

Press release

PSP and REG: Successful conclusion of merger negotiations

2.19 REG shares for 1 PSP share

Shareholders to vote on 10 May 2004

Zug and Zurich: 5 April 2004 – The two real estate companies, PSP Swiss Property Ltd (PSP) and REG Real Estate Group (REG), both listed on the SWX Swiss Exchange, entered merger negotiations at the end of November 2003. Negotiations were concluded successfully with the signing of the merger agreement on 2 April 2004 after a period of reciprocal due diligence. The Board of Directors propose to the shareholders of PSP and REG a merger based on an exchange ratio of 2.19 REG shares for 1 PSP share. The shareholders of both companies will vote on the merger at the Annual General Meetings to be held on 10 May 2004. The merger creates the by far largest listed real estate company in Switzerland. The portfolio of the “new” PSP consists of prime investment properties as well as attractive development sites, with a clear focus on office and commercial real estate located in the major Swiss economic areas.

The “new” PSP: Leading in Switzerland – attractive also for international investors

With a combined real estate portfolio of approximately CHF 3.9 billion and market capitalisation of approximately CHF 2.0 billion post-merger, the “new” PSP will be the largest listed Swiss real estate company. The increased free float of 86% and the resulting higher liquidity further enhances the attractiveness of the “new” PSP share – also for international investors. The high quality of the investment and development properties with a stable and diversified income base as well as value creation potential form the basis for the future development of the “new” PSP share.

The “new” PSP combines the know how of the merged entities and allows for increased efficiency. The professional risk and finance management is aimed at satisfying the expectations of risk-aware institutional investors with a long-term investment horizon. The “new” PSP’s real estate asset management capabilities provide the basis for an ongoing

optimisation of the investment properties and realisation of the development projects. In addition, the high equity ratio of 54% ensures the financial and strategic flexibility required for a future growth strategy.

Adjusted Net Asset Values as basis of the exchange ratio

The exchange ratio is based on adjusted Net Asset Values per share as of 31 December 2003. The adjustments take into account the value potential of the development properties of both companies, the value of PSP's property management activities, the "mark-to-market" of financial debt as well as deferred taxes. The valuation of the properties was performed by Wüest & Partner using the discounted cash flow valuation methodology and was reviewed for consistency by PSP and REG during their respective due diligence. The Boards of Directors of PSP and REG were provided with Fairness Opinions regarding the exchange ratio by JPMorgan and Deutsche Bank, respectively. Ernst & Young acted as joint merger auditor.

Annual General Meetings on 10 May 2004

The merger agreement was signed by the Board of Directors of both companies on 2 April 2004. The merger requires shareholders' approval during the respective Annual General Meetings. Upon closing PSP will assume all assets and liabilities of REG by way of merger. REG shareholders will receive one PSP share for 2.19 REG shares. Thomas P. Frutig, Chairman of REG, shall join the Board of Directors of PSP.

The due diligence has reinforced the Board of Directors of PSP and REG in their view that both companies' portfolios are highly complementary and that the merger will form the basis for sustainable growth. The Boards of Directors of PSP and REG recommend to their respective shareholders to approve the merger at the Annual General Meeting on 10 May 2004.

Further Information

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