
Basel, Marktplatz 30/30A	560	2 070	0	431	298	2 799
Basel, Peter Merian-Str. 88/90	3 900	11 775	0	0	483	12 258
Basel, St. Alban-Anlage 46	1 197	3 193	0	245	336	3 774
Total	**36 377**	**74 180**	**5 946**	**7 187**	**7 700**	**95 013**

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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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%	3.8%	1965	2006 | 10 | 13	31.12.2000	PR	SO	100.0%
5	0.0%	4.3%	1987		01.01.2000	PR	SO	100.0%
0	0.0%	5.2%	2015		07.05.2013	PR	BL	100.0%
64	4.6%	3.1%	1981		01.10.1999	PR	SO	100.0%
0	18.9%	1.9%	1975	2005 | 06	01.04.2004	SI	SO	100.0%
0	0.0%	3.0%	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	17.9%	1.9%	1825	1996 | 2016	01.10.1999	PR	SO	100.0%
0	51.7%	1.5%	1920	2000 | 01	01.10.1999	PR	SO	100.0%
255	9.3%	3.0%	1994	2016	01.07.2002	PR	SO	100.0%
55	0.7%	3.8%	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%	2.8%	1966	2000 | 01 | 06	01.01.2000	PR	SO	100.0%
0	0.4%	3.2%	1962	1992 | 2001 | 11	01.10.1999	PR	SO	100.0%
0	0.0%	3.4%	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%	2.9%	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%
653	**4.4%**	**3.1%**						

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	11.8%	2.9%	1914	1997 | 2006 | 11	01.04.2004	PP	SO	100.0%
4	0.5%	4.0%	1969	1998 | 2004 | 06 | 15	31.12.2000	PR	SO	100.0%
0	0.0%	3.3%	1902	1998 | 2005 | 08 | 12	01.04.2004	PP	SO	100.0%
0	0.0%	2.5%	1896	1981 | 82 | 2005 | 16	01.07.2005	PP	SO	100.0%
0	17.6%	2.0%	1930	1984 | 98 | 2015 | 19	01.04.2004	PP	SO	100.0%
100	0.0%	5.8%	1988		01.12.2005	PR	SO	100.0%
152	8.6%	2.8%	2017		01.12.2005	PR	SO	100.0%
227	0.0%	4.8%	1986	2000	01.01.2001	PR	SO	100.0%
89	0.3%	4.4%	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	0.6%	2.5%	1924	1975 | 2002 | 05	01.10.1999	PR	SO	100.0%
0	2.2%	3.1%	1936	2001 | 06	01.04.2004	PP	SO	100.0%
108	10.1%	3.8%	2000		01.09.2014	PR	FA	100.0%
53	0.0%	3.4%	1968	2000 | 11	01.10.1999	PR	SO	100.0%
733	**4.3%**	**3.6%**						

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SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 224 to 225.
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
Bern						
Bern, Bärenplatz 9, 11, 27 / Käfiggässchen 10, 22, 26[6]	649	0	0	0	3 440	3 440
Bern, Bollwerk 15	403	1 215	435	119	161	1 930
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	6 193	0	0	786	6 979
Bern, Kramgasse 49	235	50	173	270	308	801
Bern, Kramgasse 78	241	178	510	0	351	1 039
Bern, Laupenstr. 10	969	1 835	571	0	233	2 639
Bern, Laupenstr. 18/18a	5 436	7 133	1 470	0	804	9 407
Bern, Seilerstr. 8a	1 049	3 645	386	0	569	4 600
Bern, Waisenhausplatz 14	826	1 224	1 772	0	432	3 428
Bern, Zeughausgasse 26/28	629	679	395	1 755	622	3 451
Liebefeld, Waldeggstr. 30[6]	5 532	14 544	0	0	1 276	15 820
Liebefeld, Waldeggstr. 37[6]	5 335	11 103	0	0	805	11 908
Liebefeld, Waldeggstr. 38[6]	11 975	3 368	0	0	506	3 874
Liebefeld, Waldeggstr. 41, 45, 47[6]	7 044	3 398	0	182	676	4 256
Wabern bei Bern, Gurtenbrauerei 10–92	67 099	2 799	749	0	11 003	14 551
Total	**113 674**	**62 672**	**6 701**	**2 870**	**22 357**	**94 600**
Lausanne						
Lausanne, Av. Agassiz 2	757	1 394	0	0	0	1 394
Lausanne, Av. de Cour 135	1 800	2 259	0	262	385	2 906
Lausanne, Av. de Sévelin 40	3 060	1 622	0	0	4 966	6 588
Lausanne, Av. de Sévelin 46	3 320	10 141	0	361	4 743	15 245
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	1 725	0	36	10 478
Lausanne, Rue Centrale 15	486	1 299	543	0	440	2 282
Lausanne, Rue de Sébeillon 1, 3, 5	2 870	7 807	265	0	4 181	12 253
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 Saint-Martin 7	2 087	3 252	1 458	0	158	4 868
Lausanne, Rue du Pont 22	465	1 331	330	295	400	2 356
Total	**31 351**	**48 114**	**8 361**	**2 460**	**23 861**	**82 796**

