

INTERIM REPORT 1/2000

PSP Swiss Property was founded in October 1999 and floated on the stock exchange in March 2000. The new company offers investors an attractive opportunity to invest in a company that combines focused real estate ownership and real estate asset management. The basis and the future of PSP Swiss Property is the increasing degree of outsourcing in both private and public sectors of the real estate business and ownership to companies specialised in this field.

To ensure a successful future, PSP Swiss Property is realising the following core strategies:

- The expansion of the existing high quality portfolio of commercial property in the economic regions of Switzerland.
- The expansion of the real estate management services for institutional property owners.
- The expansion and further development of applications that have already been successfully applied in the e-commerce area.

The first few months of its existence have already provided evidence of the potential and dynamism within PSP Swiss Property:

- The focused growth strategy has produced an increase of 22% in the real estate portfolio to CHF 1,322.5 million.
- The net profit increased by 209% compared to a corresponding period of last year to CHF 50.2 million.
- The increase in fair market value of real estate investments amounts to CHF 35.8 million over the first semester 2000.

The transition from direct to indirect real estate holdings is only just beginning in Switzerland. Supported by a solid economic expansion, real estate is experiencing a renaissance in the country's economic regions. The future offers opportunities. Our development is consistently in line with these opportunities.

HIGHLIGHTS

(in CHF thousands)

	At December 31, 1999	At June 30, 2000
Real estate investments	1,081,070	1,322,501
Operating profit	31,888 ¹⁾	26,194
Net change in fair value of real estate investments	7,190	35,789
Net profit	32,463 ¹⁾	50,175
(in CHF)		
EPS (weighted, according to IAS)	–	8.93
NAV/share (excl. goodwill)	149.61	159.56
Share price (high)	–	153
Share price (low)	–	144

¹⁾ valid for 12 months

PSP SWISS PROPERTY CONSOLIDATED INCOME STATEMENTS

(in CHF thousands)

	Year ended December 31, 1999 ¹⁾			Six months ended June 30, 2000		
	Management Services	Investments	Total Group	Management Services	Investments	Total Group
Operating income						
Rental income		64,917	64,917		39,045	39,045
Income from property sales					-68	-24
Income from management services	27,926		25,545	15,887		14,334
Total operating income	27,926	64,917	90,462	15,887	38,977	53,355
Operating expenses						
Real estate operating expenses		-5,935	-3,554		-3,927	-2,418
Real estate maintenance and renovation expenses		-5,627	-5,627		-2,116	-2,116
Personnel expenses	-16,407	-2,344	-18,751	-8,767	-884	-9,651
General and administrative expenses	-6,026	-2,400	-8,426	-3,016	-996	-4,012
Start-up and organisational expenses	-300	-7,348	-7,648	-218	-1,450	-1,668
Fees to subcontractors	-3,487		-3,487	-1,508		-1,508
Depreciation	-975		-975	-414		-414
Net financial expenses	232	-10,338	-10,106	422	-5,796	-5,374
Total operating expenses	-26,963	-33,992	-58,574	-13,501	-15,169	-27,161
Operating profit	963	30,925	31,888	2,386	23,808	26,194
Net change in fair value of real estate investments		7,190	7,190		35,789	35,789
Profit before tax	963	38,115	39,078	2,386	59,597	61,983
Taxes	-268	-6,347	-6,615	-622	-11,186	-11,808
Net profit	695	31,768	32,463	1,764	48,411	50,175

¹⁾ historical combined, restated

PSP SWISS PROPERTY CONSOLIDATED BALANCE SHEETS

(in CHF thousands)

	At December 31, 1999 ¹⁾	At June 30, 2000
Assets		
Real estate investments	1,081,070	1,322,501
Furniture, fixtures and equipment	3,545	3,500
Deferred tax assets	2,116	2,061
Total non-current assets	1,086,731	1,328,062
Accounts receivable	15,603	8,271
Other assets	720	251
Cash and cash equivalents	7,645	7,076
Total currents assets	23,968	15,598
Total assets	1,110,699	1,343,660
Shareholders' equity and liabilities		
Total shareholders' equity	748,067	944,056
Long-term debt	235,000	200,000
Bonds		50,000
Pension liabilities	8,465	8,245
Deferred tax liabilities	1,863	9,733
Total non-current liabilities	245,328	267,978
Accounts payable	13,213	13,322
Short-term debt	100,000	105,000
Other liabilities	4,091	13,304
Total current liabilities	117,304	131,626
Total shareholders' equity and liabilities	1,110,699	1,343,660