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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%	1.7%	1694 | 1932		01.01.2019	IS	SO	100.0%
0	0.0%	3.4%	1924	2002	01.10.1999	PR	SO	100.0%
115	0.0%	4.1%	1964	1999 | 2005 | 11	01.10.1999	PR	SO	100.0%
0	0.0%	3.1%	1899	1984 | 2005 | 06	01.04.2004	IS	SO	100.0%
6	0.0%	4.7%	1964 | 76	1995 | 2006 | 09 | 18	01.12.2005	PR	SO	100.0%
0	11.4%	2.4%	1900	2011 | 13	01.04.2004	IS	SO	100.0%
0	10.8%	2.6%	vor 1900	1991 | 92	01.07.2005	PP	SO	100.0%
0	0.0%	3.7%	1965	1997 | 2004 | 11 | 17	01.07.2004	PR	SO	100.0%
7	0.2%	4.1%	1935 | 60	1997 | 2009 | 12	01.07.2004	PR	SO	100.0%
58	0.0%	4.7%	1971	2001	01.10.1999	PR	SO	100.0%
0	15.3%	2.5%	1950	2001	01.10.1999	PR	SO	100.0%
0	0.0%	3.8%	1900	1999	01.04.2004	IS	SO	100.0%
137	5.0%	2.7%	2014		01.01.2019	IS	SO	100.0%
229	3.9%	2.8%	2003		01.01.2019	IS	SO	100.0%
56	0.0%	3.7%	1918	2016	01.01.2019	IS	SO	100.0%
86	0.9%	2.8%	1907 | 12	2008 | 10	01.01.2019	IS	SO	100.0%
72	8.1%	1.4%	1863 | 2016	2016	01.04.2004	IS	SO	100.0%
766	**3.4%**	**3.1%**						

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
9	0.0%	2.7%	1880	2002 | 12 | 15	01.02.2018	PR	SO	100.0%
23	5.5%	3.7%	1973	2001 | 04 | 05	01.10.1999	PR	SO	100.0%
146	26.8%	2.1%	1992		01.12.2005	PR	SO	100.0%
10	13.1%	4.9%	1994		01.12.2005	PR	SO	100.0%
0	0.0%	6.5%	1932	1990 | 2002	01.12.2005	PR	SO	100.0%
8	7.5%	6.0%	1971	1998	01.04.2001	PR	SO	100.0%
63	0.0%	4.6%	1971	1996 | 2014	01.04.2004	IS	BL	100.0%
0	0.0%	3.9%	1957	2000	01.07.2005	PP	SO	100.0%
0	30.5%	1.7%	1913	1989 | 2004	01.10.1999	PR	SO	100.0%
61	0.0%	3.8%	1900	1998 | 2003 | 04	01.04.2001	PR	SO	100.0%
0	0.0%	3.2%	1938	1987 | 2013	01.01.2000	PR	SO	100.0%
61	10.7%	4.7%	1963	1998	01.12.2005	PR	SO	100.0%
221	37.8%	2.0%	n.a.		01.12.2005	PR	SO	100.0%
0	0.2%	1.5%	1910 | 11	1985 | 2001	01.10.1999	PR	SO	100.0%
77	2.3%	1.6%	1962 | 63	1998 | 2002 | 19	31.12.2000	PR	SO	100.0%
0	0.0%	3.6%	1952	2003	01.07.2005	PP	SO	100.0%
679	**8.3%**	**3.3%**						

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SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 224 to 225.
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
Other locations						
Aarau, Bahnhofstr. 18	496	1 380	671	0	43	2 094
Aarau, Bahnhofstr. 29/33	1 375	2 053	1 567	0	625	4 245
Aarau, Igelweid 1	356	280	104	0	184	568
Biel/Bienne, Aarbergstr. 107	5 352	14 313	555	0	3 474	18 342
Biel/Bienne, Bahnhofplatz 2	4 928	7 315	3 441	0	2 032	12 788
Fribourg, Rue de la Banque 4 / Rte d. Alpes	269	879	549	0	104	1 532
Fribourg, Rue de Morat 11-11A-11B-11C	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	1 049	1 626	59	0	0	1 685
Lugano, Via Ginevra 2	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	4 850	5 992	0	12 814	23 656
Solothurn, Gurzelngasse 6	0	519	507	0	0	1 026
Winterthur, Marktgasse 74	351	0	599	0	539	1 138
Winterthur, Untertor 34	146	403	0	92	220	715
Zug, Kolinplatz 2	285	793	119	0	180	1 092
Total	**55 028**	**42 669**	**15 856**	**92**	**26 588**	**85 205**
Sites and development properties[8]						
Basel, Project "Steinentorberg"	2 845	n.a.	n.a.	n.a.	n.a.	n.a.
Genève, Project "Rue du Marché"	798	n.a.	n.a.	n.a.	n.a.	n.a.
Kilchberg, Project "Seestrasse"[9]	3 401	n.a.	n.a.	n.a.	n.a.	n.a.
Köniz, Project "Spiegel"[9]	1 608	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, Project "ATMOS"	10 557	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Project "Bahnhofquai/-platz"	3 379	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Project "P-West"	3 495	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Project "Sihlamtsstrasse"[9]	354	n.a.	n.a.	n.a.	n.a.	n.a.
Zürich, Project "Zurlindenstrasse"[9]	487	n.a.	n.a.	n.a.	n.a.	n.a.
Total	**62 908**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Overall total portfolio	**567 313**	**677 368**	**76 780**	**24 044**	**166 511**	**944 703**

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
11	0.0%	3.9%	1968	2001|02|06	01.01.2000	PR	SO	100.0%
18	0.3%	3.9%	1971	2004|09|10	01.03.2008	PR	SO	100.0%
0	0.0%	4.2%	1945	2000	01.07.2005	PP	SO	100.0%
63	0.1%	4.4%	1994	2018	15.12.2005	PR	SO	100.0%
80	2.6%	5.4%	1928|62	1986|93|2012	01.08.2006	PR	SO	100.0%
3	0.0%	4.1%	1970	2001	01.01.2000	PR	SO	100.0%
21	0.0%	5.8%	1730|1978	2008|15	01.02.2018	PR	SO	100.0%
0	0.0%	5.3%	1908	2003	01.07.2005	PP	SO	100.0%
0	0.0%	6.1%	2013		30.01.2012	PP	BL	100.0%
23	0.9%	3.9%	1977	2000|14	01.02.2018	PP	SO	100.0%
10	0.0%	3.7%	1930|95	2012	01.02.2018	PP	SO	100.0%
0	19.9%	3.2%	1900	1980	01.07.2005	PP	SO	100.0%
43	0.8%	4.9%	1989	2010	01.10.1999	PR	SO	100.0%
21	6.3%	4.3%	1964	1993|95|2009|11	01.01.2000	PR	SO	100.0%
410	13.2%	3.6%	2016		01.01.2004	PP	SO	100.0%
0	0.0%	8.3%	1962	2001	01.07.2005	PP	BL	100.0%
0	6.8%	0.4%	1595	2002|03|14|19	01.07.2005	PP	SO	100.0%
0	6.8%	3.1%	1879	1996|2014	01.04.2004	PP	SO	100.0%
1	0.0%	4.3%	1491	1925|70|2004|09	01.10.1999	PR	SO	100.0%
704	**5.1%**	**4.1%**						
n.a.	n.a.	n.a.	n.a.		01.12.2001	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.		01.10.1999	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.		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.		01.12.2002	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.	n.a.		01.04.2004	PR	SO	100.0%
n.a.	n.a.	n.a.	n.a.		01.10.1999	PR	SO	100.0%
n.a.	**n.a.**	**n.a.**						
6 838	**3.5%**	**3.4%**						

5 BL = Building right
CO = Co-ownership
FA = Freehold apartment
SO = Sole ownership

6 Purchase during reporting period.
7 Own-used property.
8 See details on pages 224 to 225.
9 Current development project designed for sale.