¹⁾ actual figures as well as historical combined,
restated

PSP SWISS PROPERTY CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

(in CHF thousands)

	Year ended December 31, 1999 ¹⁾	Six months ended June 30, 2000
Net cash flow from operating activities	19,943	44,136
Net cash flow from investment activities	-3,603	-206,011
Net cash flow from financing activities	-21,610	161,306
Decrease in cash and cash equivalents	5,270	569

¹⁾ historical combined, restated

PSP SWISS PROPERTY STATEMENTS OF SHAREHOLDERS' EQUITY

(in CHF thousands)

	At December 31, 1999 ¹⁾	At June 30, 2000
Shareholders' equity		
Balance – beginning of the year	0	748,067
Capital increase incl. paid-in capital	767,947	141,306
Goodwill PSP Management Ltd	-23,006	
Fair value of hedges	-748	4,508
Net profit	3,874	50,175
Balance – end of period	748,067 ²⁾	944,056

¹⁾ actual figures

²⁾ actual figure as well as historical combined, restated

Notes to the PSP Swiss Property interim financial statements for the six months ended June 30, 2000

1. Basis of preparation

The unaudited interim financial statements for the six months ended June 30, 2000 have been prepared in accordance with the accounting policies set out in the IPO Prospectus and International Accounting Standard (IAS) No. 34 on Interim Financial Reporting. There are however no comparable figures for the corresponding period in 1999.

2. Changes to the accounting policy described in the Prospectus

The following significant adjustments have been made to the audited historical combined figures since the Initial Public Offering on March 6, 2000.

Pension obligations

The Group has adopted IAS 19 (revised) based on valuations of qualified actuaries as per January 1, 1997 as presented in the IPO Prospectus. For the interim financial statements the actuarial valuations have been revalued to the effective starting year (January 1, 1999) of the Group's business using the same actuarial assumptions. Pension liabilities of CHF 8.5 million were charged against equity as per December 31, 1999, compared to CHF 1.7 million in the historical combined

figures. This change has effects on personnel cost, deferred taxes and goodwill calculation.

3. Changes in accounting policy

Adoption of IAS 39

PSP Swiss Property adopted IAS 39, Financial Instruments, on January 1, 2000. The Group borrows substantially at variable rates and uses interest rate swaps as cash flow hedges, effectively converting borrowings from floating to fixed rates. The Group used no other financial instruments falling under the rules of IAS 39.

A loss of CHF 0.8 million as per December 31, 1999 and a cumulative gain of CHF 3.8 million as per June 30, 2000 were directly recorded in shareholders' equity to recognise at fair value all derivatives that are designated as fair value hedging instruments.

Initial public offering

The first half of 2000 saw the listing of PSP Swiss Property Ltd on the stock exchange with an initial public offering of shares. After several months of intensive preparations, the IPO was officially announced in the media on February 22. After closing of the bookbuilding process, 3,086,963 shares had been placed with domestic and foreign investors at a price of CHF 151. Trading in PSP Swiss Property shares commenced on the SWX Swiss Exchange on March 7, 2000.

Property purchase and capital increase

Prior to the initial public offering, PSP Swiss Property Ltd had already agreed to purchase 14 properties from PubliGroupe at a price of CHF 202.5 million. On February 28 PubliGroupe subscribed the capital increase of CHF 141.3 million made to finance this purchase and, together with the Zurich Financial Services Group, participated as selling shareholder in the public offering. These two shareholders now own shares of 7.4% and 40.4% respectively in PSP Swiss Property Ltd. Following the capital increase, the share capital amounts to CHF 591.7 million, divided into 5,916,680 registered shares with a par value of CHF 100 each.