Additional information development projects

Project “Steinentorberg”
Basel, Steinentorberg 8/12

Project description	State of project	Completion
Total renovation	**Under construction** Planned investment sum: approx. CHF 18 million (thereof CHF 5.5 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 31.2 million spent) Sale level: 29%	Mid 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 33 million (thereof CHF 23.1 million spent) Letting level: 100%	Mid of 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 51.9 million spent) Letting level: 100%	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 112 million.	**Under construction (stage 1)** Property Bahnhofplatz 1, Bahnhofquai 9/11/15 Planned investment sum: approx. CHF 55 million (thereof CHF 18.9 million spent) Letting level: 95%	Mid of 2021
	Under construction (stage 2) Property Waisenhausstrasse 2/4, Bahnhofquai 7 Planned investment sum: approx. CHF 45 million (thereof CHF 11.2 million spent) Letting level: 100%	End of 2021
	In planning (stage 3) Construction start: Mid of 2021 Property Bahnhofplatz 2 Planned investment sum: approx. CHF 12 million Letting level: n.a.	Beginning of 2023

Project “P-West”
Zurich, Förrlibuckstrasse 151 (Parking)

Project description	State of project	Completion
Total renovation	**Under construction** Planned investment sum: approx. CHF 5 million (thereof CHF 0.4 million spent) Letting level: 90%	End of 2021

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, Bärenplatz 9, 11, 27 / Käfiggässchen 10, 22, 26	649	0	0
Liebefeld, Waldeggstr. 30[1]	5 532	14 399	0
Liebefeld, Waldeggstr. 37[1]	5 335	11 100	0
Liebefeld, Waldeggstr. 38[1]	11 975	3 230	0
Liebefeld, Waldeggstr. 41, 45, 47[1]	7 044	3 403	0

1 Purchase of properties related to the acquisition of the Carba Immobilien AG.

Property sales

Location	Land area m²	Office area m²	Retail area m²
Fribourg, Route des Arsenaux 41	4 310	8 725	459
Zürich, Bernerstr. Süd 167/169	3 967	10 373	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%
2020	6%	10%
2021	14%	16%
2022	17%	16%
2023	12%	13%
2024	9%	7%
2025	11%	10%
2026	5%	6%
2027	3%	1%
2028	8%	6%
2029	2%	2%
2030+	7%	5%
Total	**100%**	**100%**

Gastronomy area m²	Other area m²	Total rentable area m²	Parking spaces	Purchase date	Selling date
0	3 440	3 440	0	01.01.2019	n.a.
0	1 386	15 785	130	01.01.2019	n.a.
0	850	11 950	229	01.01.2019	n.a.
0	644	3 874	56	01.01.2019	n.a.
182	727	4 312	87	01.01.2019	n.a.

Gastronomy area m²	Other area m²	Total rentable area m²	Parking spaces	Purchase date	Selling date
509	1 208	10 901	143	15.12.2005	06.02.2019
0	1 464	11 837	144	01.10.1999	15.01.2019

Tenant structure

	31 December 2018	31 December 2019
Swisscom	10%	9%
Google	4%	4%
Edmond de Rothschild	2%	2%
Schweizer Post	2%	2%
Bär & Karrer	2%	2%
Next five largest tenants	8%	8%
Other	70%	72%
Total	**100%**	**100%**

The rental income is fully recognised by the segment “Real estate investments”.

Five year review

Key financial figures	Unit	2015	2016	Restated 2017	2018	2019
Rental income	CHF 1 000	275 063	276 316	272 454	279 373	290 460
EPRA like-for-like change	%	0.2	– 1.6	– 1.1	0.9	1.2
Net changes in fair value of real estate investments	CHF 1 000	33 791	– 50 208	83 253	166 692	244 176
Income from property sales (inventories)	CHF 1 000	3 259	14 224	19 614	10 484	12 835
Income from property sales (investment properties)	CHF 1 000	1 374	1 354	627	2 472	14 961
Total other income	CHF 1 000	4 588	6 291	5 043	8 172	7 957
Total operating income	**CHF 1 000**	**318 075**	**247 976**	**380 991**	**467 193**	**570 389**
Total operating expenses	**CHF 1 000**	**– 52 776**	**– 56 970**	**– 55 892**	**– 58 642**	**– 57 426**
Operating profit (ebit)	**CHF 1 000**	**265 298**	**191 006**	**325 729**	**408 551**	**512 963**
Financial results	CHF 1 000	– 29 035	– 26 430	– 24 370	– 21 979	– 19 084
Profit before income taxes	**CHF 1 000**	**236 263**	**164 577**	**301 360**	**386 572**	**493 879**
Income taxes	CHF 1 000	– 48 537	– 29 710	– 43 957	– 78 420	– 40 454
Net income	**CHF 1 000**	**187 726**	**134 867**	**256 890**	**308 152**	**453 425**
Net income excluding gains/losses on real estate investments[1]	**CHF 1 000**	**161 287**	**172 548**	**177 738**	**176 250**	**215 214**
Ebitda excluding gains/losses on real estate investments[1]	**CHF 1 000**	**232 690**	**241 572**	**242 187**	**241 743**	**256 145**
Ebitda margin	%	82.0	81.3	81.5	80.8	82.0
Interest coverage ratio[2]	Factor	8.0	9.1	10.0	11.0	13.4
Cash flow from operating activities	**CHF 1 000**	**183 369**	**205 380**	**173 499**	**207 660**	**241 935**
Cash flow from investing activities	CHF 1 000	– 76 967	– 341 315	– 249 628	– 81 230	– 151 921
Cash flow from financing activities	CHF 1 000	– 109 304	127 705	88 434	– 136 735	– 93 464
Total assets	**CHF 1 000**	**6 791 923**	**7 041 368**	**7 384 243**	**7 619 283**	**8 036 244**
Non-current assets	CHF 1 000	6 665 374	6 950 038	7 138 560	7 418 689	7 925 982
Current assets	CHF 1 000	126 548	91 329	245 683	200 594	110 263
Shareholders' equity	**CHF 1 000**	**3 870 473**	**3 866 754**	**3 988 560**	**4 156 908**	**4 450 220**
Equity ratio	%	57.0	54.9	54.0	54.6	55.4
Return on equity	%	4.9	3.5	6.6	7.6	10.5
Liabilities	**CHF 1 000**	**2 921 450**	**3 174 613**	**3 395 683**	**3 462 376**	**3 586 025**
Non-current liabilities	CHF 1 000	2 564 380	3 088 106	3 337 953	2 778 335	2 944 001
Current liabilities	CHF 1 000	357 070	86 508	57 730	684 041	642 024
Interest-bearing debt	CHF 1 000	1 969 035	2 248 436	2 491 087	2 511 212	2 596 136
Interest-bearing debt in % of total assets	%	29.0	31.9	33.7	33.0	32.3
Interest-bearing debt with fixed interest rates (maturity > 1 year)	%	79.7	96.4	96.0	76.5	76.9
Average interest rate (period)	%	1.70	1.42	1.16	0.94	0.77
Average remaining term to maturity interest-bearing debt	Year	3.4	4.3	3.6	3.0	4.4

Portfolio key figures	Unit	2015	2016	Restated 2017	2018	2019
Number of properties	Number	163	161	157	163	162
Carrying value properties	**CHF 1 000**	**6 223 006**	**6 297 968**	**6 383 901**	**6 778 932**	**7 259 441**
Implied yield, gross[3]	%	4.4	4.3	4.2	4.1	4.0
Implied yield, net[3]	%	3.9	3.6	3.5	3.5	3.4
Vacancy rate (CHF)[3]	%	8.5	9.3	8.2	5.0	3.5
Number of sites and development properties	Number	8	10	12	11	12
Carrying value sites and development properties	**CHF 1 000**	**501 371**	**595 885**	**661 892**	**663 174**	**722 223**

Headcount						
Employees	People	87	90	86	91	94
Full-time equivalents	FTE	81	84	81	86	89

Per share figures						
Earnings per share (EPS)[4]	CHF	4.09	2.94	5.60	6.72	9.89
EPS excluding gains/losses on real estate investments[4]	**CHF**	**3.52**	**3.76**	**3.87**	**3.84**	**4.69**
Distribution per share	**CHF**	**3.30**	**3.35**	**3.40**	**3.50**	**3.60[5]**
Payout-Ratio[6]	%	93.8	89.1	87.5	91.1	76.7
Cash yield[7]	%	3.8	3.8	3.7	3.6	2.7
Net asset value per share (NAV)[8]	**CHF**	**84.38**	**84.30**	**86.96**	**90.63**	**97.02**
Premium to NAV[9]	%	4.3	4.4	6.2	6.9	37.7
NAV per share before deduction of deferred taxes[8]	**CHF**	**100.83**	**100.95**	**104.22**	**109.20**	**115.82**
Premium/discount to NAV before deduction of deferred taxes[9]	CHF	– 12.7	– 12.8	– 11.4	– 11.3	15.3
Share price high	CHF	99.75	99.10	94.50	99.20	133.60
Share price low	CHF	78.25	78.95	85.75	85.95	98.00
Share price end of period	**CHF**	**88.00**	**88.00**	**92.35**	**96.85**	**133.60**
Outstanding shares	Number	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891
Average outstanding shares	Number	45 867 891	45 867 891	45 867 891	45 867 891	45 867 891

1 See definition “Net income excluding gains/losses on real estate investments” on page 91, footnote 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 9 April 2020 for the business year 2019: 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.

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Agenda

Annual General Meeting 2020
9 April 2020, Theater Casino Zug, Zug

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5 May 2020

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10 November 2020

Publication FY 2020
23 February 2021

Annual General Meeting 2021
31 March 2021

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.

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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.

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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.

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