Increasing demand for commercial space

Demand for commercial space in large Swiss cities and their immediate surroundings increased in the period under review. This is most apparent in the cities of Zurich and Geneva where the rent per square meter continued to increase as did the demand for larger rental premises with more than 2,000 square meters. The cities of Berne, Basel and Zug also showed a slight positive development, with an increasing demand for space to be rented. The prices for very good locations also increased slightly to moderately over the period.

In Lausanne and the other cities, there was no noticeable upswing. Demand and prices were stable.

Positive development in real estate investments

The rental income rose by 20% compared to a corresponding period of last year to CHF 39 million. This is mainly due to the inclusion of the PubliGroupe portfolio, the economic benefit of which has accrued to PSP Real Estate Ltd since January 1, 2000. The direct real estate costs increased by 5%, and the general costs decreased by 45%, mainly due to lower organisational expenses. As a result, the operating profit rose by 54% compared to a corresponding period of last year to CHF 23.8 million. The valuation of real estate holdings as per mid-year shows an increase of CHF 35.8 million. Real estate valuations are established every six months by CB Richard Ellis, a valuation company that operates worldwide. The vacancy rate for the entire own portfolio could be reduced from 3.1% as per end of 1999 to 2.9% as per June 30, 2000. The Rue du Prince property in Geneva, purchased from PubliGroupe, has 1,900 square meters of vacant space since PubliGroupe moved out. It is currently being extensively renovated and will be let at market prices as from January 1, 2001. The entire Rue du Mt Blanc property in Geneva was let according to schedule on July 1, 2000 after having been completely renovated in 1999/2000.

The property in Boswil, which is located in a rather unfavourable economic region, was sold with a small book loss. Preparations are underway to sell properties worth a total of CHF 100 million that do not fit with our core strategy. We are also looking at numerous properties currently on the market.

Growing income from real estate management services

The income from management services rose by 14% compared to a corresponding period of last year to CHF 15.9 million, which is primarily attributable to the increase of the PSP Real Estate Ltd portfolio. The rental income on the entire portfolio of managed properties increased due to the renewal of existing leases or re-letting at market prices and the successful reduction of vacancies, which also contributed

to higher fee income. The vacancy rate, measured on the basis of the gross potential income, declined in the first half of 2000 by 7.4% to 2.6% as per June 30, 2000.

While costs remained stable the operating profit increased by 396% compared to a corresponding period of last year to CHF 2.4 million.

In our construction services business, we concluded 23 new construction management contracts and mandates to represent property owners. Ten of them were for our own properties. The construction costs for all new projects are CHF 28 million. At a cost of CHF 4.5 million, the Rue du Prince renovation in Geneva is actually the largest project.

Two new IT systems for the construction business were implemented in the first half of the year. One is a modern construction administration system and the other enables us to make a quick and efficient analysis of a building's condition and estimation of the renovation costs of residential properties.

In the information technology area, we have benefited from the successful application of internet solutions and e-commerce to optimise the services we provide and we will continue to develop these further in the future.

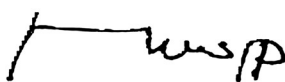
In the logistics area, the second quarter saw the start of a comprehensive new development in the field of real estate management software. This project will be realised over a period of two and a half years in cooperation with three other large management companies.

Outlook

We are confident that we will be able to make a number of additional real estate acquisitions in the second half of the year, which, however, will only be reflected in the results for the next financial year. For the current financial year, we can expect continuing growth in operating results from ongoing business. The net profit will, however, be influenced by the revaluation of properties at the end of the year and we cannot rely on achieving the same rate of growth.

Yours sincerely

PSP Swiss Property Ltd



Dr. Theodor M. Tschopp
Chairman



Fritz Jörg
Chief Executive Officer

Investor Relations

Felix Fischer/Vasco Cecchini
PSP Swiss Property Group
Feldeggstrasse 5
8157 Glattbrugg
Tel.: ++41/(0)1-625 57 57
Fax: ++41/(0)1-625 58 58
Mail: felix.fischer@psp-swissproperty.ch
vasco.cecchini@psp-swissproperty.ch
www.psp-swissproperty.ch